FINANCE AND HUMAN RESOURCES COMMITTEE

August 11, 2020 - 3:30 PM
In an effort to prevent the spread of COVID-19 and in accordance with Governor Newsom's Executive Order N-25-20 and N-29-20, this meeting is being conducted via teleconference.

There will be no public location for attending this meeting in person. Members of the public may listen and provide public comment telephonically.

Anyone wishing to join the meeting may do so using the following information:
DIAL: 1-209-425-5876 and enter CONFERENCE ID: 212 096 821#
You may also join by clicking HERE to connect and participate in the Microsoft Team Meeting
31111 Greenspot Road, Highland, CA 92346

AGENDA

CALL TO ORDER
PLEDGE OF ALLEGIANCE
PUBLIC COMMENTS
NEW BUSINESS
1. Approve the January 24, 2020 Finance and Human Resources Committee Meeting Minutes
2. Review Revision to the District's Debt Management Policy 7.3
4. Review EVWD Financing Authority Resolution 2020.01 Authorizing and Approving Refunding of the 2010 and 2013 Revenue Bonds

ADJOURN

PLEASE NOTE:

Pursuant to Government Code Section 54954.2(a), any request for a disability-related modification or accommodation, including auxiliary aids or services, that is sought in order to participate in the above-agendized public meeting should be directed to the District Clerk at (909) 885-4900 at least 72 hours prior to said meeting.
Ms. Koide called the meeting to order at 3:30 p.m. and Ms. Hendricksen led the flag salute.

PRESENT: Directors: Coats, Morales

ABSENT: None

STAFF: Justine Hendricksen, District Clerk; Christi Koide, Senior Administrative Assistant

GUEST(s): Members of the public

PUBLIC COMMENTS

The Senior Administrative Assistant declared the public participation section of the meeting open at 3:32 p.m.

There being no written or verbal comments, the public participation section was closed.

REVIEW BOARD OF DIRECTORS HANDBOOK AND POLICIES

The District Clerk reviewed the following updates discussed during the last Committee meeting: Roles of the Chair and Vice Chair of the Board of Directors-selected for a 2-year term; Representing an Official District Position-outside agency/organization meetings; Enforcement-reassignment of committee positions and disciplinary action for Board members; Board Meeting Protocol-Board of Directors Report; and compensation for Board of Directors-Meeting stipend.

Directors Coats and Morales recommended that the revised Board of Directors Handbook and Policies be taken to the full Board for approval.

Information only.
APPROVE THE MARCH 12, JUNE 18, JULY 9, OCTOBER 1, NOVEMBER 4, AND DECEMBER 2, 2019 FINANCE AND HUMAN RESOURCES COMMITTEE MEETING MINUTES

M/S/C (Coats-Morales) to approve the March 12, June 18, July 9, October 1, November 4, and December 2, 2019 Finance and Human Resources Committee meeting minutes, by means of necessity as submitted.

ADJOURN

The meeting adjourned at 3:46 p.m.

James Morales, Jr.                              Phillip R. Goodrich
Governing Board Member                        Governing Board Member
To: FINANCE AND HUMAN RESOURCES COMMITTEE
From: Chief Financial Officer
Subject: Review Revision to the District's Debt Management Policy 7.3

RECOMMENDATION:

Staff recommends that the Finance and Human Resources Committee (Committee) review revision to the District’s Debt Management Policy 7.3.

BACKGROUND / ANALYSIS:

In preparation for the potential refunding of the District’s 2010 and 2013 Revenue Bonds, our financial consultants and bond counsel have recommended revisions to the District’s Debt Management Policy in order to incorporate recent amendments to Rule 15c2-12 of the Securities and Exchange Act of 1934.

The SEC amendments add two events, to the existing list of 14 events, for which municipal securities issuers (such as EVWD) must notify investors within 10 business days if the events occur:

- Event 15 – incurrence of a new financial obligation, agreement to covenants, or events of default, remedies, priority rights or other events which could affect securities, holders;
- Event 16 – default, events of acceleration, termination, modification of terms or other similar events which may reflect financial difficulties.

Using EVWD to give an example of the impact of these changes, the District’s bond holders now have the right to be notified if there are material transactions or events related to the District’s debt that is not publicly traded including, but not limited to, state loans, bank loans, and inter-agency loans.

Prior to the rule changes, if the District signed a new bank loan, or defaulted on one of its SRF loans, District bondholders would most likely have found out when the District’s audited financial statements were issued after the end of the fiscal year. Under the amended rules, bondholders will have to be notified of such events within 10 business days, by posting the event on the Municipal Securities Rulemaking Board’s EMMA website.

It is important that the District adopt the recommended revisions to the Debt Management Policy to assure potential investors in the District’s bonds that the District is aware of, and intends to comply with, the additional notification requirements under Rule 15c2-12.
AGENCY GOALS AND OBJECTIVES:

Goal and Objectives II - Maintain a Commitment to Sustainability, Transparency, and Accountability

a) Practice Transparent and Accountable Fiscal Management

REVIEW BY OTHERS:

This agenda item has been reviewed by the District’s Financial Advisors, Bond Counsel, and the District’s General Counsel.

FISCAL IMPACT

There is no fiscal impact associated with this agenda item.

ATTACHMENTS:

<table>
<thead>
<tr>
<th>Description</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Management Policy 7.3</td>
<td>Backup Material</td>
</tr>
</tbody>
</table>
Purpose

The purpose of this Debt Management Policy is to establish guidelines for the issuance and management of District debt, and to provide guidance for decision makers with respect to options available for financing infrastructure, and other capital projects, so that the most prudent, equitable, and cost effective financing can be chosen.

This policy documents the objectives to be achieved by staff both prior to, and subsequent to, issuance of debt, and is designed to promote objectivity in the decision making process, and to facilitate the financing process by establishing important policy decisions in advance.

Goals

It is a goal of the District to provide for the infrastructure and capital project needs of its ratepayers, financing those capital project needs from a combination of current revenues, available reserves, and prudently issued debt.

Debt is an equitable means of financing projects and represents an important means of providing for the infrastructure and project needs of the District's customers. Debt will be used to finance projects if:

- Debt is issued and managed prudently;
- Debt enables the District to maintain a sound fiscal position;
- Issuing the debt will not negatively impact the District’s credit rating;
- The District’s goal of equitable treatment of all customers, both current and future, would be met;
- It is the most cost-effective means available to the District; and
- It is fiscally responsible under the prevailing economic conditions.
Budget Integration

Issuance of debt may only be utilized to finance a capital project(s). Debt proceeds are not to be used to fund operating expenses. The decision to incur new indebtedness should be integrated with the Board-adopted annual Operating Budget and Capital Improvement Program (CIP) Budget. Issuance of debt for a capital project will not be considered unless such project has been incorporated into the District’s CIP, or is otherwise approved by the Board of Directors (Board).

Annual debt service payments shall be included in the Operating Budget.

Standards for Use of Debt Financing

When appropriate, the District will use long-term debt financing to:

- Achieve an equitable allocation of capital costs / charges between current and future system users
- Provide more manageable rates in the near and medium term
- Minimize rate volatility

For growth-related projects, debt financing will be utilized, as needed, to better match the cost of anticipated facility needs with timing of expected new connections to the system and spread the costs evenly over time. Capacity / Connection Fees will be maintained at a level sufficient to finance a portion of growth-related capital costs and cover related annual debt service requirements.

The District shall not construct or acquire a facility if it is unable to adequately provide for the subsequent annual operation and maintenance costs of the facility throughout its expected life.

Capital projects financed through debt issuance will not be financed for a term longer than the expected useful life of the project.
Methods of Financing

The Finance Department will investigate all possible project financing alternatives including, but not limited to, annual operating revenue, reserves, bonds, loans, and grants. When applicable, capacity fees collected from developers will be used to pay for increased capital costs resulting from new development.

The District may legally issue both short term and long-term financing using the debt instruments described below.

1. **Cash Funding** - The District funds a significant portion of capital improvements on a pay-as-you-go basis. Sources for pay-as-you-go may include appropriations from annual operating revenue, reserves, and grants.

2. **Inter-fund Borrowing** - The District may borrow internally from other funds with temporarily surplus cash to meet short term needs in lieu of issuing debt. Purposes for such could include short term cash flow imbalances due to grant terms (i.e., the need to incur costs prior to reimbursement) and interim financing pending the issuance of long-term debt. The District funds from which the money is borrowed shall be repaid with interest, accruing quarterly based upon the apportionment rate set by the State of California Local Agency Investment Fund (LAIF). To the extent any inter-fund borrowing is undertaken in anticipation of long-term financing, the District shall adopt a Resolution of its intention to repay such funds out of tax-exempt debt proceeds so as to meet the requirement of federal tax law for such borrowing.

3. **Line of Credit** - The District may consider a line of credit as a short-term borrowing option. The Chief Financial Officer (CFO) shall determine when it is prudent to recommend that the District enter into an agreement with a commercial bank or other financial institution, for the purpose of acquiring a line of letter of credit.

4. **Capital Lease Debt** - A lease purchase obligation placed with a lender without the issuance of securities may be used to finance certain equipment purchases if the aggregate cost of the equipment exceeds $50,000 and the terms of financing are cost-effective. The term of a capital lease must be at least five years, and shall not exceed the useful life of the equipment or ten years, whichever is shorter.
5. **State Revolving Fund Loans** - The State Revolving Fund (SRF) is a low or zero interest loan program generally for the construction of water and wastewater infrastructure projects. The SRF loan interest rate is typically calculated by taking half of the True Interest Cost (TIC) of the most recent State of California General Obligation Bonds sale. The repayment term of the loans ranges from 20 to 30 years.

6. **Certificates of Participation** - The District may issue Certificates of Participation (COP) which provide financing through a lease, installment sale agreement, or contract of indebtedness and typically do not require voter approval. Board action is legally sufficient to authorize a COP issue, and District revenues are pledged for repayment of COPs under terms specified in the indenture.

7. **JPA Revenue Bonds** - The District may obtain financing through the issuance of debt under a joint exercise of powers agreement (East Valley Water District Financing Authority) with such debt payable from amounts paid by the District under a lease, installment sale agreement, or contract of indebtedness.

8. **Refunding Revenue Bonds** - The District may issue refunding revenue bonds to refund District indebtedness pursuant to the State of California local agency refunding revenue bond law (Title 5 of the California Government Code)

**Financing Team - Roles and Responsibilities**

The primary responsibility for developing debt financing recommendations rests with the CFO. In developing such recommendations, the CFO shall consider the need for debt financing and assess progress on the current capital improvement program (CIP). The CFO will present all proposed debt financings to the Board, which has sole authority to approve the issuance of debt.

1. **Bond Counsel** - The District will retain external bond counsel for all debt issues. Bond counsel will prepare the necessary authorizing resolutions, agreements and other documents necessary to execute the financing. All debt issued by the District will include a written opinion by bond counsel affirming that the District is authorized to issue the debt, stating that the District has met all state constitutional and statutory requirements necessary for issuance, and determining the debt's federal income tax status.
2. Financial Advisors - The District will utilize the services of independent financial advisors when deemed prudent by the CFO. Services and compensation caps shall be defined by contract. The primary responsibilities of the financial advisor are to advise and assist on bond document negotiations, transaction structuring including advising on call provision options and timing of issuance, running debt service cash flow analysis’, assistance in obtaining ratings on the proposed issuance, and generally acting as an independent financial consultant and economic market expert.

3. Underwriters - For negotiated sales, the District will generally select or pre-qualify underwriters through a competitive process. This process may include a request for proposal or qualifications to firms considered appropriate for the underwriting of a particular issue or type of bonds. The Chief Financial Officer, with the concurrence of the General Manager/CEO, will determine the appropriate method to evaluate the underwriter submittals and then select or qualify firms on that basis. The District will not be bound by the terms and conditions of any underwriting agreements; oral or written, to which it was not a party.

Structure and Term

1. Term of Debt - Debt will be structured for the shortest period possible, consistent with a fair allocation of costs to current and future users. The standard term of long-term debt borrowing is 10 to 30 years. Consistent with its philosophy of keeping capital facilities and infrastructure systems in good condition and maximizing a capital assets useful life, the District will budget to set aside operating revenue to finance ongoing maintenance and to provide reserves for rehabilitation and replacement. No debt will be issued for periods exceeding the useful life of projects to be financed.

2. Debt Repayment - In structuring a bond issue, the District will manage the amortization of the debt and, to the extent possible, match its cash flow to the anticipated debt service payments. In addition, the District will seek to structure debt with aggregate level debt service payment over the life of the debt.

A non-level debt service structure will be considered if it is beneficial to the District’s overall debt payment schedule, or if such structuring will allow debt service to more closely match project revenues during the early years of a project’s operation.
3. **Interest Rate Structure** - The District currently issues long-term debt on a fixed interest rate basis only. Fixed rate securities ensure budget certainty through the life of the issue and avoid the volatility of variable rates.

4. **Credit Enhancement** - The District will consider the use of credit enhancement on a case-by-case basis. Types of credit enhancement include letters of credit, bond insurance, and surety policies. Only when clearly demonstrable savings can be realized shall credit enhancement be utilized.

5. **Debt Service Reserve Funds** - Debt service reserve funds are held by the Trustee to make principal and interest payments to bondholders in the event that pledged revenues are insufficient to do so. The District will fund debt service reserve funds when it is in the District’s overall best financial interest.

   In lieu of holding a cash funded reserve, the District may substitute a surety bond or other credit instrument in its place. Additionally, the District may decide not to utilize a reserve fund if the District’s financing team determines there would be no adverse impact to the District credit rating or interest rates.

6. **Call Provisions** - In general, the District’s securities should include optional call provisions. The District will avoid the sale of non-callable, long-term fixed rate bonds, absent careful evaluation of the value of the call option.

7. **Debt Limits** - There is no specific provision within the California Government Code that limits the amount of debt that may be issued by the District. The District’s borrowing capability is limited by the additional bonds test and debt coverage ratio required by the existing bond covenants. The District will be mindful of its overall debt burden in the context of its revenues, expenses, reserves, and overall financial health.

8. **Refunding** - Current and advance refunding are important debt management tools for the District. They are commonly used to achieve debt service (interest cost) savings, remove or change bond covenants, or restructure debt service obligations. Since the Federal Tax law allows only one advance refunding after the initial issuance, careful planning and timing must be used when reviewing an advance refunding.
To the extent that debt having fixed interest rates originally structured with a long-term amortization structure (ten years or greater) is refunded with fixed rate debt, the District will not generally issue refunding debt which extends beyond the final maturity of the refinanced debt. Extending the final maturity may occur when warranted, such as restructuring of debt to match debt amortization with the useful life of the financed assets.

**Method of Issuance and Sale**

The District will select the method of sale, which best fits the type of bonds being sold, market conditions, and the desire to structure bond maturities to enhance the overall performance of the entire debt portfolio. Three general methods exist for the sale of municipal bonds:

1. **Competitive Sale** - Bonds will be marketed to a wide audience of investment banking (underwriting) firms. The underwriter is selected based on its best bid for its securities. The District will award the sale of the competitively sold bonds on a true interest cost (TIC) basis. Pursuant to this policy, the General Manager/CEO, is hereby authorized to sign the bid form on behalf of the District, fixing the interest rates on bonds sold on a competitive basis.

2. **Negotiated Sale** - In a negotiated sale, the underwriter or underwriting syndicate is selected through a Request for Proposal (RFP) process. The interest rate and the underwriter’s fee are negotiated prior to the sale, based on market conditions. The underwriter will actively assist the District in structuring the financing and marketing of bonds including providing assistance in preparing the bond offering circular.

3. **Private Placement** - The District may elect to issue debt on a private placement basis. Such method may be considered if it is demonstrated to result in cost savings or provide other advantages relative to other methods of debt issuance, or if it is determined that access to the public market is unavailable and timing considerations require that financing be completed.
Creditworthiness Objectives

Ratings are a reflection of the fiscal soundness of the District and the capabilities of its management. Typically, the higher the credit ratings are, the lower the interest cost on the District’s debt issues. To enhance creditworthiness, the District is committed to prudent financial management, systematic capital planning, and long-term financial planning. The District recognizes that external economic, natural, and other events may affect the creditworthiness of its debt.

The District’s most recent bond issues have been assessed by the nationally recognized rating agencies Standard and Poor’s, and Fitch Ratings. When issuing a credit rating, rating agencies consider various factors including but not limited to:

- District’s fiscal status
- District management capabilities
- Economic conditions that may impact the stability and reliability of debt repayment sources
- District reserve levels
- District debt history and current debt structure
- Projects being financed

Post Issuance Administration / Internal Control

1. **Investment of Proceeds** - The proceeds of bond sales will be invested until used for the intended project(s) in order to maximize utilization of the public funds. The investments will be made to obtain the highest level of 1) safety, 2) liquidity, and 3) yield, and may be held as cash. The District’s investment guidelines and bond indentures will govern objectives and criteria for investment of bond proceeds. The Finance Department will oversee the investment of bond proceeds in a manner to avoid, if possible, and minimize any potential negative arbitrage over the life of the bond issuance, while complying with arbitrage and tax provisions.

2. **Use of Proceeds** - Bond proceeds will be deposited and recorded in separate accounts to ensure funds are not comingled with other District funds. The District’s
Trustee will administer the disbursement of bond proceeds pursuant to each certain Indenture of Trust or Fiscal Agent Agreement, respectively. To ensure proceeds from bond sales are used in accordance with legal and tax requirements, invoices are submitted by the Engineering Department and approved by the Finance Department and General Manager/CEO for payment. Requisition for the disbursement of bond funds will be approved by the District’s CFO.

The Finance Department will be tasked with monitoring the expenditure of bond proceeds to ensure they are used only for the purpose and authority for which the bonds were issued and exercising best efforts to spend bond proceeds in such a manner that the District will meet one of the spend-down exemptions from arbitrage rebate. Tax-exempt bonds will not be issued unless it can be demonstrated that 85% of the proceeds can reasonably be expected to be expended within the three-year temporary period.

3. **Arbitrage Compliance** - The use of bond proceeds and their investments must be monitored to ensure compliance with all Internal Revenue Code Arbitrage Rebate Requirements. The CFO shall ensure that all bond proceeds and investments are tracked in a manner which facilitates accurate calculation; and, if a rebate payment is due, such payment is made in a timely manner.

4. **Compliance with Bond Covenants** - The District is responsible for verifying compliance with all undertakings, covenants, and agreements of each debt issue on an ongoing basis. This typically includes ensuring:

   - Annual appropriations of revenues to meet debt service payments
   - Timely transfer of debt service payments to the Trustee
   - Compliance with insurance requirements
   - Compliance with rate covenants

The District shall comply with all covenants and conditions contained in the governing law and any legal documents entered into at the time of the bond offering or signing of agreements. The CFO or designee will coordinate verification and monitoring of covenant compliance.
5. **Rating Agency Communication** - The CFO shall be responsible for maintaining the District's relationships with S&P Global Ratings-Standard & Poor's Ratings Services, Fitch Ratings and/or Moody's Investment Service. In addition to general communication, the CFO shall meet with credit analysts prior to each competitive sale and offer conference calls with the District financing team in connection with the planned sale.

6. **Board Communication** - The CFO will report to the Board of Directors any feedback from rating agencies and/or investors regarding the District's financial strengths and weaknesses and recommendations for addressing any weaknesses.

7. **Continuing Disclosure** - The District shall remain in compliance with Rule 15c2-12 by filing its annual financial statements and other financial and operating data for the benefit of its bondholders by December 31st of each year. The CFO will ensure the District's timely filing with each Nationally Recognized Municipal Securities Information Repository.

The CFO and/or the District’s general counsel, with the assistance of Bond Counsel, will provide written notice to the Board of any receipt by the District of any default, event of acceleration, termination event, modification of terms (only if material or may reflect financial difficulties), or other similar events (collectively, a “Potentially Reportable Event”) under any agreement or obligation to which the District is a party and which may be a “financial obligation” as discussed below. Such written notice should be provided by the CFO and/or the District’s general counsel to the Board as soon as the CFO is placed on written notice by District staff, consultants, or external parties of such event or receives written notice of such event. The CFO, with the assistance of bond and disclosure counsel, will determine and notify the Board whether notice of such Potentially Reportable Event is required to be filed on EMMA pursuant to the disclosure requirements of SEC Rule 15c2-12 (the “Rule”). If filing on EMMA is required, the filing is due within 10 business days of such Potentially Reportable Event to comply with the continuing disclosure undertaking for the various debt obligations of the District.

The CFO and/or the District’s general counsel, with the assistance of Bond Counsel, will report to the Board regarding the execution by the District of any agreement or other obligation which might constitute a “financial obligation” for purposes of Rule 15c2-12. Amendments to existing District agreements or obligations with “financial
obligation” which relate to covenants, events of default, remedies, priority rights, or other similar terms should be reported to the Board as well as soon as the CFO is placed on written notice by District staff, consultants, or external parties of such event or receives a written notice of such amendment requests. The CFO will determine, with the assistance of bond and disclosure counsel, whether such agreement or other obligation constitutes a material “financial obligation” for purposes of Rule 15c2-12. If such agreement or other obligation is determined to be a material “financial obligation” or a material amendment to a “financial obligation” described above, notice thereof would be required to be filed on EMMA within 10 business days of execution or incurrence. The types of agreements or other obligations which could constitute “financial obligations” and which could need to be reported on EMMA include:

1. Bank loans or other obligations which are privately placed;
2. State or federal loans;
3. Commercial paper or other short-term indebtedness for which no offering document has been filed on EMMA;
4. Letters of credit, surety policies or other credit enhancement with respect to the District’s publicly offered Debt;
5. Letters of credit, including letters of credit which are provided to third parties to secure the District’s obligation to pay or perform (an example of this is a standby letter of credit delivered to secure the District’s obligations for performance under a mitigation agreement);
6. Capital leases for property, facilities, fleet or equipment; and
7. Agreements which guarantee the payment or performance obligations of a third party (regardless of whether the agreements constitute guarantees under California law);
8. License agreements.

Types of agreements which could be a “financial obligation” under the Rule include:

1. Payment agreements which obligate the District to pay a share of another public agency’s debt service (for example, an agreement with a joint powers agency whereby the District agrees to pay a share of the joint powers agency’s bonds, notes or other obligations); and
2. Service contracts with a public agency or a private party pursuant to which the District is obligated to pay a share of such public agency or private
party’s debt service obligation (for example, certain types of P3 arrangements).

Types of agreements which may be a “financial obligation” subject to the Rule include:

- Any agreement the payments under which are not characterized as an operation and maintenance expenses for accounting purposes if such agreement could be characterized as the borrowing of money.

The CFO will continue to work with bond and disclosure counsel to refine the definition of financial obligation going forward based on future SEC guidance.

7-8. Record Retention - A copy of all debt-related records shall be retained at the District’s offices. At minimum, these records shall include all official statements, bid documents, bond documents / transcripts, resolutions, trustee statements, leases, and title reports for each District financing (to the extent available). Electronic copies - preferably in pdf or CD-ROM format - shall also be retained.

9. State Reporting Requirements - Pursuant to Government Code section 8855(k), the District will submit annual debt transparency reports for any debt for which it has submitted a report of final sale on or after January 21, 2017 every year until the later date on which the debt is no longer outstanding and the proceeds have been fully spent.

The District shall also comply with Government Code Section 5852.1 by disclosing specified good faith estimates in a public meeting prior to the authorization of the issuance of debt.

Board Discretion

This policy was drafted with the intent of providing East Valley Water District’s Board-approved guidelines to management and staff for decisions and recommendations related to capital financing by the District, and to support the District’s debt obligations to present and future generations of ratepayers.

This policy is ultimately intended to serve as a guide and it in no way restricts the ability of the East Valley Water District Board to review proposed rate actions, debt issuances, or other actions of substance to the District. The Board maintains authorization to waive
elements of the policy in connection with individual financings at its discretion. This policy shall be reviewed during the third quarter of each odd fiscal year.

Revised: March 8, 2017
STAFF REPORT

Agenda Item #3.
Meeting Date: August 11, 2020
Discussion Item

To: FINANCE AND HUMAN RESOURCES COMMITTEE
From: Chief Financial Officer

Subject: Review EVWD Resolution 2020.20 Authorizing and Approving the Issuance of 2020 Refunding Revenue Bonds, Series A and B

RECOMMENDATION:

Staff recommends that the Finance and Human Resources Committee (Committee) review Resolution 2020.20, including Exhibits A through G, Authorizing and Approving the Issuance of 2020 Refunding Revenue Bonds, and Authorizing Agreements that will facilitate the Sale of the 2020 Bonds.

BACKGROUND / ANALYSIS:

At the March 11, 2020 regular board meeting, Robert Porr from Fieldman, Rolapp & Associates financial advisors gave a presentation about the opportunity for the District to realize significant interest savings by refinancing the 2010 and 2013 Revenue Bonds issued by the East Valley Water District Financing Authority. The numbers presented by Mr. Porr were from late February and showed that annual savings could exceed $300,000. However, in March the impending COVID pandemic was starting to have a negative impact on the municipal bond markets. In spite of the downturn, the Board directed staff to work with the District’s financing team to create the bond documents needed for a refinancing given the likelihood that confidence in the municipal bond markets would return in the summer. That has happened, with potential annual interest savings again exceeding $300,000, and the District is now prepared to move forward with refinancing of the 2010 and 2013 bonds.

Attached for the Committee’s review are:

Resolution 2020.20 – A Resolution of EVWD Board Authorizing and Approving the Issuance of Refunding Revenue Bonds and the Following Supporting Documents and Agreements:

- Exhibit A - Good Faith Estimate – this estimate prepared by staff at Fieldman Rolapp, along with staff form the Underwriter, JP Morgan, shows the approximate cash flows related to the bond refinancing under current market conditions.

- Exhibit B - Indenture of Trust - this Agreement is between MUFG Union Bank (Trustee) and EVWD. Under the Indenture of Trust:
  - The Trustee will apply 2020 Bond Proceeds to an Escrow Account and Cost of Issuance
The Trustee will establish accounts to receive semi-annual payments from the District (Revenue Fund), and accounts to pay semi-annual interest (Interest Account), and annual principal (Principal Account) payments to the 2020 Refunding Revenue Bond holders.

The District pledges net revenue of the Water and Wastewater Systems and Covenants to take certain actions to ensure repayment to the 2020 Bond Holders.

- **Exhibit C - Contract of Purchase** - this Agreement between EVWD and JP Morgan Securities, LLC (Underwriter) determines the Terms and Conditions for Purchase of the 2020 Refunding Bonds in a Negotiated Sale.

- **Exhibit D - Preliminary Official Statement** - this document gives potential investors in the District bonds a comprehensive explanation of the District’s activities and financial condition so the investors can make an informed decision.

- **Exhibit E - Continuing Disclosure Certificate** - a Certification Delivered by the District to the bond holder that an annual report, including audited financial statements and other financial data, will be delivered by January 1st for the preceding fiscal year.

- **Exhibit F - Escrow Agreement 2010 Revenue Bonds** - this Agreement between EVWD, the EVWD Financing Authority, and MUFG Union Bank designates MUFG Union Bank as Escrow Agent to call and pay off the 2010 bonds when appropriate.

- **Exhibit G - Escrow Agreement 2013 Revenue Bonds** - this Agreement between EVWD, the EVWD Financing Authority, and MUFG Union Bank designates MUFG Union Bank as Escrow Agent to call and pay off the 2013 bonds when appropriate.

Staff recommends adoption of attached Resolution 2020.20, including Exhibits A through G authorizing staff to proceed with issuance of 2020 Refunding Revenue Bonds for the purpose of retiring the EVWD Financing Authority’s 2010 and 2013 Revenue Bonds on their respective first available call dates.

**AGENCY GOALS AND OBJECTIVES:**

Goal and Objectives IV - Promote Planning, Maintenance and Preservation of District Resources

b) Enhance Planning Efforts that Respond to Future Demands

**REVIEW BY OTHERS:**

This agenda item has been reviewed by the District’s Financial Advisors, Bond Counsel, and the District’s General Counsel.
**FISCAL IMPACT**

The issuance of 2020 Refunding Bonds, Series A and B, to Retire the EVWD Financing Authority 2010 and 2013 Revenue Bonds will likely save the District at least $300,000 annually in interest expense, with the potential to save more than $400,000 annually if market conditions and bond ratings are favorable when the new bonds are sold.

**ATTACHMENTS:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Presentation</td>
<td>Presentation</td>
</tr>
<tr>
<td>Res 2020.20</td>
<td>Resolution Letter</td>
</tr>
<tr>
<td>Exh A - Good Faith Estimate</td>
<td>Exhibit</td>
</tr>
<tr>
<td>Exh B - 2020 Bond Indenture of Trust</td>
<td>Exhibit</td>
</tr>
<tr>
<td>Exh C - Purchase Contract Series 2020AB</td>
<td>Exhibit</td>
</tr>
<tr>
<td>Exh D - Preliminary Official Statement</td>
<td>Exhibit</td>
</tr>
<tr>
<td>Exh E - Continuing Disclosure Certificate</td>
<td>Exhibit</td>
</tr>
<tr>
<td>Exh F - Escrow Agreement (2010 Bonds)</td>
<td>Exhibit</td>
</tr>
<tr>
<td>Exh G - Escrow Agreement (2013 Bonds)</td>
<td>Exhibit</td>
</tr>
</tbody>
</table>
EAST VALLEY WATER DISTRICT

FINANCE AND HR COMMITTEE MEETING

Refunding Revenue Bonds,
Series 2020A&B

August 11, 2020
Historically low interest rate environment provides the District with the opportunity to generate savings through the refinancing of its existing debt.

EVWD has the following senior debt outstanding payable from water and wastewater revenues:

- Series 2010 Bonds and Series 2013A Bonds
- DWR Loan Plant 134
- Repayment of the 2018 SRF Loan Agreement anticipated to commence in FY 2024

![Existing Debt Profile](chart.png)
2010 Refunding Opportunity

Series 2010 Refunding Revenue Bonds
- Bonds are callable on October 1, 2020
- Final maturity date of 10/1/2040 and approximately $21.6 million currently outstanding

<table>
<thead>
<tr>
<th>Date</th>
<th>Prior Debt Service</th>
<th>Refunding Debt Service</th>
<th>Savings</th>
<th>Present Value to 9/15/2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>06/30/2021</td>
<td>446,931</td>
<td>410,511</td>
<td>36,420</td>
<td>35,964</td>
</tr>
<tr>
<td>06/30/2022</td>
<td>1,903,263</td>
<td>1,596,175</td>
<td>307,088</td>
<td>299,046</td>
</tr>
<tr>
<td>06/30/2023</td>
<td>1,906,163</td>
<td>1,600,550</td>
<td>305,613</td>
<td>290,830</td>
</tr>
<tr>
<td>06/30/2024</td>
<td>1,907,263</td>
<td>1,599,500</td>
<td>307,763</td>
<td>286,163</td>
</tr>
<tr>
<td>06/30/2025</td>
<td>1,893,875</td>
<td>1,587,125</td>
<td>306,750</td>
<td>278,706</td>
</tr>
<tr>
<td>06/30/2026</td>
<td>1,398,888</td>
<td>1,090,375</td>
<td>308,513</td>
<td>273,904</td>
</tr>
<tr>
<td>06/30/2027</td>
<td>1,400,288</td>
<td>1,094,375</td>
<td>305,913</td>
<td>265,382</td>
</tr>
<tr>
<td>06/30/2028</td>
<td>1,400,488</td>
<td>1,092,000</td>
<td>308,488</td>
<td>261,503</td>
</tr>
<tr>
<td>06/30/2029</td>
<td>1,399,488</td>
<td>1,093,250</td>
<td>306,238</td>
<td>253,655</td>
</tr>
<tr>
<td>06/30/2030</td>
<td>1,397,288</td>
<td>1,088,125</td>
<td>309,163</td>
<td>250,227</td>
</tr>
<tr>
<td>06/30/2031</td>
<td>1,398,788</td>
<td>1,091,500</td>
<td>307,288</td>
<td>243,017</td>
</tr>
<tr>
<td>06/30/2032</td>
<td>1,392,881</td>
<td>1,088,250</td>
<td>304,631</td>
<td>235,411</td>
</tr>
<tr>
<td>06/30/2033</td>
<td>1,394,419</td>
<td>1,088,375</td>
<td>306,044</td>
<td>231,103</td>
</tr>
<tr>
<td>06/30/2034</td>
<td>1,394,256</td>
<td>1,086,750</td>
<td>307,506</td>
<td>226,905</td>
</tr>
<tr>
<td>06/30/2035</td>
<td>1,388,625</td>
<td>1,083,750</td>
<td>305,250</td>
<td>220,124</td>
</tr>
<tr>
<td>06/30/2036</td>
<td>1,387,125</td>
<td>1,078,250</td>
<td>308,875</td>
<td>217,688</td>
</tr>
<tr>
<td>06/30/2037</td>
<td>1,383,125</td>
<td>1,076,250</td>
<td>306,875</td>
<td>211,371</td>
</tr>
<tr>
<td>06/30/2038</td>
<td>1,386,375</td>
<td>1,077,125</td>
<td>309,250</td>
<td>208,180</td>
</tr>
<tr>
<td>06/30/2039</td>
<td>1,381,750</td>
<td>1,075,750</td>
<td>306,000</td>
<td>201,323</td>
</tr>
<tr>
<td>06/30/2040</td>
<td>1,379,250</td>
<td>1,072,125</td>
<td>307,125</td>
<td>197,488</td>
</tr>
<tr>
<td>06/30/2041</td>
<td>1,378,625</td>
<td>1,071,250</td>
<td>307,500</td>
<td>193,255</td>
</tr>
<tr>
<td>Total</td>
<td>$30,319,150</td>
<td>$24,140,861</td>
<td>$6,178,289</td>
<td>$4,881,244</td>
</tr>
</tbody>
</table>

Financial Data

<table>
<thead>
<tr>
<th>Financial Data</th>
<th>2010 Refunding Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Escrow Total</td>
<td>$22,114,931</td>
</tr>
<tr>
<td>All-in True Interest Cost</td>
<td>2.02%</td>
</tr>
<tr>
<td>Maximum Annual DS</td>
<td>$1,600,550</td>
</tr>
<tr>
<td>Total Debt Service</td>
<td>$24,140,861</td>
</tr>
<tr>
<td>Annual Savings</td>
<td>~$305,000</td>
</tr>
<tr>
<td>NPV Savings</td>
<td>$4,884,868 (22.6%)</td>
</tr>
<tr>
<td>Term</td>
<td>20</td>
</tr>
</tbody>
</table>

*Note: Preliminary, subject to change. Based on market conditions as of July 27, 2020 assuming “AA-” rating.
2013 Refunding Opportunity*

- Series 2013A Revenue Bonds
  - Callable on any date on or after April 1, 2023
  - Taxable debt must be used to refund the Bonds prior to January 2023
  - Final maturity of 10/1/2043 and approximately $12 million currently outstanding

<table>
<thead>
<tr>
<th>Date</th>
<th>Prior Debt Service</th>
<th>Refunding Debt Service</th>
<th>Savings</th>
<th>Present Value to 9/15/2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>06/30/2021</td>
<td>292,563</td>
<td>183,309</td>
<td>109,253</td>
<td>107,884</td>
</tr>
<tr>
<td>06/30/2022</td>
<td>687,500</td>
<td>605,606</td>
<td>81,894</td>
<td>78,556</td>
</tr>
<tr>
<td>06/30/2023</td>
<td>687,125</td>
<td>603,303</td>
<td>83,822</td>
<td>78,613</td>
</tr>
<tr>
<td>06/30/2024</td>
<td>686,500</td>
<td>600,692</td>
<td>85,808</td>
<td>78,679</td>
</tr>
<tr>
<td>06/30/2025</td>
<td>685,625</td>
<td>602,598</td>
<td>83,027</td>
<td>74,358</td>
</tr>
<tr>
<td>06/30/2026</td>
<td>782,000</td>
<td>698,293</td>
<td>83,707</td>
<td>73,291</td>
</tr>
<tr>
<td>06/30/2027</td>
<td>785,375</td>
<td>702,501</td>
<td>82,874</td>
<td>70,916</td>
</tr>
<tr>
<td>06/30/2028</td>
<td>783,125</td>
<td>700,885</td>
<td>82,240</td>
<td>68,781</td>
</tr>
<tr>
<td>06/30/2029</td>
<td>780,375</td>
<td>693,740</td>
<td>86,635</td>
<td>70,879</td>
</tr>
<tr>
<td>06/30/2030</td>
<td>782,000</td>
<td>701,059</td>
<td>80,941</td>
<td>64,666</td>
</tr>
<tr>
<td>06/30/2031</td>
<td>779,425</td>
<td>697,981</td>
<td>81,444</td>
<td>63,597</td>
</tr>
<tr>
<td>06/30/2032</td>
<td>787,625</td>
<td>704,390</td>
<td>83,235</td>
<td>63,542</td>
</tr>
<tr>
<td>06/30/2033</td>
<td>785,225</td>
<td>700,167</td>
<td>85,058</td>
<td>63,479</td>
</tr>
<tr>
<td>06/30/2034</td>
<td>782,425</td>
<td>695,404</td>
<td>87,021</td>
<td>63,488</td>
</tr>
<tr>
<td>06/30/2035</td>
<td>794,808</td>
<td>714,907</td>
<td>79,901</td>
<td>56,914</td>
</tr>
<tr>
<td>06/30/2036</td>
<td>793,198</td>
<td>708,770</td>
<td>84,427</td>
<td>58,828</td>
</tr>
<tr>
<td>06/30/2037</td>
<td>800,588</td>
<td>716,006</td>
<td>84,581</td>
<td>57,602</td>
</tr>
<tr>
<td>06/30/2038</td>
<td>796,978</td>
<td>711,646</td>
<td>85,331</td>
<td>56,805</td>
</tr>
<tr>
<td>06/30/2039</td>
<td>797,493</td>
<td>716,851</td>
<td>80,641</td>
<td>52,436</td>
</tr>
<tr>
<td>06/30/2040</td>
<td>799,250</td>
<td>716,549</td>
<td>82,701</td>
<td>52,586</td>
</tr>
<tr>
<td>06/30/2041</td>
<td>801,125</td>
<td>720,738</td>
<td>80,387</td>
<td>49,954</td>
</tr>
<tr>
<td>06/30/2042</td>
<td>2,181,375</td>
<td>1,798,287</td>
<td>383,088</td>
<td>234,857</td>
</tr>
<tr>
<td>06/30/2043</td>
<td>2,183,125</td>
<td>1,798,753</td>
<td>384,372</td>
<td>230,423</td>
</tr>
<tr>
<td>06/30/2044</td>
<td>2,413,875</td>
<td>2,029,310</td>
<td>384,565</td>
<td>225,458</td>
</tr>
</tbody>
</table>

Financial Data | 2013 Refunding Bonds
--- | ---
Escrow Total | $13,784,171
All-in True Interest Cost | 2.78%
Maximum Annual DS | $2,029,310
Total Debt Service | $19,521,747
Annual Savings | ~$80,000 – $384,000
NPV Savings | $2,101,339 (17.4%)
Term | 23

Total $22,448,700 $19,521,747 $2,926,953 $2,096,591

*Note: Preliminary, subject to change. Based on market conditions as of July 27, 2020 assuming “AA-” rating.
**Aggregate Refunding Savings**

<table>
<thead>
<tr>
<th>Date</th>
<th>Prior Debt Service</th>
<th>Refunding Debt Service</th>
<th>Savings</th>
<th>Present Value to 9/15/2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>06/30/2021</td>
<td>739,494</td>
<td>593,820</td>
<td>145,674</td>
<td>143,847</td>
</tr>
<tr>
<td>06/30/2022</td>
<td>2,590,763</td>
<td>2,201,781</td>
<td>388,981</td>
<td>377,602</td>
</tr>
<tr>
<td>06/30/2023</td>
<td>2,593,288</td>
<td>2,203,853</td>
<td>389,435</td>
<td>369,443</td>
</tr>
<tr>
<td>06/30/2024</td>
<td>2,593,763</td>
<td>2,200,192</td>
<td>393,570</td>
<td>364,842</td>
</tr>
<tr>
<td>06/30/2025</td>
<td>2,579,500</td>
<td>2,189,723</td>
<td>389,777</td>
<td>353,064</td>
</tr>
<tr>
<td>06/30/2026</td>
<td>2,180,888</td>
<td>1,788,668</td>
<td>392,219</td>
<td>347,195</td>
</tr>
<tr>
<td>06/30/2027</td>
<td>2,185,663</td>
<td>1,796,876</td>
<td>388,787</td>
<td>336,298</td>
</tr>
<tr>
<td>06/30/2028</td>
<td>2,183,613</td>
<td>1,792,885</td>
<td>390,727</td>
<td>330,283</td>
</tr>
<tr>
<td>06/30/2029</td>
<td>2,179,863</td>
<td>1,786,990</td>
<td>392,872</td>
<td>324,535</td>
</tr>
<tr>
<td>06/30/2030</td>
<td>2,179,288</td>
<td>1,789,184</td>
<td>390,104</td>
<td>314,893</td>
</tr>
<tr>
<td>06/30/2031</td>
<td>2,178,213</td>
<td>1,789,481</td>
<td>388,731</td>
<td>306,615</td>
</tr>
<tr>
<td>06/30/2032</td>
<td>2,180,506</td>
<td>1,792,640</td>
<td>387,867</td>
<td>298,953</td>
</tr>
<tr>
<td>06/30/2033</td>
<td>2,179,644</td>
<td>1,788,542</td>
<td>391,101</td>
<td>294,581</td>
</tr>
<tr>
<td>06/30/2034</td>
<td>2,176,681</td>
<td>1,782,154</td>
<td>394,527</td>
<td>290,393</td>
</tr>
<tr>
<td>06/30/2035</td>
<td>2,183,433</td>
<td>1,798,282</td>
<td>385,151</td>
<td>277,038</td>
</tr>
<tr>
<td>06/30/2036</td>
<td>2,180,323</td>
<td>1,787,020</td>
<td>393,302</td>
<td>276,515</td>
</tr>
<tr>
<td>06/30/2037</td>
<td>2,183,713</td>
<td>1,792,256</td>
<td>391,456</td>
<td>268,973</td>
</tr>
<tr>
<td>06/30/2038</td>
<td>2,183,353</td>
<td>1,788,771</td>
<td>394,581</td>
<td>264,986</td>
</tr>
<tr>
<td>06/30/2039</td>
<td>2,179,243</td>
<td>1,792,601</td>
<td>386,641</td>
<td>253,759</td>
</tr>
<tr>
<td>06/30/2040</td>
<td>2,178,500</td>
<td>1,788,674</td>
<td>389,826</td>
<td>250,074</td>
</tr>
<tr>
<td>06/30/2041</td>
<td>2,179,750</td>
<td>1,791,863</td>
<td>387,887</td>
<td>243,209</td>
</tr>
<tr>
<td>06/30/2042</td>
<td>2,181,375</td>
<td>1,798,287</td>
<td>383,088</td>
<td>234,857</td>
</tr>
<tr>
<td>06/30/2043</td>
<td>2,183,125</td>
<td>1,798,753</td>
<td>384,372</td>
<td>230,423</td>
</tr>
<tr>
<td>06/30/2044</td>
<td>2,413,875</td>
<td>2,029,310</td>
<td>384,565</td>
<td>225,458</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$52,767,850</td>
</tr>
</tbody>
</table>

---

**Financial Data**

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Escrow Total</td>
<td>$35,899,103</td>
</tr>
<tr>
<td>All-in True Interest Cost</td>
<td>2.40%</td>
</tr>
<tr>
<td>Maximum Annual DS</td>
<td>$2,203,852</td>
</tr>
<tr>
<td>Total Debt Service</td>
<td>$43,662,608</td>
</tr>
<tr>
<td>Annual Savings</td>
<td>~$388,000</td>
</tr>
<tr>
<td>NPV Savings</td>
<td>$6,986,207 (20.7%)</td>
</tr>
<tr>
<td>Term</td>
<td>23</td>
</tr>
</tbody>
</table>

---

*Note: Preliminary, subject to change. Based on market conditions as of July 27, 2020 assuming “AA-” rating.*
AGGREGATE DEBT PROFILE*

*Note: Preliminary, subject to change.
MARKET CONDITIONS

As of July 31, 2020
ECONOMIC IMPACTS FROM COVID-19 ARE EVIDENT ACROSS LABOR, RETAIL AND MANUFACTURING DATA

Last week’s economic data increased the chance of recession, in spite of market performance

Based on economic data
Based on S&P 500 and BBB spreads

Despite sustained double-digit unemployment since March, retail & food sales stayed strong in June following May’s 17.7% growth

Markets continue to grind higher on daily price volatility since early May

Note: The forecasts above assume a $1 trillion aid package is passed

<table>
<thead>
<tr>
<th>J.P. Morgan Forecasts</th>
<th>2Q 2020 Actual</th>
<th>3Q 2020 Forecast</th>
<th>4Q 2020 Forecast</th>
<th>1Q 2021 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S. GDP</strong></td>
<td>-32.9%</td>
<td>20.0%</td>
<td>4.5%</td>
<td>4.0%</td>
</tr>
<tr>
<td><strong>U.S. Unemployment Rate</strong></td>
<td>13.0%</td>
<td>10.0%</td>
<td>9.6%</td>
<td>9.3%</td>
</tr>
<tr>
<td><strong>Consumer Price Index (CPI)</strong></td>
<td>-3.5%</td>
<td>4.2%</td>
<td>1.3%</td>
<td>1.4%</td>
</tr>
<tr>
<td><strong>Domestic Final Sales</strong></td>
<td>-29.3%</td>
<td>15.3%</td>
<td>4.5%</td>
<td>3.3%</td>
</tr>
<tr>
<td><strong>Industrial Production – Manufacturing</strong></td>
<td>-47.0%</td>
<td>45.0%</td>
<td>4.0%</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

$2,000 $2,250 $2,500 $2,750 $3,000 $3,250 $3,500

-6.00% -4.00% -2.00% 0.00% 2.00% 4.00% 6.00%

5-May 18-May 31-May 13-Jun 26-Jun 9-Jul 22-Jul 4-Aug

Unemployment Rate
Retail Sales % Change

January February March April May June

Note: The forecasts above assume a $1 trillion aid package is passed
TAXABLE AND TAX-EXEMPT YIELDS HAVE DECLINED OVER THE PAST MONTH
AND REMAIN WELL BELOW LEVELS AT THE BEGINNING OF THE YEAR

Source: Thomson Reuters Municipal Market Data, J.P. Morgan; as of 8/4/2020
### The Macroeconomic Picture Ahead

#### J.P. Morgan U.S. Treasury Interest Rate Forecast (%)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fed Funds</strong></td>
<td>0.10%</td>
<td>0.05%</td>
<td>0.05%</td>
<td>0.05%</td>
</tr>
<tr>
<td><strong>3M LIBOR</strong></td>
<td>0.25%</td>
<td>0.23%</td>
<td>0.20%</td>
<td>0.25%</td>
</tr>
<tr>
<td><strong>2Y UST</strong></td>
<td>0.11%</td>
<td>0.15%</td>
<td>0.15%</td>
<td>0.20%</td>
</tr>
<tr>
<td><strong>5Y UST</strong></td>
<td>0.19%</td>
<td>0.30%</td>
<td>0.30%</td>
<td>0.35%</td>
</tr>
<tr>
<td><strong>10Y UST</strong></td>
<td>0.51%</td>
<td>0.65%</td>
<td>0.70%</td>
<td>0.80%</td>
</tr>
<tr>
<td><strong>30Y UST</strong></td>
<td>1.19%</td>
<td>1.40%</td>
<td>1.75%</td>
<td>1.85%</td>
</tr>
</tbody>
</table>

#### J.P. Morgan MMD and Ratio forecasts

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2Y MMD</strong></td>
<td>0.13%</td>
<td>0.15%</td>
<td>0.20%</td>
<td>0.25%</td>
</tr>
<tr>
<td><strong>5Y MMD</strong></td>
<td>0.22%</td>
<td>0.30%</td>
<td>0.30%</td>
<td>0.30%</td>
</tr>
<tr>
<td><strong>10Y MMD</strong></td>
<td>0.64%</td>
<td>0.75%</td>
<td>0.80%</td>
<td>0.80%</td>
</tr>
<tr>
<td><strong>30Y MMD</strong></td>
<td>1.34%</td>
<td>1.50%</td>
<td>1.60%</td>
<td>1.65%</td>
</tr>
<tr>
<td><strong>2Y MMD/UST</strong></td>
<td>117.93%</td>
<td>100%</td>
<td>133%</td>
<td>125%</td>
</tr>
<tr>
<td><strong>5Y MMD/UST</strong></td>
<td>113.35%</td>
<td>120%</td>
<td>120%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>10Y MMD/UST</strong></td>
<td>125.05%</td>
<td>115%</td>
<td>114%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>30Y MMD/UST</strong></td>
<td>112.55%</td>
<td>103%</td>
<td>107%</td>
<td>103%</td>
</tr>
</tbody>
</table>

#### Catalysts for the month ahead

<table>
<thead>
<tr>
<th></th>
<th>Monday</th>
<th>Tuesday</th>
<th>Wednesday</th>
<th>Thursday</th>
<th>Friday</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>August 3</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Manufacturing PMI (8:30am)</td>
<td>Durable Goods Orders (10:00am)</td>
<td>Mortgage Applications (7:00am)</td>
<td>Initial Claims (8:30am)</td>
<td>Unemployment Rate (10:00am)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>4</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PPI MoM (8:30am)</td>
<td>Mortgage Applications (7:00am)</td>
<td>CPI MoM (8:30am)</td>
<td>Initial Claims (8:30am)</td>
<td>Retail Sales MoM (8:30am)</td>
<td></td>
</tr>
<tr>
<td><strong>10</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Empire Manufacturing (8:30am)</td>
<td>Housing Starts (8:30am)</td>
<td>Mortgage Applications (7:00am)</td>
<td>Initial Claims (8:30am)</td>
<td>Preliminary Manufacturing PMI (9:45am)</td>
<td></td>
</tr>
<tr>
<td><strong>17</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Home Sales (10:00am)</td>
<td>Consumer Confidence (10:00am)</td>
<td>Mortgage Applications (7:00am)</td>
<td>Initial Claims (8:30am)</td>
<td>Personal Income (8:30am)</td>
<td></td>
</tr>
<tr>
<td><strong>24</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>September 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Manufacturing PMI (9:45am)</td>
<td>Mortgage Applications (7:00am)</td>
<td>Durable Goods Orders (10:00am)</td>
<td>Initial Claims (8:30am)</td>
<td>Nonfarm Payrolls (8:30am)</td>
<td></td>
</tr>
</tbody>
</table>

Note: The forecasts above assume a $1 trillion aid package is passed.
LEGAL DOCUMENTS
Resolution authorizes the following:

1. Approves the Indenture of Trust, which governs the actual issuance by the District of the Bonds
2. Approves the Continuing Disclosure Certificate which is substantially similar to other Continuing Disclosure Certificates entered into by the District
3. Approves Escrow Agreements (2010 and 2013)
4. Approves Purchase Contract with J.P. Morgan Securities
5. Approves the Preliminary Official Statement (POS), which is the District’s disclosure document to the market and is subject to federal securities law
   1. The POS describes the 2020A&B Bonds, sources of repayment, risk factors and other material information on the District (such as cash flow projections and water supply)
6. Authorizes the District to take the required steps to execute and deliver all documents necessary to consummate the sale and delivery of bonds
# Estimated Financing Schedule

<table>
<thead>
<tr>
<th>Financing Date</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuesday, August 18, 2020</td>
<td>Rating Agency Presentation</td>
</tr>
<tr>
<td>Tuesday, August 25, 2020</td>
<td>Receive Credit Ratings</td>
</tr>
<tr>
<td>Wednesday, August 26, 2020</td>
<td>Board Meeting to Approve Legal Documents, POS and Revised Debt Management Policy</td>
</tr>
<tr>
<td>Thursday, August 27, 2020</td>
<td>Post POS</td>
</tr>
<tr>
<td>Thursday, September 3, 2020</td>
<td>Bond Pricing</td>
</tr>
<tr>
<td>Thursday, September 10, 2020</td>
<td>Closing</td>
</tr>
</tbody>
</table>
RECOMMENDATION

- Recommend the Board consider approval of the District Resolution authorizing the execution and delivery of the Refunding Revenue Bonds and approving the execution and delivery of certain documents in connection therewith.
These materials include an assessment of current market conditions, and include assumptions about interest rates, execution costs, and other matters related to municipal securities issuance or municipal financial products. These assumptions may change at any time subsequent to the date these materials were provided. The refinancing and refunding scenarios presented herein are not intended to be inclusive of every feasible or suitable refinancing alternative.

Fieldman, Rolapp & Associates, Inc. is an SEC-registered Municipal Advisor, undertaking a fiduciary duty in providing financial advice to public agencies. Compensation contingent on the completion of a financing or project is customary for municipal financial advisors. To the extent that our compensation for a transaction is contingent on successful completion of the transaction, a potential conflict of interest exists as we would have a potential incentive to recommend the completion of a transaction that might not be optimal for the public agency. However, Fieldman, Rolapp & Associates, Inc. undertakes a fiduciary duty in advising public agencies regardless
RESOLUTION NO. 2020.20

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

WHEREAS, the East Valley Water District (the “District”) is a county water district that is duly organized and existing under and by virtue of the laws of the State of California (the “State”);

WHEREAS, the District has previously entered into an Installment Purchase Agreement, dated as of October 1, 2010 (the “2010 IPA”), by and between the District and the East Valley Water District Financing Authority (the “Authority”), which supports the payment of debt service on the Authority’s Refunding Revenue Bonds, Series 2010 (the “2010 Bonds”);

WHEREAS, the District has previously entered into an Installment Purchase Agreement, dated as of June 1, 2013 (the “2013 IPA”), by and between the District and the Authority, which supports the payment of debt service on the Authority’s Revenue Bonds, Series 2013A (the “2013 Bonds”);

WHEREAS, the District is authorized by Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with Section 53570) of the Government Code of the State of California to issue bonds to refund outstanding indebtedness of the District;

WHEREAS, the District desires to provide for the issuance of refunding revenue bonds in one or more series, on a taxable or tax-exempt basis (the “Bonds”), which will be payable from the Net Revenues of the District’s Water System and Wastewater System, for the purposes of prepaying the 2010 IPA and refunding the 2010 Bonds, prepaying the 2013 IPA and refunding the 2013 Bonds, paying costs of issuance of the Bonds and, if necessary, funding a deposit to (or procuring a letter of credit, insurance policy or other facility (each, a “reserve surety”) to provide for the funding of) a reserve fund for the Bonds;

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

WHEREAS, the Bonds are to be secured by Revenues of the Water System and Wastewater System to the extent set forth in the Indenture;

WHEREAS, J.P. Morgan Securities LLC as underwriter (the “Underwriter”), has submitted a proposal to purchase the Bonds in the form of a Contract of Purchase (such Contract of Purchase, in the form attached hereto as Exhibit C with such changes, insertions and deletions as are made pursuant to this Resolution, being referred to herein as the “Purchase Contract”);
WHEREAS, in connection with the offering and sale of the Bonds there has been prepared a disclosure document in the form of a Preliminary Official Statement (such Preliminary Official Statement in the form attached hereto as Exhibit D with such changes, insertions and deletions as are made pursuant to this Resolution, being referred to herein as the “Preliminary Official Statement”);

WHEREAS, Rule 15c2-12 requires that, in order to be able to purchase or sell the Bonds, the Underwriter must have reasonably determined that an obligated person has undertaken in a written agreement or contract for the benefit of the owners of the Bonds to provide disclosure of certain financial information and operating data and certain enumerated events on an ongoing basis; and

WHEREAS, in order to cause such requirement of Rule 15c2-12 to be satisfied, the District desires to enter into a Continuing Disclosure Certificate (such Continuing Disclosure Certificate, in the form appended to the form of the Preliminary Official Statement attached hereto as Exhibit E, with such changes, insertions and deletions as are made pursuant to this Resolution, being referred to herein as the “Continuing Disclosure Certificate”);

WHEREAS, in connection with the prepayment of the 2010 IPA and the refunding of the 2010 Bonds, the District desires to enter into an Escrow Agreement (2010 Bonds) with the Authority and the trustee for the 2010 Bonds, as escrow agent (such Escrow Agreement (2010 Bonds), in the form attached hereto as Exhibit F with such changes, insertions and deletions as are made pursuant to this Resolution, being referred to herein as the “2010 Escrow Agreement”);

WHEREAS, in connection with the prepayment of the 2013 IPA and the refunding of the 2013 Bonds, the District desires to enter into an Escrow Agreement (2013A Bonds) with the Authority and the trustee for the 2013 Bonds, as escrow agent (such Escrow Agreement (2013A Bonds), in the form attached hereto as Exhibit G with such changes, insertions and deletions as are made pursuant to this Resolution, being referred to herein as the “2013 Escrow Agreement”);

WHEREAS, in compliance with Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature), which added Section 5852.1 to the California Government Code, the District has obtained from the Underwriter or the District’s financial advisor required good faith estimates relating to the Bonds, and such estimates are disclosed and set forth in Exhibit A hereto;

WHEREAS, there have been submitted to this meeting drafts of the following:

(1) the Indenture;
(2) the Purchase Contract;
(3) the Preliminary Official Statement;
(4) the Continuing Disclosure Certificate;
(5) the 2010 Escrow Agreement; and
(6) the 2013 Escrow Agreement; and
WHEREAS, after having reviewed and considered the proposal of the Underwriter to purchase the Bonds on the terms and conditions contained in the Purchase Contract, this Board now desires to authorize the issuance and sale of the Bonds, including the execution of such documents and the performance of such acts as may be necessary or desirable to effect such issuance and sale, and the other actions contemplated by this Resolution.

NOW, THEREFORE, BE IT RESOLVED AND ORDERED:

SECTION 1. Findings and Definitions. The Board hereby specifically finds and declares that each of the statements, findings and determinations of the District set forth in the above recitals and in the preambles of the documents approved herein are true and correct. Capitalized terms that are used herein and not defined have the meanings that are set forth in the Indenture.

SECTION 2. Indenture. The Indenture, in substantially the form attached hereto as Exhibit B, and made a part hereof as though set forth in full herein, be and the same is hereby approved. Each of the President or Vice President of the Board or the General Manager or Chief Financial Officer of the District or the designee thereof (each an “Authorized Officer”), acting singly, is hereby authorized to execute and deliver the Indenture, in the name of and on behalf of the District, in substantially the form attached hereto with such changes, insertions and deletions as may be approved by the Authorized Officer executing the Indenture, said execution being conclusive evidence of such approval, and the Secretary is hereby authorized to attest thereto.

SECTION 3. Issuance of Bonds. Subject to the limitations specified in this Resolution, the issuance of the Bonds in one or more series, on a taxable or tax-exempt basis, on the terms and conditions set forth in the Indenture is hereby authorized and approved. The aggregate principal amount of the Bonds shall not exceed $34,000,000. The Bonds will be dated as provided in, will bear interest at the rates provided in, will mature on the date or dates provided in, will be issued in the form provided in, will have the sinking fund installments specified in, will be subject to redemption as provided in, and will have such other terms as shall be provided in, the Indenture as the same is completed as provided in this Resolution. The Authorized Officer executing the Indenture is hereby authorized, subject to the limitations set forth in this Section 3 and in Section 5, to determine the following: (i) the maturity date or dates of the Bonds; (ii) the principal amount of the Bonds maturing on each maturity date; (iii) the interest rate or rates for the Bonds maturing on each maturity date; (iv) the maturity or maturities, if any, of the Bonds to be redeemed or paid at maturity from sinking fund installments (the “Term Bonds”); (v) the sinking fund installments for the Term Bonds; and (vi) the redemption provisions for the Bonds.

SECTION 4. Use of Bond Proceeds. The net proceeds received from the sale of the Bonds shall be applied to such purposes as are set forth in the recitals to this Resolution in the manner provided in the Indenture.

SECTION 5. Purchase Contract. The Purchase Contract, in substantially the form attached hereto as Exhibit C, and made a part hereof as though set forth in full herein, be and the same is hereby approved. Each Authorized Officer, acting singly, is hereby authorized to execute and deliver the Purchase Contract, in the name of and on behalf of the District, in substantially the form attached hereto with such changes, insertions and deletions as may be approved by the
Authorized Officer executing the Purchase Contract, said execution being conclusive evidence of such approval, and the Secretary is hereby authorized to attest thereto.

The Authorized Officer executing the Purchase Contract is hereby authorized to determine the purchase price to be paid for the Bonds under the Purchase Contract; provided, however, that the aggregate Underwriter’s discount (not including original issue discount) for the Bonds shall be not more than 0.35% of the aggregate principal amount of the Bonds, the true interest cost of the Bonds issued on a tax-exempt basis shall be not more than 2.85%, the true interest cost of the Bonds issued on a taxable basis shall be not more than 3.50%, the present value of the savings to be achieved by refunding the 2010 Bonds shall be not less than 3% and the present value of the savings to be achieved by refunding the 2013 Bonds shall be not less than 4%. The sale of the Bonds to the Underwriter on the terms and conditions contained in the Purchase Contract, as the same may be completed in accordance with the provisions of this Resolution, with such changes, insertions and deletions as are authorized hereby, is hereby approved and authorized.

SECTION 6. Official Statement. The Preliminary Official Statement, in substantially the form attached hereto as Exhibit D, and made a part hereof as though set forth in full herein, be and the same 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 attached hereto as Exhibit D with such changes, insertions and deletions as may be approved by the Authorized Officer delivering the Preliminary Official Statement (including without limitation the insertion of the proposed terms of the Bonds), said delivery being conclusive evidence of such approval. The use of the Preliminary Official Statement in connection with the offering and sale of the Bonds by the Underwriter, including delivery of the Preliminary Official Statement in electronic form, is hereby authorized and approved. Each of the Authorized Officers, acting singly, is hereby authorized to determine that the Preliminary Official Statement is deemed final for purposes of Rule 15c2-12.

The preparation and delivery to the Underwriter of a final Official Statement (the “Official Statement”) relating to the Bonds, and its use by the Underwriter in connection with the offering and sale of the Bonds, including delivery of the Official Statement in electronic form, be and the same 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 7. Continuing Disclosure Certificate. The Continuing Disclosure Certificate, in substantially the form attached hereto as Exhibit E, and made a part hereof as though set forth in full herein, be and the same is hereby approved. Each Authorized Officer, acting singly, is hereby authorized to execute and deliver the Continuing Disclosure Certificate, in the name of and on behalf of the District, in substantially the form attached hereto with such changes, insertions
and deletions as may be approved by the Authorized Officer executing the Continuing Disclosure Certificate, said execution being conclusive evidence of such approval, and the Secretary is hereby authorized to attest thereto.

SECTION 8. 2010 Escrow Agreement. The 2010 Escrow Agreement, in substantially the form attached hereto as Exhibit F, and made a part hereof as though set forth in full herein, be and the same is hereby approved. Each Authorized Officer, acting singly, is hereby authorized to execute and deliver the 2010 Escrow Agreement, in the name of and on behalf of the District, in substantially the form attached hereto with such changes, insertions and deletions as may be approved by the Authorized Officer executing the 2010 Escrow Agreement, said execution being conclusive evidence of such approval, and the Secretary is hereby authorized to attest thereto.

SECTION 9. 2013 Escrow Agreement. The 2013 Escrow Agreement, in substantially the form attached hereto as Exhibit G, and made a part hereof as though set forth in full herein, be and the same is hereby approved. Each Authorized Officer, acting singly, is hereby authorized to execute and deliver the 2013 Escrow Agreement, in the name of and on behalf of the District, in substantially the form attached hereto with such changes, insertions and deletions as may be approved by the Authorized Officer executing the 2013 Escrow Agreement, said execution being conclusive evidence of such approval, and the Secretary is hereby authorized to attest thereto.

SECTION 10. Bond Insurance. The Board hereby authorizes the Authorized Officers: (i) to solicit bids on a municipal bond insurance policy and/or reserve surety for the benefit of the Bonds; (ii) to negotiate the terms of such policy or policies; (iii) to finalize, if appropriate, the form of such policy or policies with a municipal bond insurer; and (iv) if it is determined that the policy or policies will result in net savings for the District, to pay the insurance premium of such policy or policies from the proceeds of the issuance and sale of the Bonds.

SECTION 11. Other Actions. The Authorized Officers, the Secretary, the District’s General Counsel and any other proper official, officer or employee of the District, acting singly, be and each of them hereby is authorized 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 convenient in carrying out the actions authorized by this Resolution and the transactions contemplated by the documents and instruments approved or authorized by this Resolution, including, without limitation, making any determinations or submission of any documents or reports which are required by any rule or regulation of any governmental entity, the giving of any notices and directions or the seeking of any consents or acknowledgements in connection with the issuance and sale of the Bonds, the execution and delivery of any redemption or escrow instructions related to the 2010 Bonds or the 2013 Bonds, the execution of any agreement related to municipal bond insurance or a reserve surety for the Bonds and the authorization, execution, delivery of, and the performance by the District of its obligations under, the documents and instruments approved or authorized by this Resolution.

SECTION 12. Ratification of Prior Actions. All actions heretofore taken by any committee of the Board, or any official, officer, employee, representative or agent of the District, in connection with the issuance and sale of the Bonds or the authorization, execution, delivery, or performance of the District’s obligations under the documents and instruments that are approved
or authorized by this Resolution, and the other actions contemplated by this Resolution, are hereby ratified, approved and confirmed.

SECTION 13. Effect. This Resolution shall take effect immediately.

Passed and adopted by the East Valley Water District Board of Directors on August 26, 2020, by the following vote:

ROLL CALL:
Ayes:
Noes:
Abstain:
Absent:

David E. Smith
Board President

ATTEST:

John Mura
Secretary, Board of Directors

August 26, 2020

I HEREBY CERTIFY that the foregoing is a full, true and correct copy of Resolution 2020.20 adopted by the Board of Directors of East Valley Water District at its Regular Meeting held August 26, 2020.

John Mura
Secretary, Board of Directors
EXHIBIT A

GOVERNMENT CODE SECTION 5852.1 DISCLOSURE

The following information consists of estimates that have been provided by the Underwriter and/or the District’s financial advisor and has been represented by such party to have been provided in good faith:

(A) True Interest Cost of the Bonds: 2.33%

(B) Finance Charge of the Bonds (Sum of all fees/charges paid to third parties): $318,580

(C) Net Proceeds of the Bonds to be Received (net of finance charges, reserves and capitalized interest, if any, plus premium and contributions from the District): $35,907,475

(D) Total Payment Amount through Maturity of the Bonds: $43,662,608

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 amount used for purposes of such estimates; (c) the actual amortization of the Bonds being different than the amortization assumed for purposes of such estimates; (d) the actual market interest rates at the time of sale of the Bonds being different than those estimated for purposes of such estimates; (e) other market conditions; 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. The actual interest rates borne by the Bonds will depend on market interest rates at the time of sale thereof. The actual amortization of the Bonds will also depend, in part, on market interest rates at the time of sale thereof. Market interest rates are affected by economic and other factors beyond the control of the District.
INDENTURE OF TRUST

Dated as of _____ 1, 2020

By and between

MUFG UNION BANK, N.A.,
as Trustee

and the

EAST VALLEY WATER DISTRICT

Relating to

$_____
EAST VALLEY WATER DISTRICT
REFUNDING REVENUE BONDS,
SERIES 2020A

$_____
EAST VALLEY WATER DISTRICT
REFUNDING REVENUE BONDS,
SERIES 2020B (FEDERALLY TAXABLE)
# TABLE OF CONTENTS

**ARTICLE I**  
DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.01.</td>
<td>Definitions</td>
<td>3</td>
</tr>
<tr>
<td>1.02.</td>
<td>Content of Certificates and Opinions</td>
<td>14</td>
</tr>
<tr>
<td>1.03.</td>
<td>Interpretation</td>
<td>14</td>
</tr>
</tbody>
</table>

**ARTICLE II**  
THE 2020 BONDS

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.01.</td>
<td>Authorization of 2020 Bonds</td>
<td>15</td>
</tr>
<tr>
<td>2.02.</td>
<td>Terms of the 2020 Bonds</td>
<td>15</td>
</tr>
<tr>
<td>2.03.</td>
<td>Transfer of 2020 Bonds</td>
<td>16</td>
</tr>
<tr>
<td>2.04.</td>
<td>Exchange of 2020 Bonds</td>
<td>17</td>
</tr>
<tr>
<td>2.05.</td>
<td>Registration Books</td>
<td>17</td>
</tr>
<tr>
<td>2.06.</td>
<td>Form and Execution of 2020 Bonds</td>
<td>17</td>
</tr>
<tr>
<td>2.07.</td>
<td>2020 Bonds Mutilated, Lost, Destroyed or Stolen</td>
<td>18</td>
</tr>
<tr>
<td>2.08.</td>
<td>Book Entry System</td>
<td>18</td>
</tr>
</tbody>
</table>

**ARTICLE III**  
ISSUANCE OF 2020 BONDS; APPLICATION OF PROCEEDS

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.01.</td>
<td>Issuance of the 2020 Bonds</td>
<td>21</td>
</tr>
<tr>
<td>3.02.</td>
<td>Application of Proceeds of the 2020 Bonds</td>
<td>21</td>
</tr>
<tr>
<td>3.03.</td>
<td>Establishment and Application of Costs of Issuance Fund</td>
<td>22</td>
</tr>
<tr>
<td>3.04.</td>
<td>Validity of 2020 Bonds</td>
<td>22</td>
</tr>
</tbody>
</table>

**ARTICLE IV**  
REDEMPTION OF 2020 BONDS

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.01.</td>
<td>Terms of Redemption</td>
<td>22</td>
</tr>
<tr>
<td>4.02.</td>
<td>Selection of 2020 Bonds for Redemption</td>
<td>24</td>
</tr>
<tr>
<td>4.03.</td>
<td>Notice of Redemption</td>
<td>25</td>
</tr>
<tr>
<td>4.04.</td>
<td>Partial Redemption of 2020 Bonds</td>
<td>25</td>
</tr>
<tr>
<td>4.05.</td>
<td>Effect of Redemption</td>
<td>25</td>
</tr>
</tbody>
</table>

**ARTICLE V**  
REVENUES, FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.01.</td>
<td>Pledge and Assignment; Revenue Fund</td>
<td>26</td>
</tr>
<tr>
<td>5.02.</td>
<td>Allocation of Revenues</td>
<td>27</td>
</tr>
<tr>
<td>5.03.</td>
<td>Application of Interest Account</td>
<td>28</td>
</tr>
<tr>
<td>5.04.</td>
<td>Application of Principal Account</td>
<td>28</td>
</tr>
</tbody>
</table>
# TABLE OF CONTENTS (continued)

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.05</td>
<td>Application of Redemption Fund</td>
<td>28</td>
</tr>
<tr>
<td>5.06</td>
<td>Investments</td>
<td>28</td>
</tr>
<tr>
<td>5.07</td>
<td>Rebate Fund</td>
<td>29</td>
</tr>
<tr>
<td>5.08</td>
<td>Application of Funds and Accounts When No 2020 Bonds are Outstanding</td>
<td>31</td>
</tr>
</tbody>
</table>

## ARTICLE VI

PARTICULAR COVENANTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.01</td>
<td>Punctual Payment</td>
<td>31</td>
</tr>
<tr>
<td>6.02</td>
<td>Extension of Payment of 2020 Bonds</td>
<td>31</td>
</tr>
<tr>
<td>6.03</td>
<td>Against Encumbrances</td>
<td>31</td>
</tr>
<tr>
<td>6.04</td>
<td>Power to Issue 2020 Bonds and Make Pledge and Assignment</td>
<td>31</td>
</tr>
<tr>
<td>6.05</td>
<td>Accounting Records and Financial Statements</td>
<td>31</td>
</tr>
<tr>
<td>6.06</td>
<td>Tax Covenants</td>
<td>32</td>
</tr>
<tr>
<td>6.07</td>
<td>Waiver of Laws</td>
<td>33</td>
</tr>
<tr>
<td>6.08</td>
<td>Further Assurances</td>
<td>33</td>
</tr>
<tr>
<td>6.09</td>
<td>Budgets</td>
<td>33</td>
</tr>
<tr>
<td>6.10</td>
<td>Observance of Laws and Regulations</td>
<td>33</td>
</tr>
<tr>
<td>6.11</td>
<td>Compliance with Contracts</td>
<td>33</td>
</tr>
<tr>
<td>6.12</td>
<td>Prosecution and Defense of Suits</td>
<td>34</td>
</tr>
<tr>
<td>6.13</td>
<td>Continuing Disclosure</td>
<td>34</td>
</tr>
<tr>
<td>6.14</td>
<td>Additional Contracts and Bonds</td>
<td>34</td>
</tr>
<tr>
<td>6.15</td>
<td>Against Sale or Other Disposition of Property</td>
<td>35</td>
</tr>
<tr>
<td>6.16</td>
<td>Against Competitive Facilities</td>
<td>35</td>
</tr>
<tr>
<td>6.17</td>
<td>Maintenance and Operation of the Water System and the Wastewater System</td>
<td>35</td>
</tr>
<tr>
<td>6.18</td>
<td>Payment of Claims</td>
<td>36</td>
</tr>
<tr>
<td>6.19</td>
<td>Insurance</td>
<td>36</td>
</tr>
<tr>
<td>6.20</td>
<td>Payment of Taxes and Compliance with Governmental Regulations</td>
<td>37</td>
</tr>
<tr>
<td>6.21</td>
<td>Amount of Rates and Charges</td>
<td>37</td>
</tr>
<tr>
<td>6.22</td>
<td>Collection of Rates and Charges</td>
<td>37</td>
</tr>
<tr>
<td>6.23</td>
<td>Eminent Domain Proceeds</td>
<td>38</td>
</tr>
<tr>
<td>6.24</td>
<td>Enforcement of Contracts</td>
<td>38</td>
</tr>
</tbody>
</table>

## ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF 2020 BOND OWNERS

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.01</td>
<td>Events of Default</td>
<td>38</td>
</tr>
<tr>
<td>7.02</td>
<td>Remedies Upon Event of Default</td>
<td>39</td>
</tr>
<tr>
<td>7.03</td>
<td>Application of Revenues and Other Funds After Default</td>
<td>40</td>
</tr>
<tr>
<td>7.04</td>
<td>Trustee to Represent 2020 Bond Owners</td>
<td>40</td>
</tr>
<tr>
<td>7.05</td>
<td>2020 Bond Owners’ Direction of Proceedings</td>
<td>41</td>
</tr>
<tr>
<td>7.06</td>
<td>Suit by Owners</td>
<td>41</td>
</tr>
<tr>
<td>7.07</td>
<td>Absolute Obligation of the District</td>
<td>42</td>
</tr>
<tr>
<td>7.08</td>
<td>Remedies Not Exclusive</td>
<td>42</td>
</tr>
<tr>
<td>7.09</td>
<td>No Waiver of Default</td>
<td>42</td>
</tr>
</tbody>
</table>
# TABLE OF CONTENTS

(continued)

<table>
<thead>
<tr>
<th>Article</th>
<th>Section</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>VIII</td>
<td>8.01</td>
<td>Duties, Immunities and Liabilities of Trustee</td>
<td>42</td>
</tr>
<tr>
<td>VIII</td>
<td>8.02</td>
<td>Merger or Consolidation</td>
<td>44</td>
</tr>
<tr>
<td>VIII</td>
<td>8.03</td>
<td>Liability of Trustee</td>
<td>44</td>
</tr>
<tr>
<td>VIII</td>
<td>8.04</td>
<td>Right to Rely on Documents</td>
<td>46</td>
</tr>
<tr>
<td>VIII</td>
<td>8.05</td>
<td>Preservation and Inspection of Documents</td>
<td>47</td>
</tr>
<tr>
<td>VIII</td>
<td>8.06</td>
<td>Compensation and Indemnification</td>
<td>47</td>
</tr>
<tr>
<td>IX</td>
<td>9.01</td>
<td>Amendments Permitted</td>
<td>47</td>
</tr>
<tr>
<td>IX</td>
<td>9.02</td>
<td>Effect of Supplemental Indenture</td>
<td>49</td>
</tr>
<tr>
<td>IX</td>
<td>9.03</td>
<td>Endorsement of 2020 Bonds; Preparation of New 2020 Bonds</td>
<td>49</td>
</tr>
<tr>
<td>IX</td>
<td>9.04</td>
<td>Amendment of Particular 2020 Bonds</td>
<td>49</td>
</tr>
<tr>
<td>X</td>
<td>10.01</td>
<td>Discharge of Indenture</td>
<td>49</td>
</tr>
<tr>
<td>X</td>
<td>10.02</td>
<td>Discharge of Liability on 2020 Bonds</td>
<td>50</td>
</tr>
<tr>
<td>X</td>
<td>10.03</td>
<td>Deposit of Money or Securities with Trustee</td>
<td>50</td>
</tr>
<tr>
<td>X</td>
<td>10.04</td>
<td>Payment of 2020 Bonds After Discharge of Indenture</td>
<td>51</td>
</tr>
<tr>
<td>XI</td>
<td>11.01</td>
<td>Liability of District Limited to Revenues</td>
<td>51</td>
</tr>
<tr>
<td>XI</td>
<td>11.02</td>
<td>Successor Is Deemed Included in All References to Predecessor</td>
<td>52</td>
</tr>
<tr>
<td>XI</td>
<td>11.03</td>
<td>Limitation of Rights to Parties and 2020 Bond Owners</td>
<td>52</td>
</tr>
<tr>
<td>XI</td>
<td>11.04</td>
<td>Waiver of Notice; Requirement of Mailed Notice</td>
<td>52</td>
</tr>
<tr>
<td>XI</td>
<td>11.05</td>
<td>Disposal of 2020 Bonds</td>
<td>52</td>
</tr>
<tr>
<td>XI</td>
<td>11.06</td>
<td>Severability of Invalid Provisions</td>
<td>52</td>
</tr>
<tr>
<td>XI</td>
<td>11.07</td>
<td>Notices; Electronic Signatures</td>
<td>52</td>
</tr>
<tr>
<td>XI</td>
<td>11.08</td>
<td>Evidence of Rights of 2020 Bond Owners</td>
<td>53</td>
</tr>
<tr>
<td>XI</td>
<td>11.09</td>
<td>Disqualified 2020 Bonds</td>
<td>53</td>
</tr>
<tr>
<td>XI</td>
<td>11.10</td>
<td>Money Held for Particular 2020 Bonds</td>
<td>54</td>
</tr>
<tr>
<td>XI</td>
<td>11.11</td>
<td>Funds and Accounts</td>
<td>54</td>
</tr>
<tr>
<td>XI</td>
<td>11.12</td>
<td>Waiver of Personal Liability</td>
<td>54</td>
</tr>
<tr>
<td>XI</td>
<td>11.13</td>
<td>Execution in Several Counterparts</td>
<td>54</td>
</tr>
<tr>
<td>XI</td>
<td>11.14</td>
<td>CUSIP Numbers</td>
<td>54</td>
</tr>
<tr>
<td>XI</td>
<td>11.15</td>
<td>Choice of Law</td>
<td>54</td>
</tr>
<tr>
<td>Section</td>
<td>Title</td>
<td>Page</td>
<td></td>
</tr>
<tr>
<td>-----------</td>
<td>---------------------------------------------------------</td>
<td>------</td>
<td></td>
</tr>
<tr>
<td>11.16</td>
<td>Paired Obligation Provider Guidelines</td>
<td>54</td>
<td></td>
</tr>
<tr>
<td>11.17</td>
<td>U.S.A. Patriot Act</td>
<td>55</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Signatures</td>
<td>S-1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Exhibit A</td>
<td>A-1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Exhibit B</td>
<td>B-1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Form of 2020 Bond</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Description of 2010 Project, Prior Projects and 2013 Project</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
INDENTURE OF TRUST

THIS INDENTURE OF TRUST is made and entered into and dated as of _____ 1, 2020 (the “Indenture”), by and between the EAST VALLEY WATER DISTRICT, a county water district that is duly organized and existing under and by virtue of the laws of the State of California (the “District”), and MUFG UNION BANK, N.A., 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. In 2010, the District entered into an Installment Purchase Agreement, dated as of October 1, 2010 (the “2010 Installment Purchase Agreement”), with the East Valley Water District Financing Authority (the “Authority”): (i) to finance certain capital improvements to the District’s Water System and Wastewater System (the “2010 Project”); and (ii) to refinance certain previously constructed capital improvements to the District’s Water System and Wastewater System (the “Prior Projects”).

B. The District’s payments to the Authority under the 2010 Installment Purchase Agreement support the payment of debt service on the Authority’s Refunding Revenue Bonds, Series 2010 (the “2010 Bonds”).

C. In 2013, the District entered into an Installment Purchase Agreement, dated as of June 1, 2013 (the “2013 Installment Purchase Agreement”), with the Authority to finance certain capital improvements to the District’s Water System and Wastewater System (the “2013 Project”).

D. The District’s payments to the Authority under the 2013 Installment Purchase Agreement support the payment of debt service on the Authority’s Revenue Bonds, Series 2013A (the “2013 Bonds”).

E. The District is authorized by Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with Section 53570) of the Government Code of the State of California to issue bonds to refund outstanding indebtedness of the District.

F. Pursuant to such authority, the District desires: (i) to issue tax-exempt refunding revenue bonds (the “2020A Bonds”) to prepay the 2010 Installment Purchase Agreement and cause the refunding of the 2010 Bonds; and (ii) to issue federally taxable refunding revenue bonds (the “2020B Bonds”) to prepay the 2013 Installment Purchase Agreement and cause the refunding of the 2013 Bonds, in each case in order to achieve debt service savings.

G. In order to provide for the authentication and delivery of the 2020A Bonds and the 2020B Bonds (collectively, the “2020 Bonds”), to establish and declare the terms and conditions upon which such 2020 Bonds are to be issued and secured and to secure the payment of the principal thereof and interest and premium, if any, thereon, the District has authorized the execution and delivery of this Indenture.

H. The District has determined that all acts and proceedings which are required by law and necessary to make the 2020 Bonds, when executed by the District, authenticated and delivered by the Trustee, and duly issued, the valid, binding and legal special obligations of the District, and to constitute the Indenture a valid and binding agreement for the uses and purposes herein set forth in
accordance with its terms, have been done and taken, and the execution and delivery of the Indenture have been in all respects duly authorized;

GRANTING CLAUSES

The District, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the mutual covenants herein contained and of the purchase and acceptance of the 2020 Bonds by the owners thereof, and for other valuable consideration, the receipt whereof is hereby acknowledged, in order to secure the payment of the principal of and the interest and premium (if any) on all 2020 Bonds at any time issued and Outstanding under the Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, does hereby assign and pledge unto, and grant a security interest in, the following (the “Trust Estate”) to the Trustee, and its successors in trust and assigns forever, for the securing of the performance of the obligations of the District to the 2020 Bond Owners hereinafter set forth:

FIRST

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

SECOND

All moneys and securities held in funds and accounts of this Indenture, except amounts which are 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 District or by anyone on its behalf, or with its written consent, and to hold and apply the same, subject to the terms hereof.

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

IN TRUST, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all present and future owners of the 2020 Bonds issued under and secured by the Indenture without privilege, priority or distinction as to the lien or otherwise of any of the 2020 Bonds over any of the other 2020 Bonds;

PROVIDED, HOWEVER, that if the District, its successors or assigns shall well and truly pay, or cause to be paid, the principal of and interest and any redemption premium on the 2020 Bonds due or to become due thereon, at the times and in the manner provided in the 2020 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 2020 Bonds which are issued and secured hereunder are to be issued, authenticated and delivered, and all sold property, rights and interests, including, without limitation, the Revenues, which are hereby assigned and pledged, are to be dealt with and disposed of, under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes hereinafter expressed, and the District has agreed and covenanted and does hereby covenant and agree with the Trustee, for the benefit of the respective Owners from time to time of the 2020 Bonds, as follows:

ARTICLE I
DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

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


Authority. The term “Authority” means the East Valley Water District Financing Authority, a joint exercise of powers authority that is duly organized and existing under the Joint Exercise of Powers Agreement and the Constitution and laws of the State.

Authorized Officer. The term “Authorized Officer” means, with respect to the District, the President or Vice President of the Board of Directors of the District or the General Manager or Chief Financial Officer of the District or any other person designated as an Authorized Officer of the District by a Certificate of the District signed by the President or Vice President of the Board of Directors of the District or the General Manager or Chief Financial Officer of the District and filed with the Trustee.

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

Bonds. The term “Bonds” means all revenue bonds or notes of the District authorized, executed, issued and delivered by the District, the payments of which are payable from Net Revenues on a parity with the 2020 Bonds and which are secured by a pledge of and lien on Revenues as described in Section 5.01 hereof.

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

Business Day. The term “Business Day” means: (1) a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the State, or in any other state in which the Designated Corporate Trust Office of the Trustee is located, are closed; or (2) a day on which the New York Stock Exchange is not closed.
Certificate; Direction; Request; Requisition. The terms “Certificate,” “Direction,” “Request” and “Requisition” of the District mean a written certificate, direction, request or requisition signed in the name of the District by an Authorized Officer of the District. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by Section 1.02, each such instrument shall include the statements provided for in Section 1.02.

Closing Date. The term “Closing Date” means the date on which the 2020 Bonds are delivered to the original purchaser thereof.


Continuing Disclosure Certificate. The term “Continuing Disclosure Certificate” means the Continuing Disclosure Certificate of the District dated the Closing Date relating to the 2020 Bonds, as originally executed or as it may be from time to time amended or supplemented in accordance with its terms.

Contracts. The term “Contracts” means the 2010 State Contract, the 2018 State Contract and all other contracts of the District previously or hereafter authorized and executed by the District, the payments under which are payable from Net Revenues on a parity with the 2020 Bonds 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 or the Wastewater System.

Costs of Issuance. The term “Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the District and related to the authorization, issuance, sale and delivery of the 2020 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 2020 Bonds and any other cost, charge or fee in connection with the original issuance of the 2020 Bonds.

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

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

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

(2) those portions of the principal amount of all outstanding serial Bonds maturing in such period;

(3) those portions of the principal amount of all outstanding term Bonds required to be prepaid or paid in such period; and

(4) those portions of the Contracts required to be paid during such period (except to the extent that the interest evidenced and represented thereby is capitalized or is reasonably anticipated to be reimbursed to the District by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5, 23 Stat. 115 (2009), enacted February 17, 2009)), or any future similar program);

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

provided that, as to any such Bonds or Contracts bearing or comprising interest at other than a fixed rate, the rate of interest used to calculate Debt Service shall, for all purposes, be assumed to bear interest at a fixed rate equal to the higher of: (i) the then current variable interest rate borne by such Bonds or Contracts plus 1%; and (ii) the highest variable rate borne over the preceding twenty-four (24) months by outstanding variable rate debt issued by the District or, if no such variable rate debt is at the time outstanding, by variable rate debt of which the interest rate is computed by reference to an index comparable to that to be utilized in determining the interest rate for the debt then proposed to be issued;

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

provided further that, as to any such Bonds or Contracts or portions thereof 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 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; and

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

**Depository; DTC.** The term “Depository” or “DTC” means The Depository Trust Company,
New York, New York, a limited purpose trust company organized under the laws of the State of New
York, in its capacity as securities depository for the 2020 Bonds.

**Designated Corporate Trust Office.** The term “Designated Corporate Trust Office” means with
respect to the Trustee, the corporate trust office of the Trustee at 445 South Figueroa Street, Suite 401,
Los Angeles, California 90071, Attention: Corporate Trust, Reference: East Valley Water District,
Series 2020, Fax: 213-972-5694, Email: LACT@unionbank.com, or such other or additional offices
as may be specified in writing by the Trustee to the District, except that with respect to presentation of
2020 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.

**District.** The term “District” means the East Valley Water District, a county water district that
is duly organized and existing under and by virtue of the laws of the State.

**Escrow Agent.** The term “Escrow Agent” means MUFG Union Bank, N.A., as escrow agent
and 2010 Bond trustee under the 2010 Escrow Agreement and as escrow agent and 2013 Bond trustee
under the 2013 Escrow Agreement.

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

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

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

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

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

**Indenture.** The term “Indenture” means the Indenture of Trust, dated as of _____ 1, 2020, by
and between the District and the Trustee, as originally executed or as it may from time to time be
supplemented, modified or amended by any Supplemental Indenture.

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

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

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

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

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

**Interest Payment Date.** The term “Interest Payment Date” means [October 1, 2020] and each April 1 and October 1 thereafter.

**Investment Agreement.** The term “Investment Agreement” means an investment agreement supported by appropriate opinions of counsel, provided that the guarantor thereof is rated, at the time of issuance, at least “AA” and “Aa” by S&P and Moody’s, respectively, and as further described in the definition of “Permitted Investments.”

**Joint Exercise of Powers Agreement.** The term “Joint Exercise of Powers Agreement” means that certain Joint Exercise of Powers Agreement, dated as of August 20, 2010, by and between the District and California Municipal Finance Authority, a public body, corporate and politic, duly organized and existing under the laws of the State, as amended from time to time.

**Letter of Representations.** The term “Letter of Representations” means the letter of the District delivered to and accepted by the Depository on or prior to delivery of the 2020 Bonds as book entry bonds setting forth the basis on which the Depository serves as depository for such book entry bonds, as originally executed or as it may be supplemented or revised or replaced by a letter from the District delivered to and accepted by the Depository.

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

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

**Net Proceeds.** The term “Net Proceeds” means, when used with respect to any casualty insurance or condemnation award, the proceeds from such insurance or condemnation award remaining after payment of all expenses (including attorneys’ fees) incurred in the collection of such proceeds.
Net Revenues. The term “Net Revenues” means, for any period, the Revenues for such period less the Operation and Maintenance Costs for such period. When held by the Trustee in any funds or accounts established hereunder, Net Revenues shall include all interest or realized gain derived from the investment of amounts in any of such funds or accounts.

Net Wastewater System Revenues. The term “Net Wastewater System Revenues” means for any Fiscal Year or other period, the Wastewater System Revenues for such Fiscal Year or other period less the Operation and Maintenance Costs allocable to the Wastewater System for such Fiscal Year or other period.

Net Water System Revenues. The term “Net Water System Revenues” means for any Fiscal Year or other period, the Water System Revenues for such Fiscal Year or other period less the Operation and Maintenance Costs allocable to the Water System for such Fiscal Year or other period.

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.

Operation and Maintenance Costs. The term “Operation and Maintenance Costs” means: (i) costs spent or incurred for maintenance and operation of the Water System and Wastewater 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 and Wastewater System in good repair and working order, and including administrative costs of the District that are charged directly or apportioned to the Water System and Wastewater 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, consultants or engineers and insurance premiums, and including all other reasonable and necessary costs of the District or charges (other than Debt Service) required to be paid by it to comply with the terms of the Indenture or any Contract or of any resolution or indenture authorizing the issuance of any Bonds or of such Bonds; and (ii) all costs of water purchased or otherwise acquired for delivery by the Water System (including any interim or renewed arrangement therefor), and all costs of wastewater treatment; 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.

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

Outstanding. The term “Outstanding,” when used as of any particular time with reference to 2020 Bonds, means (subject to the provisions of Section 11.09) all 2020 Bonds theretofore or thereupon being authenticated and delivered by the Trustee under the Indenture except: (i) 2020 Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (ii) 2020 Bonds with respect to which all liability of the District shall have been discharged in accordance with Section 10.02, including 2020 Bonds (or portions thereof) described in Section 11.09; (iii) 2020 Bonds for the transfer or exchange of or in lieu of or in substitution for which other 2020 Bonds shall have been authenticated.
and delivered by the Trustee pursuant to the Indenture; and (iv) Bonds paid in accordance with Section 2.07.

Owner; 2020 Bond Owner. The term “Owner” or “2020 Bond Owner,” whenever used herein with respect to a 2020 Bond, means the person in whose name the ownership of such 2020 Bond is registered on the Registration Books.

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

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

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

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

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

(A) for all purposes, including: (i) as defeasance investments in refunding escrow accounts; and (ii) for the purpose of investing (and receiving premium credit for) accrued and capitalized interest: (1) cash; or (2) Federal Securities; and

(B) for all purposes other than: (i) defeasance investments in refunding escrow accounts; and (ii) investing (and receiving credit for) accrued and capitalized interest: (1) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including the Export Import Bank; Farmers Home Administration; General Services Administration; U.S. Maritime Administration; Small Business Administration; Government National Mortgage Association (GNMA); U.S. Department of Housing & Urban Development (PHAs); and Federal Housing Administration; (2) bonds, notes or other evidences of indebtedness rated “AAA” and “Aaa” by the applicable Rating Agency issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years; (3) U.S. dollar denominated deposit accounts, certificates of deposit, certificates of deposit, federal funds and banker’s acceptances with domestic commercial banks, which may include the Trustee and its affiliates, which: (I) have a rating on their short term certificates of deposit on the date of purchase of “A-1” or “A-1+” by S&P and “P-1” by Moody’s; or (II) deposits insured by the Federal Deposit Insurance Corporation maturing no more than 360 days after the date of purchase (ratings on holding companies are not considered as the rating of the bank); (4) commercial paper which is rated at the time of purchase in
the single highest classification, “A-1+” by S&P and “P-1” by Moody’s and which matures not more than 270 days after the date of purchase; (5) investments in a money market fund rated “AAm” or “AAm-G” or better by S&P, including funds for which the Trustee or its affiliates provide investment advisory or other management services, but excluding funds with a floating net asset value; (6) pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice and which are rated, based on the escrow, in the highest rating category of S&P and Moody’s, or any successor thereto; (7) any Investment Agreement; (8) the Local Agency Investment Fund of the State of California; and (9) any other investment permitted by law.

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

**Prior Projects.** The term “Prior Projects” means those Water System and Wastewater System capital improvements that are described as such in Exhibit B.

**Proceeds Fund.** The term “Proceeds Fund” means the fund by that name established pursuant to Section 3.02.

**Rating.** The term “Rating” means any currently effective rating on the 2020 Bonds issued by a Rating Agency.

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

**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 a redemption prior to maturity of the 2020 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 2020 Bond (or portion thereof), the principal amount of such 2020 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 2020 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 2020 Bonds pursuant to Section 2.05.
Responsible Officer of the Trustee. The term “Responsible Officer of the Trustee” means any officer within the corporate trust services division (or any successor group or department of the Trustee) including any vice president, assistant vice president, assistant secretary or any other officer or assistant officer of the Trustee within the Designated Corporate Trust Office (or any successor corporate trust office) customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred at the Designated Corporate Trust Office because of such person’s knowledge of and familiarity with the particular subject and having direct responsibility for the administration of this Indenture.

Revenue Fund. The term “Revenue Fund” means, collectively, the Sewer Fund and the Water Fund of the District, together with other accounts created in the future and designated by action of the Board of Directors of the District as a part of the Revenue Fund.

Revenues. The term “Revenues” means: (i) Water System Revenues; (ii) Wastewater System Revenues; and (iii) other revenues received by the District including, without limiting the generality of the foregoing: (1) all amounts received by the District as its share of the 1% ad valorem property tax not allocated to the Water System Revenues or the Wastewater System Revenues, if any; plus (2) the earnings on and income derived from the investment of the amounts described in clause (1) hereof.


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

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

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

SWRCB. The term “SWRCB” means the State of California Water Resources Control Board.

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 2020A Bonds issued by the District on the date of issuance of the 2020A Bonds, including any and all exhibits attached thereto.

Term Bond. The term “Term Bond” means the 2020A Bonds maturing on October 1, 20_ and the 2020B Bonds maturing on October 1, 20__.

Trustee. The term “Trustee” means MUFG Union Bank, N.A., 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.

2010 Bonds. The term “2010 Bonds” means the Authority’s Refunding Revenue Bonds, Series 2010, the proceeds of which financed the 2010 Project and refinanced the Prior Projects.
**2010 Escrow Agreement.** The term “2010 Escrow Agreement” means the Escrow Agreement (2010 Bonds), by and among the District, the Authority and the Escrow Agent, relating to the 2010 Bonds.

**2010 Escrow Fund.** The term “2010 Escrow Fund” means the escrow fund established under the 2010 Escrow Agreement.

**2010 Project.** The term “2010 Project” means those Water System and Wastewater System capital improvements that are described as such in Exhibit B.

**2010 State Contract.** The term “2010 State Contract” means the Funding Agreement (Contract No. 10CX110), by and between the District and the SWRCB, as successor to the State Department of Public Health.

**2013 Bonds.** The term “2013 Bonds” means the Authority’s Revenue Bonds, Series 2013A, the proceeds of which financed the 2013 Project.

**2013 Escrow Agreement.** The term “2013 Escrow Agreement” means the Escrow Agreement (2013A Bonds), by and among the District, the Authority and the Escrow Agent, relating to the 2013 Bonds.

**2013 Escrow Fund.** The term “2013 Escrow Fund” means the escrow fund established under the 2013 Escrow Agreement.

**2013 Project.** The term “2013 Project” means those Water System and Wastewater System capital improvements that are described as such in Exhibit B.

**2018 State Contract.** The term “2018 State Contract” means the Construction Installment Sale Agreement and Grant (Project No. C-06-8106-110; Agreement No. D17-01042), dated June 26, 2018, by and between the District and the SWRCB.

**2020 Bonds.** The term “2020 Bonds” means, collectively, the 2020A Bonds and the 2020B Bonds.

**2020A Bonds.** The term “2020A Bonds” means the East Valley Water District Refunding Revenue Bonds, Series 2020A issued by the District and at any time Outstanding pursuant to the Indenture.

**2020B Bonds.** The term “2020B Bonds” means the East Valley Water District Refunding Revenue Bonds, Series 2020B (Federally Taxable) issued by the District and at any time Outstanding pursuant to the Indenture.

**Wastewater Service.** The term “Wastewater Service” means the wastewater treatment service made available or provided by the Wastewater System.

**Wastewater System.** The term “Wastewater System” means the whole and each and every part of the wastewater collection and treatment [CONFIRM NO LAFCO ISSUES] system of the District, including the portion thereof existing on the date hereof, and including all additions, betterments, extensions and improvements to such wastewater treatment system or any part thereof hereafter acquired or constructed.
**Wastewater System Revenues.** The term “Wastewater System Revenues” means all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Wastewater System, including, without limiting the generality of the foregoing:

(i) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the District from the furnishing of wastewater collection and treatment and the provision of other services, facilities and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Wastewater System; plus

(ii) the facility capacity charges or similar charges related to the Wastewater System; plus

(iii) the earnings on and income derived from the investment of the amounts described in clauses (i) and (ii) hereof;

but excluding in all cases customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District, and excluding any proceeds of taxes or benefit assessments restricted by law to be used by the District to pay obligations of the District other than Bonds or Contracts.

**Water Service.** The term “Water Service” means the water distribution service and, if applicable, recycled water distribution service made available or provided by the Water System.

**Water System.** The term “Water System” means the whole and each and every part of the water system of the District, including any recycled water system, and including all additions, betterments, extensions and improvements to such water system, any recycled water system or any part thereof hereafter acquired or constructed.

**Water System Revenues.** The term “Water System 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:

(i) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the District from the sale, furnishing and supplying of water, recycled water or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Water System; plus

(ii) the proceeds of any stand-by or water availability charges; plus

(iii) the facility capacity charges or similar charges related to the Water System; plus

(iv) the earnings on and income derived from the investment of the amounts described in clauses (i), (ii) and (iii) hereof;

but excluding in all cases customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District, and excluding any proceeds of taxes or benefit assessments restricted by law to be used by the District to pay obligations of the District other than Bonds or Contracts.
Written Consent of the District; Written Order of the District; Written Request of the District; Written Requisition of the District. The terms “Written Consent of the District,” “Written Order of the District,” “Written Request of the District” and “Written Requisition of the District” mean, respectively, a written consent, order, request or requisition signed by or on behalf of the District by an Authorized Officer of the District or by any two persons who are specifically authorized by resolution of the District to sign or execute such a document on its behalf.

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

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

Section 1.03. Interpretation.

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

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.
(c) All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of the Indenture; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to the Indenture as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

THE 2020 BONDS

Section 2.01. Authorization of 2020 Bonds.

(a) The District hereby authorizes the issuance hereunder from time to time of the 2020A Bonds, which shall constitute special obligations of the District, for the purposes of refinancing the 2010 Project and the Prior Projects. The 2020A Bonds are hereby designated the “East Valley Water District Refunding Revenue Bonds, Series 2020A” in the aggregate principal amount of $_____. The Indenture constitutes a continuing agreement with the Owners from time to time of the 2020A Bonds to secure the full payment of the principal of and interest and premium (if any) on all of the 2020A Bonds, subject to the covenants, provisions and conditions contained herein.

(b) The District hereby authorizes the issuance hereunder from time to time of the 2020B Bonds, which shall constitute special obligations of the District, for the purposes of refinancing the 2013 Project. The 2020B Bonds are hereby designated the “East Valley Water District Refunding Revenue Bonds, Series 2020B (Federally Taxable)” in the aggregate principal amount of $_____. The Indenture constitutes a continuing agreement with the Owners from time to time of the 2020B Bonds to secure the full payment of the principal of and interest and premium (if any) on all of the 2020B Bonds, subject to the covenants, provisions and conditions contained herein.

Section 2.02. Terms of the 2020 Bonds. The 2020 Bonds shall be issued in fully registered form without coupons in denominations of $5,000 or any integral multiple thereof.

The 2020A Bonds shall mature on October 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:

<table>
<thead>
<tr>
<th>Maturity Date (October 1)</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>20__</td>
<td>$</td>
<td>%</td>
</tr>
</tbody>
</table>

The 2020B Bonds shall mature on October 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:
The 2020B Bonds shall mature on October 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:

<table>
<thead>
<tr>
<th>Maturity Date (October 1)</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>20__</td>
<td>$</td>
<td>%</td>
</tr>
</tbody>
</table>

Interest on the 2020 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 2020 Bond shall be paid by check of the Trustee upon presentation and surrender thereof at maturity or upon the prior redemption thereof, at the Designated Corporate Trust Office of the Trustee. Both the principal of and interest and premium (if any) on the 2020 Bonds shall be payable in lawful money of the United States of America.

Each 2020 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 [September 15, 2020], 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 2020 Bond, interest thereon is in default, such 2020 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 2020 Bonds shall be calculated on the basis of a 360-day year composed of twelve 30-day months.

Section 2.03. Transfer of 2020 Bonds. Any 2020 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 2020 Bond at the Designated Corporate Trust 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 2020 Bond during the period in which the Trustee is selecting 2020 Bonds for redemption or any 2020 Bond that has been selected for redemption.

Whenever any 2020 Bond or 2020 Bonds shall be surrendered for transfer, the District shall execute and the Trustee shall authenticate and shall deliver a new 2020 Bond or 2020 Bonds of authorized denomination or denominations for a like aggregate principal amount of the same series and maturity. The Trustee shall require the 2020 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 2020 Bonds, the Trustee will cancel and dispose of the 2020 Bonds that it has received in accordance with its then customary practices, and shall deliver a certificate of such disposal to the District.

Prior to any transfer of the 2020 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 2020 Bonds. 2020 Bonds may be exchanged at the Designated Corporate Trust 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 2020 Bond during the period in which the Trustee is selecting 2020 Bonds for redemption or any 2020 Bond that has been selected for redemption. The Trustee shall require the 2020 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 2020 Bonds, the Trustee will cancel and dispose of the 2020 Bonds that it has received in accordance with its then customary practices, and shall deliver a certificate of such disposal to the District.

Section 2.05. Registration Books. The Trustee will keep or cause to be kept, at the Designated Corporate Trust Office of the Trustee, sufficient records for the registration and transfer of ownership of the 2020 Bonds, which shall upon reasonable prior written notice and at reasonable times be open to inspection during regular business hours by the District and the Owners; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as shall then be customary and standard, register or transfer or cause to be registered or transferred, on such records, the ownership of the 2020 Bonds as hereinbefore provided.

The person in whose name any 2020 Bond shall be registered shall be deemed the Owner thereof for all purposes hereof; and payment of or on account of the interest on and principal and Redemption Price of by such 2020 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 2020 Bond to the extent of the sum or sums so paid.

Section 2.06. Form and Execution of 2020 Bonds. The 2020 Bonds shall be in substantially the form set forth in Exhibit A hereto. The 2020 Bonds shall be executed in the name and on behalf of the District with the manual or facsimile signature of its President. The 2020 Bonds may carry a seal, and such seal may be in the form of a facsimile of the District’s seal and may be reproduced,
imprinted or impressed on the 2020 Bonds. The 2020 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 2020 Bonds shall cease to be such officer or officers of the District before the 2020 Bonds so signed or attested shall have been authenticated or delivered by the Trustee, or issued by the District, such 2020 Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the District as though those who signed and attested the same had continued to be such officers of the District, and also any 2020 Bonds may be signed and attested on behalf of the District by such persons as at the actual date of execution of such 2020 Bonds shall be the proper officers of the District although at the nominal date of such 2020 Bonds any such person shall not have been such officer of the District.

Only such of the 2020 Bonds as shall bear thereon a certificate of authentication substantially in the form set forth in Exhibit A hereto, 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 2020 Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of the Indenture.

Section 2.07. 2020 Bonds Mutilated, Lost, Destroyed or Stolen. If any 2020 Bond shall become mutilated, the District, at the expense of the Owner of said 2020 Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new 2020 Bond of like tenor and authorized denomination in exchange and substitution for the 2020 Bonds so mutilated, but only upon surrender to the Trustee of the 2020 Bond so mutilated. Every mutilated 2020 Bond so surrendered to the Trustee shall be canceled by it and upon the Written Request of the District delivered to, or upon the order of, the District. If any 2020 Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft shall be submitted to the Trustee and, if such evidence be satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the District, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new 2020 Bond of like tenor, series and authorized denomination in lieu of and in substitution for the 2020 Bond so lost, destroyed or stolen (or if any such 2020 Bond shall have matured or shall be about to mature, instead of issuing a substitute 2020 Bond, the Trustee shall, at the written direction of the District, pay the same without surrender thereof). The District may require payment by the Owner of a sum not exceeding the actual cost of preparing each new 2020 Bond issued under this Section and of the expenses which may be incurred by the District and the Trustee in the premises. Any 2020 Bond issued under the provisions of this Section in lieu of any 2020 Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the District whether or not the 2020 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 2020 Bonds secured by the Indenture. Notwithstanding any other provision of this Section, in lieu of delivering a new 2020 Bond for a 2020 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 2020 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 2020 Bonds, the District may provide that such 2020 Bonds shall be initially issued as book entry 2020 Bonds. If the District shall elect to deliver any 2020 Bonds in book entry form, then the District shall cause the delivery of a separate single fully registered bond (which may be typewritten) for each maturity date of such 2020 Bonds in an authorized denomination corresponding to that total principal amount of the 2020 Bonds designated to mature on such date. Upon initial issuance, the ownership of each such 2020
Bond shall be registered in the 2020 Bond Registration Books in the name of the Nominee, as nominee of the Depository, and ownership of the 2020 Bonds, or any portion thereof may not thereafter be transferred except as provided in Section 2.08(e).

With respect to book entry 2020 Bonds, the District and the Trustee shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in such book entry 2020 Bonds. Without limiting the immediately preceding sentence, the District and the Trustee shall have no responsibility or obligation with respect to: (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in book entry 2020 Bonds; (ii) the delivery to any Participant or any other person, other than an Owner as shown in the 2020 Bond Registration Books, of any notice with respect to book entry 2020 Bonds, including any notice of redemption; (iii) the selection by the Depository and its Participants of the beneficial interests in book entry 2020 Bonds to be redeemed in the event that the District redeems the 2020 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 2020 Bonds. The District and the Trustee may treat and consider the person in whose name each book entry 2020 Bond is registered in the 2020 Bond Registration Books as the absolute Owner of such book entry 2020 Bond for the purpose of payment of principal of, premium and interest on such 2020 Bond, for the purpose of giving notices of redemption and other matters with respect to such 2020 Bond, for the purpose of registering transfers with respect to such 2020 Bond, and for all other purposes whatsoever. The Trustee shall pay all principal of, premium, if any, and interest on the 2020 Bonds only to or upon the order of the respective Owner, as shown in the 2020 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 District’s obligations with respect to payment of principal of, premium, if any, and interest on the 2020 Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the 2020 Bond Registration Books, shall receive a 2020 Bond evidencing the obligation to make payments of principal of, premium, if any, and interest on the 2020 Bonds. Upon delivery by the Depository to the District and the Trustee, of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in the Indenture shall refer to such nominee of the Depository.

(b) Delivery of Letter of Representations. In order to qualify the book entry 2020 Bonds for the Depository’s book entry system, the District shall execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the District any obligation whatsoever with respect to persons having interests in such book entry 2020 Bonds other than the Owners, as shown on the 2020 Bond Registration Books. In addition to the execution and delivery of a Letter of Representations, the District shall take such other actions, not inconsistent with the Indenture, as are reasonably necessary to qualify book entry 2020 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 2020 Bonds; or (ii) the District determines that continuation of the book entry system is not in the best interest of the beneficial owners of the 2020 Bonds or the District, then the District will discontinue the book entry system with the Depository. If the District determines to replace the Depository with another qualified securities depository, the District shall prepare or direct the preparation of a new single, separate, fully registered 2020 Bond for each of the maturity dates of such book entry 2020 Bonds, registered in the name of such successor or substitute qualified securities depository or its Nominee as provided in subsection (e) hereof. If the District fails to identify another qualified securities depository to replace the Depository, then the 2020
Bonds shall no longer be restricted to being registered in such 2020 Bond Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging such 2020 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 2020 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 2020 Bond and all notices with respect to such 2020 Bond shall be made and given, respectively to the Nominee, as provided in the Letter of Representations or as otherwise instructed by the Depository and agreed to by the Trustee notwithstanding any inconsistent provisions herein.

(e) Transfer of 2020 Bonds to Substitute Depository.

(i) The 2020 Bonds shall be initially issued as provided in Section 2.01 hereof. Registered ownership of such 2020 Bonds, or any portions thereof, may not thereafter be transferred except:

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

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

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

(ii) In the case of any transfer pursuant to clauses (A) or (B) of subsection (i) of this Section 2.08(e), upon receipt of all Outstanding 2020 Bonds by the Trustee, together with a Written Request of the District to the Trustee designating the Substitute Depository, a single new 2020 Bond, which the District shall prepare or cause to be prepared, shall be issued for each maturity of 2020 Bonds then Outstanding, registered in the name of such successor or such Substitute Depository or their Nominees, as the case may be, all as specified in such Written Request of the District. In the case of any transfer pursuant to clause (C) of subsection (i) of this Section 2.08(e), upon receipt of all Outstanding 2020 Bonds by the Trustee, together with a Written Request of the District to the Trustee, new 2020 Bonds, which the District shall prepare or cause to be prepared, shall be issued in such denominations and registered in the names of such persons as are requested in such Written Request of the District, subject to the limitations of Section 2.01 hereof, provided that the Trustee shall not be required to deliver such new 2020 Bonds within a period of less than sixty (60) days from the date of receipt of such Written Request from the District.
(iii) In the case of a partial redemption or an advance refunding of any 2020 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 2020 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 2020 Bonds shall be controlling.

(iv) The District and the Trustee shall be entitled to treat the person in whose name any 2020 Bond is registered as the Owner thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the District; and the District and the Trustee shall not have responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the 2020 Bonds. Neither the District nor the Trustee shall have any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including DTC or its successor (or Substitute Depository or its successor), except to the Owner of any 2020 Bonds, and the Trustee may rely conclusively on its records as to the identity of the Owners of the 2020 Bonds.

ARTICLE III

ISSUANCE OF 2020 BONDS; APPLICATION OF PROCEEDS

Section 3.01. Issuance of the 2020 Bonds. At any time after the execution of the Indenture, the District may execute and the Trustee shall authenticate and, upon Written Request of the District, deliver the 2020A Bonds in the aggregate principal amount of $_____ and the 2020B Bonds in the aggregate principal amount of $_____.

Section 3.02. Application of Proceeds of the 2020 Bonds.

(a) The proceeds of the sale of the 2020A Bonds in the amount of $_____ shall be delivered to the Trustee, who shall deposit such proceeds in a temporary account called the “Proceeds Fund,” which the Trustee shall establish, maintain and hold in trust, and shall forthwith set aside or transfer such amounts as follows:

(i) transfer $_____ to the Escrow Agent for deposit in the 2010 Escrow Fund; and

(ii) deposit $_____ into the 2020A Account of the Costs of Issuance Fund.

(b) The proceeds of the sale of the 2020B Bonds in the amount of $_____ shall be delivered to the Trustee, who shall deposit such proceeds in the Proceeds Fund, and shall forthwith set aside or transfer such amounts as follows:

(i) transfer $_____ to the Escrow Agent for deposit in the 2013 Escrow Fund; and

(ii) deposit $_____ into the 2020B Account of the Costs of Issuance Fund.

(c) Upon the transfer of moneys out of the Proceeds Fund as described in clauses (a) and (b), the Proceeds Fund shall be closed.
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” and within such fund, the “2020A Account” and the “2020B Account.” The moneys in the 2020A Account of the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance of the 2020A Bonds upon submission of Written Requisitions of the District 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. The moneys in the 2020B Account of the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance of the 2020B Bonds upon submission of Written Requisitions of the District 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. Each such Written Requisition of the District shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. On the six month anniversary of the issuance of the 2020 Bonds, or upon the earlier Written Request of the District, all amounts remaining in the Costs of Issuance Fund shall be transferred by the Trustee to the Interest Account and the Costs of Issuance Fund, and each account therein, shall be closed. Investment earnings on amounts on deposit in the Costs of Issuance Fund shall be applied in accordance with Section 5.06 hereof.

Section 3.04. Validity of 2020 Bonds. The validity of the authorization and issuance of the 2020 Bonds is not dependent on and shall not be affected in any way by any proceedings taken by the District or the Trustee with respect to any other agreement. The recital contained in the 2020 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 2020 BONDS

Section 4.01. Terms of Redemption.

(a) The 2020A Bonds with stated maturities on or after October 1, 20__, shall be subject to redemption prior to their respective stated maturities, as a whole or in part on ____ 1, 20__, or any date thereafter, as directed by the District in a Written Request provided to the Trustee at least 35 days prior to such date and by lot within each maturity in integral multiples of $5,000, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the Redemption Date, without premium.

(b) The 2020B Bonds with stated maturities on or after October 1, 20__, shall be subject to redemption prior to their respective stated maturities, as a whole or in part on ____ 1, 20__, or any date thereafter, as directed by the District in a Written Request provided to the Trustee at least 35 days prior to such date and by lot within each maturity in integral multiples of $5,000, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the Redemption Date, without premium.

In addition, the 2020B Bonds are subject to redemption prior to their respective maturity dates, at the option of the District, in whole or in part, at any time, from any source of available funds, at a redemption price equal to the greater of:
(i) 100% of the principal amount of the 2020B Bonds to be redeemed; and

(ii) the sum of the present values of the remaining scheduled payments of principal and interest on the 2020B Bonds to be redeemed discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate, plus __ basis points, plus accrued and unpaid interest on the 2020B Bonds being redeemed to the date fixed for redemption.

“Treasury Rate” means, with respect to any redemption date for a particular 2020B Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 that has become publicly available at least two Business Days but not more than 45 calendar days prior to the redemption date (excluding inflation indexed securities), or, if such statistical release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the 2020B Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

The 2020B Bonds that are subject to optional redemption may be selected for such redemption in such amounts and order of maturity of Outstanding 2020B Bonds as will be selected by the District. If less than all of the 2020B Bonds of any maturity are to be redeemed prior to maturity, and if the 2020B Bonds are in book-entry form at the time of such redemption, the Trustee will provide written notice to DTC in accordance with the Indenture and the pro rata reduction in principal provision included in the Blanket Letter of Representations of the District on file with DTC. The particular 2020B Bonds to be redeemed will be redeemed on a “Pro-Rata Pass-Through Distribution of Principal” basis in accordance with DTC procedures, provided that such redemption is made in accordance with the operational arrangements of DTC then in effect. The Trustee will send notice to DTC in accordance with such rules and procedures to effect a pro rata reduction of principal of all affected outstanding 2020B Bonds to accomplish any optional and mandatory sinking account redemption using a pass-through distribution of principal. In connection with each such redemption, the Trustee will include in the written notice of redemption the dollar amount per $5,000 principal amount payable on account of principal and accrued interest to effect a pro rata reduction through a pass-through distribution of principal on the related redemption date. Any failure of the Trustee to provide such notice, or of DTC or its participants or any other intermediary to make such selection or proportional allocation, for whatever reason, will not affect the sufficiency or the validity of the redemption of the 2020B Bonds. If DTC’s prevailing operational arrangements do not allow for allocation of a redemption on a pro rata pass-through distribution of principal basis, the portion of the 2020B Bonds to be redeemed on such dates will be selected in accordance with DTC’s then existing rules and procedures.

Notwithstanding the foregoing, if less than all of the 2020B Bonds of any maturity are to be redeemed prior to maturity and if the 2020B Bonds are not then in book-entry form at the time of such redemption, on each redemption date, the Trustee will select the specific 2020B Bonds for redemption on a pro rata basis from such maturity or mandatory sinking account payment within such maturity of Outstanding 2020B Bonds. The portion of any 2020B Bond of a denomination of more than $5,000 to be redeemed will be in the principal amount of $5,000 or any integral multiple thereof. The Trustee will select such portions of 2020B Bonds to be redeemed on a pro rata basis from each maturity or mandatory sinking account payment of Outstanding 2020B Bonds, as the Trustee in its discretion may deem to be fair and appropriate.
(c) The 2020 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 District in a Written Request provided to the Trustee at least 35 days 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 6.19 and 6.23, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

(d) The Term Bonds which are 2020A Bonds with stated maturities on October 1, 20__ are subject to mandatory sinking fund redemption in part (by lot) on October 1, 20__ and each October 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:

<table>
<thead>
<tr>
<th>Redemption Date (October 1)</th>
<th>Principal Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>20__</td>
<td>$</td>
</tr>
</tbody>
</table>

* Maturity.

(a) The Term Bonds which are 2020B Bonds with stated maturities on October 1, 20__ are subject to mandatory sinking fund redemption in part (by lot) on October 1, 20__ and each October 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:

<table>
<thead>
<tr>
<th>Redemption Date (October 1)</th>
<th>Principal Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>20__</td>
<td>$</td>
</tr>
</tbody>
</table>

* Maturity.

If some but not all of the Term Bonds are redeemed pursuant to subsections (a) or (b) above, the principal amount of the applicable Term Bonds to be redeemed pursuant to this subsection (c) on any subsequent October 1 will be reduced, by $5,000 or an integral multiple thereof, as designated by the District in a Written Order of the District filed with the Trustee (which Written Order will include a revised sinking fund schedule); provided, however, that the aggregate amount of such reductions shall not exceed the aggregate amount of the applicable Term Bonds redeemed pursuant to subsections (a) or (b) above.

Section 4.02. Selection of 2020 Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the 2020 Bonds, the Trustee shall select the 2020 Bonds
for redemption as a whole or in part on any date as directed by the District and by lot within each maturity in integral multiples of $5,000 in accordance with Section 4.01 hereof. The Trustee will promptly notify the District in writing of the numbers of the 2020 Bonds or portions thereof so selected for redemption.

Section 4.03. Notice of Redemption. Notice of redemption shall be mailed by first class mail at least twenty (20) days but not more than sixty (60) days before any Redemption Date, to the respective Owners of any 2020 Bonds designated for redemption at their addresses appearing on the Registration Books, to the Securities Depositories and to the Information Services. Each notice of redemption shall state the date of the notice, the Redemption Date, the place or places of redemption, the Redemption Price, the maturities, CUSIP numbers, if any, and, in the case of 2020 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 2020 Bonds or parts thereof designated for redemption the Redemption Price thereof or of said specified portion of the principal thereof in the case of a 2020 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 2020 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 2020 Bond. Notice of redemption of 2020 Bonds shall be given by the Trustee, at the expense of the District, for and on behalf of the District.

With respect to any notice of optional redemption of 2020 Bonds, such notice may state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such 2020 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 2020 Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made, and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received and that such notice of redemption has been rescinded.

Section 4.04. Partial Redemption of 2020 Bonds. Upon surrender of any 2020 Bond redeemed in part only, the District shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the District, a new 2020 Bond or 2020 Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the 2020 Bonds surrendered and of the same interest rate and maturity.

Section 4.05. Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price of, together with interest accrued to the date fixed for redemption on, the 2020 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the Redemption Date designated in such notice, the 2020 Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the 2020 Bonds so called for redemption shall cease to accrue, said 2020 Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Owners of said 2020 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 2020 Bonds to be redeemed on their Redemption Dates, pay such 2020 Bonds at the Redemption Price.
All 2020 Bonds redeemed pursuant to the provisions of this Article shall be canceled and
disposed of upon surrender thereof to the Trustee in accordance with its then customary practices, and
the Trustee shall deliver a certificate of such disposal to the District.

ARTICLE V

REVENUES, FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

Section 5.01. Pledge and Assignment; Revenue Fund.

(a) All of the Revenues, all amounts held in the Revenue Fund described in
subsection (b) below and any other amounts (including proceeds of the sale of the 2020 Bonds) held
in any fund or account 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 2020 Bonds in accordance with their terms and the provisions of the Indenture, and the Revenues
shall not be used for any other purpose while the 2020 Bonds remain Outstanding; provided that out
of the Revenues there may be apportioned such sums for such purposes as are expressly permitted
herein. Said pledge, together with the pledge created by all other Contracts and Bonds, shall constitute
a first lien on and security interest on Revenues and, subject to application of Revenues and all amounts
on deposit therein as permitted herein, the Revenue Fund and other funds and accounts created
hereunder for the payment of the principal of and interest, and the premium, if any, on the 2020 Bonds
and all Contracts and Debt Service on Bonds in accordance with the terms hereof, and shall attach, be
perfected and be valid and binding from and after the Closing Date, without any physical delivery
thereof or further act and shall be valid and binding against all parties having claims of any kind in
tort, contract or otherwise against the District, irrespective of whether such parties have notice hereof.

(b) In order to carry out and effectuate the pledge and lien contained herein, the
District agrees and covenants that all Revenues shall be received by the District in trust hereunder and
shall be deposited when and as received in the Revenue Fund, which fund the District agrees and
covenants to maintain and to hold separate and apart from other funds so long as the 2020 Bonds and
any Contracts or Debt Service on Bonds remain unpaid. Moneys in the Revenue Fund shall be used
and applied by the District as provided herein. All moneys in the Revenue Fund shall be held in trust
and shall be applied, used and withdrawn for the purposes set forth in this Section.

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

(i) Interest and Principal Payments. Not later than the Business Day prior
to each Interest Payment Date, the District shall, from the moneys in the Revenue Fund, transfer to the
Trustee for deposit in the Payment Fund or the Redemption Fund the payments of interest and principal
or mandatory sinking fund payments, as applicable, on the 2020 Bonds due and payable on such
Interest Payment Date. The District shall also, from the moneys in the Revenue Fund, transfer to the
applicable trustee for deposit in the respective payment fund, without preference or priority, and in the
event of any insufficiency of such moneys ratably without any discrimination or preference, any other
Debt Service in accordance with the provisions of any Bond or Contract.
(ii) Reserve Funds. After making the payments, allocations or transfers provided for in subsection (i) above, the District shall, from the remaining moneys in the Revenue Fund, thereafter, without preference or priority and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the applicable trustee for such other reserve funds and/or accounts, if any, as may have been established in connection with Bonds or Contracts, that sum, if any, necessary to restore such funds or accounts to an amount equal to the reserve requirement applicable to such Bonds or Contracts, as applicable.

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

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

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

Section 5.02. Allocation of Revenues. There is hereby established with the Trustee the Payment Fund, which the Trustee covenants to maintain and hold in trust separate and apart from other funds held by it so long as any principal of and interest on the 2020 Bonds remain unpaid. Except as directed herein, all payments of interest and principal on the 2020 Bonds received by the Trustee pursuant to Section 5.01(b) shall be promptly deposited by the Trustee upon receipt thereof into the Payment Fund; except that all moneys received by the Trustee and required hereunder to be deposited in the Redemption Fund shall be promptly deposited therein. All payments of interest and principal on the 2020 Bonds deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. The Trustee shall also establish and hold an Interest Account and a Principal Account within the Payment Fund.

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

(a) Not later than the Business Day preceding each Interest Payment Date, the Trustee shall deposit in the Interest Account that sum, if any, required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such date on all 2020 Bonds then Outstanding. No deposit need be made into the Interest Account so long as there shall be in such fund moneys sufficient to pay the interest becoming due and payable on such date on all 2020 Bonds then Outstanding.
Not later than the Business Day preceding each date on which the principal of the 2020 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 2020 Bonds coming due and payable on such date. No deposit need be made into the Principal Account so long as there shall be in such fund moneys sufficient to pay the principal becoming due and payable on such date on all 2020 Bonds then Outstanding.

Section 5.03. Application of Interest Account. All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the 2020 Bonds as it shall become due and payable (including accrued interest on any 2020 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 2020 Bonds at maturity, purchase or acceleration; provided, however, that at any time prior to selection for redemption of any such 2020 Bonds, upon written direction of the District, the Trustee shall apply such amounts to the purchase of 2020 Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed pursuant to a Written Request of the District, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the 2020 Bonds.

Section 5.05. Application of Redemption Fund. There shall be 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 Redemption Price of the 2020 Bonds to be redeemed on any Redemption Date pursuant to Section 4.01; provided, however, that at any time prior to selection for redemption of any such 2020 Bonds, upon written direction of the District, the Trustee shall apply such amounts to the purchase of 2020 Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed pursuant to a Written Request of the District, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the 2020 Bonds.

Section 5.06. Investments. All moneys in any of the funds or accounts established with the Trustee pursuant to the Indenture shall be invested by the Trustee solely in Permitted Investments. Such investments shall be directed by the District pursuant to a Written Request of the District filed with the Trustee at least three (3) Business Days in advance of the making of such investments. In the absence of any such directions from the District, the Trustee shall invest any such moneys in Permitted Investments described in clause (5) of the definition thereof; provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a written direction from the District specifying a specific money market fund and, if no such written direction from the District is so received, the Trustee shall hold such moneys uninvested. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account.

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

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

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

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

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

Section 5.07. Rebate Fund.

(a) Establishment. The Trustee shall establish a fund for the 2020A Bonds 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 on the 2020A Bonds will not be adversely affected, the District 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 2020A Bonds shall be governed by this Section and the Tax Certificate, unless and to the extent that the District delivers to the Trustee an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the 2020A Bonds will not be adversely affected if such requirements are not satisfied. Notwithstanding anything to the contrary contained 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 District; (ii) shall have no liability or responsibility to enforce compliance by the District with the terms of the Tax Certificate; (iii) may rely conclusively on the District’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 District’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 District 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 District 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 Written Request of the District, an amount shall be deposited to the Rebate Fund by the Trustee from any Net Revenues legally available for such purpose (as specified by the District in the aforesaid Written Request), if and to the extent required so that the balance in the Rebate Fund shall equal the amount of Rebatable Arbitrage so calculated in accordance with 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 Written Request of the District, the Trustee shall withdraw the excess from the Rebate Fund and then credit the excess to the Payment Fund.

(iii) Payment to the Treasury. The Trustee shall pay, as directed by Written Request of the District, 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 2020A 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 District 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 District), 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 2020A Bonds and the payments described in subsection (a) above being made may be withdrawn by the District and utilized in any manner by the District.

(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 2020A Bonds.
Section 5.08. **Application of Funds and Accounts When No 2020 Bonds are Outstanding.** On the date on which all 2020 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 District for use by the District at any time for any purpose permitted by law.

**ARTICLE VI**

**PARTICULAR COVENANTS**

Section 6.01. **Punctual Payment.** The District shall punctually pay or cause to be paid the principal and interest to become due in respect of all of the 2020 Bonds, in strict conformity with the terms of the 2020 Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Net Revenues and other assets pledged for such payment as provided in the Indenture.

Section 6.02. **Extension of Payment of 2020 Bonds.** The District shall not directly or indirectly extend or assent to the extension of the maturity of any of the 2020 Bonds or the time of payment of any claims for interest by the purchase of such 2020 Bonds or by any other arrangement, and in case the maturity of any of the 2020 Bonds or the time of payment of any such claims for interest shall be extended, such 2020 Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the 2020 Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the District to issue Bonds for the purpose of refunding any Outstanding 2020 Bonds, and such issuance shall not be deemed to constitute an extension of maturity of 2020 Bonds.

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

Section 6.04. **Power to Issue 2020 Bonds and Make Pledge and Assignment.** The District is duly authorized pursuant to law to issue the 2020 Bonds, to enter into the Indenture and to pledge and assign the Revenues and other assets purported to be pledged and assigned under the Indenture in the manner and to the extent provided in the Indenture. The 2020 Bonds and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the District in accordance with their terms, and the District shall and the Trustee may, without obligation, at all times, subject to the provisions of Article VIII and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the 2020 Bond Owners under the Indenture against all claims and demands of all persons whomsoever.

Section 6.05. **Accounting Records and Financial Statements.**

(a) The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and
accurate entries shall be made of all transactions made by it relating to the proceeds of 2020 Bonds and all funds and accounts established by it pursuant to the Indenture. Such books of record and account shall be available for inspection by the District upon reasonable prior written notice during business hours and under reasonable circumstances.

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

(c) The District will prepare and file with the Trustee annually within two hundred seventy (270) days of each Fiscal Year (commencing with the Fiscal Year ended June 30, 2020) financial statements of the District for the preceding Fiscal Year prepared in accordance with Generally Accepted Accounting Principles, together with an Accountant’s Report thereon. The Trustee shall have no duty to review, verify or analyze such financial statements, and shall hold such financial statements solely as a repository for the benefit of the 2020 Bond Owners. The Trustee shall not be deemed to have notice or knowledge (in each case either actual or constructive) of any information contained therein, or default or Event of Default which may be disclosed therein in any manner.

Section 6.06. Tax Covenants. Notwithstanding any other provision of the Indenture, absent an opinion of Bond Counsel that the exclusion from gross income of the portion of interest on the 2020A Bonds will not be adversely affected for federal income tax purposes, the District covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income with respect to the 2020A Bonds and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The District will take no action, refrain from taking any action and make no use of the proceeds of the 2020A Bonds or of any other moneys or property which would cause the 2020A 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 2020A Bonds or of any other amounts or property, regardless of the source, and will take no action and refrain from taking any action which will cause the 2020A 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 2020A Bonds and will not take or omit to take any action that would cause the 2020A 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 necessary to preserve the exclusion of interest on the 2020A Bonds pursuant to Section 103(a) of the Code;

(e) Hedge Bonds. The District will make no use of the proceeds of the 2020A Bonds or any other amounts or property, regardless of the source, and will not take any action or refrain from taking any action that would cause the 2020A 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 2020A Bonds for federal income tax purposes; and
(f) **Miscellaneous.** The District will take no action and refrain from taking any action inconsistent with its expectations stated in the Tax Certificate executed by the District in connection with the issuance of the 2020A Bonds and will comply with the covenants and requirements stated therein and incorporated by reference herein.

This Section and the covenants set forth herein shall not be applicable to, and nothing contained herein shall be deemed to prevent the District issuing revenue bonds or causing the Trustee to execute and deliver contracts payable on a parity with the 2020A Bonds, the interest with respect to which has been determined by Bond Counsel to be subject to federal income taxation, including but not limited to the 2020B Bonds.

**Section 6.07. Waiver of Laws.** The District shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in the Indenture or in the 2020 Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the District to the extent permitted by law.

**Section 6.08. Further Assurances.** The District will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the 2020 Bonds of the rights and benefits provided in the Indenture.

**Section 6.09. Budgets.** On or prior to the fifteenth day of each Fiscal Year, the District shall certify to the Trustee that the amounts budgeted for payment of the principal of and interest on the 2020 Bonds are fully adequate for the payment of all such payments for such Fiscal Year. If the amounts so budgeted are not adequate for the payment of the principal of and interest on the 2020 Bonds due under the Indenture, the District will take such action as may be necessary to cause such annual budget to be amended, corrected or augmented so as to include therein the amounts required to be raised by the District in the then ensuing Fiscal Year for the payment of the principal of and interest on the 2020 Bonds due under the Indenture and will notify the Trustee in writing of the proceedings then taken or proposed to be taken by the District.

**Section 6.10. Observance of Laws and Regulations.** To the extent necessary to assure its performance hereunder, the District will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on the District by contract, or prescribed by any law of the United States of America, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the District, respectively, including its right to exist and carry on its business, to the end that such contracts, rights and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

**Section 6.11. Compliance with Contracts.** The District will neither take nor omit to take any action under any contract if the effect of such act or failure to act would in any manner impair or adversely affect the ability of the District to pay principal of or interest on the 2020 Bonds; and the District will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all other contracts affecting or involving the Water System and the Wastewater System, to the extent that the District is a party thereto.
Section 6.12. Prosecution and Defense of Suits. The District shall promptly, upon request of the Trustee or any 2020 Bond Owner, from time to time take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Water System or the Wastewater System or any part thereof, whether now existing or hereafter developing, shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and shall indemnify and save the Trustee (including all of its employees, officers and directors), the Trustee and every 2020 Bond Owner harmless from all loss, cost, damage and expense, including attorneys’ fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

The District shall defend against every suit, action or proceeding at any time brought against the Trustee (including all of its employees, officers and directors) or any 2020 Bond Owner upon any claim arising out of the receipt, application or disbursement of any of the payments of principal of or interest on the 2020 Bonds or involving the rights of the Trustee or any 2020 Bond Owner under the Indenture; provided that the Trustee or any 2020 Bond Owner at such party’s election may appear in and defend any such suit, action or proceeding. The District shall indemnify and hold harmless the Trustee and the 2020 Bond Owners against any and all liability claimed or asserted by any person, arising out of such receipt, application or disbursement, and shall indemnify and hold harmless the 2020 Bond Owners against any attorneys’ fees or other expenses which any of them may incur in connection with any litigation (including pre-litigation activities) to which any of them may become a party by reason of ownership of 2020 Bonds. The District shall promptly reimburse any 2020 Bond Owner in the full amount of any attorneys’ fees or other expenses which such Owner may incur in litigation or otherwise in order to enforce such party’s rights under the Indenture or the 2020 Bonds.

Section 6.13. Continuing Disclosure. The District hereby covenants and agrees that it will comply with and carry out all of its obligations under the Continuing Disclosure Certificate to be executed and delivered by the District in connection with the issuance of the 2020 Bonds. Notwithstanding any other provision of the Indenture, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Section. For purposes of this Section, “Beneficial Owner” means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any 2020 Bonds (including persons holding 2020 Bonds through nominees, depositories or other intermediaries).

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

(a) The Net Water System Revenues and Net Wastewater System Revenues, respectively, for the most recent audited Fiscal Year 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 both a calculation prepared by the District and a special report prepared by an Independent Certified Public Accountant or an Independent Financial Consultant on such calculation on file with the District, shall have produced a sum equal to at least one hundred twenty percent (120%) of the Debt Service allocable to the Water System and Wastewater System, respectively, for such Fiscal Year; and

(b) The Net Water System Revenues and Net Wastewater System Revenues, respectively, for the most recent audited Fiscal Year preceding the date of adoption by the Board of
Directors of the District of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, including adjustments to give effect as of the first day of such Fiscal Year to increases in rates and charges for the Water Service and Wastewater Service approved and in effect as of the date of calculation, as evidenced by a calculation prepared by the District, shall have produced a sum equal to at least one hundred twenty percent (120%) of the Debt Service for such Fiscal Year allocable to the Water System and Wastewater System, respectively, plus the Debt Service allocable to the Water System and Wastewater System, respectively, which would have accrued on any Contracts executed or Bonds issued since the end of such Fiscal Year, assuming that such Contracts had been executed or Bonds had been issued at the beginning of such Fiscal Year, plus the Debt Service allocable to the Water System and Wastewater System, respectively, 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.

Notwithstanding the foregoing, Bonds or Contracts may be issued or incurred to refund outstanding Bonds or Contracts if, after giving effect to the application of the proceeds thereof, total Debt Service will not be increased in any Fiscal Year in which Bonds or Contracts (outstanding on the date of issuance or incurrence of such refunding Bonds or Contracts, but excluding such refunding Bonds or Contracts) not being refunded are outstanding.

Section 6.15. Against Sale or Other Disposition of Property. The District will not enter into any agreement or lease which impairs the operation of the Water System or the Wastewater System or any part thereof necessary to secure adequate Revenues for the payment of the principal of and interest on the 2020 Bonds, or which would otherwise impair the operation of the Water System or the Wastewater 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 the Wastewater System, or any material or equipment which has become worn out, may be sold if such sale will not impair the ability of the District to pay the principal of and interest on the 2020 Bonds and if the proceeds of such sale are deposited in the Revenue Fund.

Nothing herein shall restrict the ability of the District to sell any portion of the Water System or the Wastewater 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 or the Wastewater 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 or the Wastewater System, as applicable.

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

Section 6.17. Maintenance and Operation of the Water System and the Wastewater System. The District will maintain and preserve the Water System and the Wastewater System in good repair and working order at all times and will operate the Water System and the Wastewater System in an efficient and economical manner and will pay all Operation and Maintenance Costs as they become due and payable.
Section 6.18. Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Revenues or the funds or accounts created hereunder or on any funds in the hands of the District pledged to pay the principal of or interest on the 2020 Bonds or to the Owners prior or superior to the lien under the Indenture.

Section 6.19. Insurance.

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

In the event of any damage to or destruction of the Water System or Wastewater 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 or Wastewater System, respectively. 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 and Wastewater System shall be free and clear of all claims and liens.

If such Net Proceeds exceed the costs of such reconstruction, repair or replacement of the damaged or destroyed portion of the Water System or Wastewater System, respectively, and/or the cost of the construction of additions, betterments, extensions or improvements to the Water System or Wastewater System, respectively, then the excess Net Proceeds shall be applied in part to the redemption of the 2020 Bonds as provided in Section 4.01(c) 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 2020 Bonds 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 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 or Wastewater System, and/or not to construct other additions, betterments, extensions or improvements to the Water System or Wastewater System; and thereupon such Net Proceeds shall be applied to the redemption of Installment Payments as provided in Section 4.01(c) and to the retirement of such Bonds and Contracts.

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

(c) Any insurance required to be maintained by paragraph (a) above and, if the District determines to procure and maintain insurance pursuant to paragraph (b) above, such insurance, may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with water and wastewater systems similar to
the Water System and Wastewater System, respectively, and is, in the opinion of an accredited actuary, actuarially sound.

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

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

Section 6.21. Amount of Rates and Charges.

(a) To the fullest extent permitted by law, the District shall fix and prescribe, at the commencement of each Fiscal Year, rates and charges for the Water Service provided by the Water System which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Water System Revenues equal to one hundred twenty percent (120%) of Debt Service for such Fiscal Year allocable to the Water System.

(b) To the fullest extent permitted by law, the District shall fix and prescribe, at the commencement of each Fiscal Year, rates and charges for the Wastewater Service provided by the Wastewater System which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Wastewater System Revenues equal to one hundred twenty percent (120%) of Debt Service for such Fiscal Year allocable to the Wastewater System.

(c) 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 Water System Revenues or Net Wastewater System Revenues, as applicable, from such reduced rates and charges will at all times be sufficient to meet the requirements of this Section.

(d) For the avoidance of doubt, so long as the District has complied with its obligations set forth in clauses (a) and (b) above, the failure of Net Water System Revenues or Net Wastewater System Revenues to meet the thresholds set forth in clauses (a) or (b) above, respectively, at the end of a Fiscal Year shall not constitute a default or an Event of Default so long as the District has complied with clauses (a) and (b) at the commencement of the succeeding Fiscal Year.

Section 6.22. Collection of Rates and Charges. The District will have in effect at all times by-laws, rules and regulations requiring each customer to pay the rates and charges applicable to the Water Service and Wastewater Service and providing for the billing thereof and for a due date and a delinquency date for each bill.
Section 6.23. **Eminent Domain Proceeds.** If all or any part of the Water System or Wastewater 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 or Wastewater System proposed to be acquired and constructed by the District from such Net Proceeds; and (iii) an estimate of the additional annual Net Revenues to be derived from such additions, betterments, extensions or improvements; and (2) the District, on the basis of such certificate filed with the Trustee, determines that the estimated additional annual Net Revenues will sufficiently offset the estimated loss of annual Net Revenues resulting from such eminent domain proceedings so that the ability of the District to meet its obligations hereunder will not be substantially impaired (which determination shall be final and conclusive), then the District shall promptly proceed with the acquisition and construction of such additions, betterments, extensions or improvements substantially in accordance with such certificate and such Net Proceeds shall be applied for the payment of the costs of such acquisition and construction, and any balance of such Net Proceeds not required by the District for such purpose shall be deposited in the Revenue Fund.

(b) If the foregoing conditions are not met, then such Net Proceeds shall be applied by the District in part to the redemption of 2020 Bonds as provided in Section 4.01(c) 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 2020 Bonds then bears to the aggregate unpaid principal amount of such Bonds and Contracts.

Section 6.24. **Enforcement of Contracts.** The District will not voluntarily consent to or permit any rescission of, nor will it consent to any amendment to or otherwise take any action under or in connection with any contracts previously or hereafter entered into if such rescission or amendment would in any manner impair or adversely affect the ability of the District to pay principal of and interest on the 2020 Bonds.

**ARTICLE VII**

**EVENTS OF DEFAULT AND REMEDIES OF 2020 BOND OWNERS**

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

(a) Default by the District in the due and punctual payment of the principal of any 2020 Bonds, the principal of any Bonds or the principal with respect to any Contract, when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

(b) Default by the District in the due and punctual payment of any installment of interest on any 2020 Bonds, any installment of interest on any Bond or any installment of interest with respect to any Contract, when and as the same shall become due and payable.

(c) Default by the District in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the 2020 Bonds, or required by any Bond or indenture relating thereto or by any Contract, if such default shall have continued for a period of sixty
(60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the District by the Trustee or by the Owners of not less than a majority in aggregate principal amount of 2020 Bonds Outstanding, a majority in principal amount of such Bond outstanding, or a majority in principal amount outstanding with respect to such Contract, as applicable; provided, however, that if in the reasonable opinion of the District the default stated in the notice can be corrected, but not within such sixty (60) day period, and corrective action is instituted by the District within such sixty (60) day period and diligently pursued in good faith until the default is corrected, such default shall not be an Event of Default hereunder; provided, however, that such extended cure period shall not be longer than 180 days from the delivery date of such default notice.

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

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

Section 7.02. Remedies Upon Event of Default. If any Event of Default specified in Section 7.01(d) or (e) shall occur and be continuing, the Trustee shall, and for any other Event of Default, the Trustee may, and, at the written direction of the Owners of not less than a majority in aggregate principal amount of the 2020 Bonds at the time Outstanding, shall, in each case, upon notice in writing to the District, declare the principal of all of the 2020 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 2020 Bonds contained to the contrary notwithstanding.

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

Any such declaration is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the District shall deposit with the Trustee a sum sufficient to pay all the principal of and installments of interest on the 2020 Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective 2020 Bonds to the extent permitted by law, and the reasonable fees, disbursements and expenses of the Trustee, or shall deposit with the applicable trustee with respect to any Contract a sum sufficient to pay all the principal and installments of interest with respect to such Contract payment of which is overdue, with interest on such overdue principal at the rate borne by such Contract to the extent permitted by law, and the reasonable charges and expenses of the applicable trustee with respect to such Contract, or shall deposit with the applicable trustee with respect to any Bond a sum sufficient to pay all the principal of and installment of interest on such Bond payment of which is overdue, with interest on such overdue principal at the rate borne by such Bonds to the extent permitted by law, and the reasonable charges and expenses of the applicable trustee with respect to such Bond, and any and all other Events of Default actually known to a Responsible Officer of the Trustee or the applicable trustee with respect to such Contract or Bonds (other than in the payment of principal of and interest on the 2020 Bonds, payment of principal and interest with respect to such
Contract or payment of principal and interest on such Bond, as applicable, due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or adequate provision shall have been made therefor, then and in every such case the Trustee shall on behalf of the Owners of all of the 2020 Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

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

(a) To the payment of any expenses necessary to protect the interests of the Owners of the 2020 Bonds, Contracts or Bonds and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture;

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

(c) To the payment of the principal of and interest then due on the 2020 Bonds (upon presentation of the 2020 Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid), in accordance with the provisions of the Indenture, and to the payment of the principal and interest then due with respect to such Contract in accordance with the provisions thereof and the payment of the principal of and interest then due on such Bonds in accordance with the provisions thereof and of any indenture related thereto, in the following order of priority:

First: To the payment to the persons entitled thereto of all installments of interest then due on the 2020 Bonds, with respect to such Contract or on such Bonds, as applicable, in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any 2020 Bonds, principal with respect to such Contract or principal of any Bonds, as applicable, which shall have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate of eight percent (8%) per annum, and, if the amount available shall not be sufficient to pay in full all the 2020 Bonds, all amounts due under such Contract or all the Bonds, as applicable, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference; and

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

Section 7.04. Trustee to Represent 2020 Bond Owners. The Trustee is hereby irrevocably appointed (and the successive respective Owners of the 2020 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 2020 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 2020 Bonds or the Indenture and applicable provisions of law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the 2020 Bond Owners, the Trustee in its reasonable judgment may, and upon the written request of the Owners of a majority in aggregate principal amount of the 2020 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 shall be 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 2020 Bonds or the Indenture or any law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the 2020 Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the 2020 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 2020 Bonds, subject to the provisions of the Indenture.

Nothing herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any 2020 Bond Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any 2020 Bond Owner thereof, or to authorize the Trustee to vote in respect of the claim of any 2020 Bond Owner in any such proceeding without the approval of the 2020 Bond Owners so affected.

Section 7.05. 2020 Bond Owners’ Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the 2020 Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its 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 would be unjustly prejudicial to 2020 Bond Owners not parties to such direction.

Section 7.06. Suit by Owners. No Owner of any 2020 Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture with respect to such 2020 Bonds, unless: (a) such Owners shall have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of not less than fifty percent (50%) in aggregate principal amount of the 2020 Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers herebefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners shall have tendered to the Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have failed to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (e) no direction inconsistent with such written request shall have been given to the Trustee during such sixty (60) day period by the Owners of a majority in aggregate principal amount of the 2020 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 2020 Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of 2020 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 2020 Bonds, or to enforce any right under the 2020 Bonds, the Indenture, or applicable law with respect to the 2020 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 2020 Bonds, subject to the provisions of the Indenture, it being understood that the Trustee shall not have an affirmative duty to ascertain whether or not such action is prejudicial to the Owners.

Section 7.07. Absolute Obligation of the District. Nothing in this Section 7.07 or in any other provision of the Indenture or in the 2020 Bonds shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the principal of and interest on the 2020 Bonds to the respective Owners of the 2020 Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the 2020 Bonds.

Section 7.08. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Owners of the 2020 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 2020 Bonds to exercise any right or power arising upon the occurrence of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein.

ARTICLE VIII

THE TRUSTEE

Section 8.01. Duties, Immunities and Liabilities of Trustee.

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

(b) The District may remove the Trustee at any time upon thirty (30) days’ prior notice, unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the 2020 Bonds then
Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee and thereupon shall promptly appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the District and by giving the 2020 Bond Owners notice of such resignation by mail at the addresses shown on the Registration Books. Upon receiving such notice of resignation, the District shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the retiring Trustee or any 2020 Bond Owner (on behalf of such 2020 Bond Owner and all other 2020 Bond Owners) may, at the sole cost and expense of the District, petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the District and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all of the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Written Request of the District or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all of the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the District shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the District shall mail or cause the successor trustee to mail a notice of the succession of such Trustee to the trusts hereunder to each rating agency which is then rating the 2020 Bonds and to the 2020 Bond Owners at the addresses shown on the Registration Books. If the District fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the District.

(e) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a trust company, banking association or bank having the powers of a trust company, having a combined capital and surplus of at least Fifty Million Dollars ($50,000,000), and subject to supervision or examination for federal or state authority. If such bank, banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such trust company, banking association or bank shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In
case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign promptly in the manner and with the effect specified in this Section.

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

Section 8.03. Liability of Trustee.

(a) The recitals of facts herein and in the 2020 Bonds shall be taken as statements of the District, and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of the Indenture or the 2020 Bonds, nor shall the Trustee incur any responsibility in respect thereof, other than as expressly stated herein in connection with the respective duties or obligations herein or in the 2020 Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the 2020 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 2020 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 2020 Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the 2020 Bonds then Outstanding.

(b) The Trustee shall not be liable for any error of judgment made in good faith, 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 2020 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 rights or powers conferred upon it by the Indenture.

(e) The Trustee shall not be deemed to have knowledge or notice (in each case either actual or constructive) of any default or Event of Default hereunder or any other event which, with the passage of time, the giving of notice, or both, would constitute an Event of Default hereunder unless and until a Responsible Officer of the Trustee shall have actual knowledge of such event or a Responsible Officer of the Trustee shall have been notified in writing, in accordance with Section 11.07, of such event by the District or the Owners of not less than fifty percent (50%) of the 2020 Bonds then Outstanding. Except as otherwise expressly provided herein, the Trustee shall not be bound
to ascertain or inquire as to the performance or observance by the District of any of the terms, conditions, covenants or agreements herein or any of the documents executed in connection with the 2020 Bonds, or as to the existence of an Event of Default thereunder or an event which would, with the giving of notice, the passage of time, or both, constitute an Event of Default thereunder. The Trustee shall not be responsible for the validity, effectiveness or priority of any collateral given to or held by it.

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

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

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

(i) The Trustee shall have no responsibility or liability with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the 2020 Bonds.

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

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

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

(m) The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions (“Instructions”) given pursuant to this Indenture and delivered using Electronic Means (“Electronic Means” shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes,
passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the District shall provide to the Trustee an incumbency certificate listing Authorized Officers with the authority to provide such Instructions and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the District whenever a person is to be added or deleted from the listing. If the District elects to give the Trustee Instructions using Electronic Means and the Trustee in its reasonable judgment elects to act upon such Instructions, the Trustee’s understanding of such Instructions shall be deemed controlling. The District understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The District shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the District and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the District. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee’s reliance upon and compliance with such Instructions notwithstanding the fact that such directions conflict or are inconsistent with a subsequent written instruction. The District agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the District; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee in writing immediately upon learning of any compromise or unauthorized use of the security procedures.

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

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

(p) In no event shall the Trustee be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) hereunder, irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

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 of its selection, who may be counsel of or to the District, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.
The Trustee may treat the Owners of the 2020 Bonds appearing in the Trustee’s Registration Books as the absolute owners of the 2020 Bonds for all purposes and the Trustee shall not be affected by any notice to the contrary.

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

Section 8.05. Preservation and Inspection of Documents. All documents that are received by the Trustee under the provisions of the Indenture shall be retained in its possession during the term hereof in accordance with applicable document retention policies and shall be subject at all reasonable times to the inspection of the District and any 2020 Bond Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

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

The District shall indemnify, defend and hold harmless the Trustee, its officers, employees, directors and agents from and against any loss, costs, claims, liability or expense (including fees and expenses of its attorneys and advisors) incurred without negligence or willful misconduct on its part, arising out of or in connection with the execution of the Indenture, acceptance or administration of this trust or any other document or transaction executed in connection herewith, including costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder. The rights of the Trustee and the obligations of the District under this Section 8.06 shall survive removal or resignation of the Trustee hereunder or the discharge of the 2020 Bonds and the Indenture.

When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law. Upon an Event of Default, and only upon an Event of Default, the Trustee shall have a first lien with right of payment prior to payment on account of principal of and premium, if any, and interest on any 2020 Bond, upon the trust estate for the foregoing fees, charges and expenses incurred by it.

ARTICLE IX
MODIFICATION OR AMENDMENT OF THE INDENTURE

Section 9.01. Amendments Permitted.
(a) The Indenture and the rights and obligations of the District and of the Owners of the 2020 Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the District and the Trustee may enter into when the written consent of the Owners of a majority in aggregate principal amount of all 2020 Bonds then Outstanding, exclusive of 2020 Bonds disqualified as provided in Section 11.09 hereof, shall have been filed with the Trustee. No such modification or amendment shall: (1) extend the fixed maturity of any 2020 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 2020 Bond so affected; or (2) reduce the aforesaid percentage of 2020 Bonds the consent of the Owners of which is required to affect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture except as permitted herein, or deprive the Owners of the 2020 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 2020 Bonds then Outstanding. It shall not be necessary for the consent of the 2020 Bond Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the District and the Trustee of any Supplemental Indenture pursuant to this subsection (a), the Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Indenture, to each Rating Agency and the Owners of the 2020 Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

(b) The Indenture and the rights and obligations of the District, the Trustee and the Owners of the 2020 Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the District and the Trustee may enter into without the consent of any 2020 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 2020 Bonds, including, without limitation, for any one or more of the following purposes:

1. to add to the covenants and agreements of the District contained in the Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the 2020 Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the District;

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

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 2020A Bonds to remain excludable from gross income under the Code.
(c) The Trustee may in its reasonable judgment, but shall not be obligated to, enter into any such Supplemental Indenture authorized by subsections (a) or (b) of this Section which materially adversely affects the Trustee’s own rights, duties or immunities under the Indenture or otherwise.

(d) Prior to the Trustee entering into any Supplemental Indenture hereunder, there shall be delivered to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of the Indenture and (as applicable) that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion of interest on the 2020A Bonds from federal income taxation or the exemption of interest on the 2020 Bonds from state income taxation.

Section 9.02. **Effect of Supplemental Indenture.** Upon the execution of any Supplemental Indenture pursuant to this Article, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the District, the Trustee and all Owners of 2020 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 2020 Bonds; Preparation of New 2020 Bonds.** 2020 Bonds delivered after the execution of any Supplemental Indenture pursuant to this Article may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the District and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any 2020 Bonds Outstanding at the time of such execution and presentation of his or her 2020 Bonds for the purpose at the Designated Corporate Trust 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 2020 Bonds. If the Supplemental Indenture shall so provide, new 2020 Bonds so modified as to conform, in the opinion of the District and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the District and authenticated by the Trustee, and upon demand on the Owners of any 2020 Bonds then Outstanding shall be exchanged at the Designated Corporate Trust Office of the Trustee, without cost to any 2020 Bond Owner, for 2020 Bonds then Outstanding, upon surrender for cancellation of such 2020 Bonds, in equal aggregate principal amount of the same maturity.

Section 9.04. **Amendment of Particular 2020 Bonds.** The provisions of this Article shall not prevent any 2020 Bond Owner from accepting any amendment as to the particular 2020 Bonds held by such Owner.

**ARTICLE X**

**DEFEASANCE**

Section 10.01. **Discharge of Indenture.** The 2020 Bonds may be paid by the District in any of the following ways, provided that the District also pays or causes to be paid any other sums payable hereunder by the District:

(a) by paying or causing to be paid the principal of and interest and redemption premiums (if any) on the 2020 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 2020 Bonds then Outstanding; or

(c) by delivering to the Trustee, for cancellation by it, all of the 2020 Bonds then Outstanding.

If the District shall also pay or cause to be paid all other sums payable hereunder by the District, then and in that case, at the election of the District (as evidenced by a Certificate of the District, filed with the Trustee, signifying the intention of the District to discharge all such indebtedness and the Indenture), and notwithstanding the fact that any 2020 Bonds shall not have been surrendered for payment, the Indenture and the pledge of Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the District under the Indenture shall cease, terminate, become void and be completely discharged and satisfied, except for the District’s obligations under Section 8.06. In such event, upon the Written Request of the District, the Trustee shall execute and deliver to the District all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver all moneys or securities or other property held by it pursuant to the Indenture which are not required for the payment or redemption of 2020 Bonds not theretofore surrendered for such payment or redemption to the District.

Section 10.02. Discharge of Liability on 2020 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 2020 Bonds (whether upon or prior to the maturity or the Redemption Date of such 2020 Bonds), provided that, if such Outstanding 2020 Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in Article IV or provisions satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the District in respect of such 2020 Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject however, to the provisions of Section 10.04.

The District may at any time surrender to the Trustee for cancellation by it any 2020 Bonds previously issued and delivered, which the District may have acquired in any manner whatsoever, and such 2020 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 2020 Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such 2020 Bonds and all unpaid interest thereon to maturity, except that, in the case of 2020 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 2020 Bonds and all unpaid interest and premium, if any, thereon to the Redemption Date; or
(b) Federal Securities the principal of and interest on which when due will, in the written opinion of an Independent Certified Public Accountant or Independent Financial Consultant filed with the District and the Trustee, provide money sufficient to pay the principal of and all unpaid interest to maturity, or to the Redemption Date (with premium, if any), as the case may be, on the 2020 Bonds to be paid or redeemed, as such principal, interest and premium, if any, become due, provided that in the case of 2020 Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that: (i) the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Written Request of the District) to apply such money to the payment of such principal, interest and premium, if any, with respect to such 2020 Bonds; and (ii) the District shall have delivered to the Trustee an opinion of Bond Counsel addressed to the District and the Trustee to the effect that such 2020 Bonds have been discharged in accordance with the Indenture (which opinion may rely upon and assume the accuracy of the Independent Certified Public Accountant’s or Independent Financial Consultant’s opinion referred to above).

Section 10.04. Payment of 2020 Bonds After Discharge of Indenture. Notwithstanding any provisions of the Indenture, any moneys held by the Trustee in trust for the payment of the principal of, or interest on, any 2020 Bonds and remaining unclaimed for two (2) years after the principal of all of the 2020 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 2020 Bonds became due and payable, shall be repaid to the District (without liability for interest) free from the trusts created by the Indenture upon receipt of an indemnification agreement acceptable to the District and the Trustee indemnifying the Trustee with respect to claims of Owners of 2020 Bonds which have not yet been paid, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the District as aforesaid, the Trustee shall at the written direction of the District (at the cost of the District) first mail to the Owners of 2020 Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice with respect to the 2020 Bonds so payable and not presented and with respect to the provisions relating to the repayment to the District of the moneys held for the payment thereof.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Liability of District Limited to Revenues. Notwithstanding anything in the Indenture or the 2020 Bonds, but subject to the priority of payment with respect to Operation and Maintenance Costs, the District shall not be required to advance any moneys derived from any source other than the Revenues, the Revenue Fund and other moneys pledged under the Indenture for any of the purposes mentioned in the Indenture, whether for the payment of the principal of or interest on the 2020 Bonds or for any other purpose of the Indenture. Nevertheless, the District may, but shall not be required to, advance for any of the purposes hereof any funds of the District which may be made available to it for such purposes.

The obligation of the District to pay interest and principal on the 2020 Bonds is a special obligation of the District payable solely from the Net Revenues, and does not constitute a debt of the
District or of the State of California or of any political subdivision thereof (other than the District) in contravention of any constitutional or statutory debt limitation or restriction.

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

Section 11.03. Limitation of Rights to Parties and 2020 Bond Owners. Nothing in the Indenture or in the 2020 Bonds expressed or implied is intended or shall be construed to give to any person other than the District, the Trustee and the Owners of the 2020 Bonds, any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the District, the Trustee and the Owners of the 2020 Bonds.

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

Section 11.05. Disposal of 2020 Bonds. Whenever in the Indenture provision is made for the cancellation by the Trustee and the delivery to the District of any 2020 Bonds, the Trustee shall dispose such 2020 Bonds in accordance with its then customary procedures, and, upon the District’s request, deliver a certificate of such disposal to the District.

Section 11.06. Severability of Invalid Provisions. If any one or more of the provisions contained in the Indenture or in the 2020 Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in the Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of the Indenture, and the Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The District hereby declares that it would have entered into the Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the 2020 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; Electronic Signatures. Any notice to or demand upon the District or the Trustee shall be deemed to have been sufficiently given or served for all purposes by being sent by facsimile, electronic mail, overnight mail or courier, or by being deposited, first class mail, postage prepaid, in a post office letter box, addressed, as the case may be, to the District at East Valley Water District, 31111 Greenspot Road, Highland, California 92346, email: btompkins@eastvalley.org, Facsimile (909) 888-6741 (or such other address as may have been filed in writing by the District with the Trustee), or to the Trustee at its Designated Corporate Trust Office at the contact information set forth in the definition of such term in Section 1.01. 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.
The words “execution,” “signed,” “signature,” “delivery” and words of like import in or relating to the Indenture or any document to be signed in connection with the Indenture shall be deemed to include electronic signatures, deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, and the parties hereto consent to conduct the transactions contemplated hereunder by electronic means. “Electronic signature” means any electronic sound, symbol or process attached to or logically associated with a record and executed and adopted by a party with the intent to sign such record, including facsimile or email electronic signatures.

Section 11.08. Evidence of Rights of 2020 Bond Owners. Any request, consent or other instrument required or permitted by the Indenture to be signed and executed by 2020 Bond Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such 2020 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 2020 Bonds transferable by delivery, shall be sufficient for any purpose of the Indenture and shall be conclusive in favor of the Trustee and the District if made in the manner provided in this Section.

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

The Ownership of 2020 Bonds shall be proved by the Registration Books.

Any request, consent, or other instrument or writing of the Owner of any 2020 Bond shall bind every future Owner of the same 2020 Bond and the Owner of every 2020 Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the District in accordance therewith or reliance thereon.

Section 11.09. Disqualified 2020 Bonds. In determining whether the Owners of the requisite aggregate principal amount of 2020 Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, 2020 Bonds which are actually known by a Responsible Officer of the Trustee to be owned or held by or for the account of the District, or by any other obligor on the 2020 Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the District or any other obligor on the 2020 Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, unless all 2020 Bonds are so owned or held, in which case such 2020 Bonds shall not be disregarded and shall be deemed to be Outstanding. 2020 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 2020 Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the District or any other obligor on the 2020 Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request, the District shall certify to the Trustee those 2020 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 2020 Bonds.** The money held by the Trustee for the payment of the interest, principal or premium due on any date with respect to particular 2020 Bonds (or portions of 2020 Bonds in the case of registered 2020 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 2020 Bonds entitled thereto, subject, however, to the provisions of Section 10.04 hereof but without any liability for interest thereon.

Section 11.11. **Funds and Accounts.** Any fund or account required by the Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with corporate trust industry standards to the extent practicable, and with due regard for the requirements of Section 6.05(a) and for the protection of the security of the 2020 Bonds and the rights of every Owner thereof.

Section 11.12. **Waiver of Personal Liability.** No member, officer, agent, employee, consultant or attorney of the District shall be individually or personally liable for the payment of the principal of or premium or interest on the 2020 Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent, employee, consultant or attorney from the performance of any official duty provided by law or by the Indenture.

Section 11.13. **Execution in Several Counterparts.** The Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the District and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument. The exchange of copies of the Indenture and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of the Indenture as to the parties hereto and may be used in lieu of the original Indenture and signature pages for all purposes.

Section 11.14. **CUSIP Numbers.** Neither the Trustee nor the District shall be liable for any defect or inaccuracy in the CUSIP number that appears on any 2020 Bond or in any redemption notice. The Trustee may, in its reasonable judgment, include in any redemption notice a statement to the effect that the CUSIP numbers on the 2020 Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the 2020 Bondholders and that neither the District nor the Trustee shall be liable for any inaccuracies in such numbers.

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

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

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

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

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

Section 11.17. U.S.A. Patriot Act. The parties hereto acknowledge that in accordance with
Section 326 of the U.S.A. Patriot Act, the Trustee, like all financial institutions and in order to help
fight the funding of terrorism and money laundering, is required to obtain, verify, and record
information that identifies each person or legal entity that establishes a relationship or opens an account
with the Trustee. The parties to the Indenture agree that they will provide the Trustee with such
information as it may request in order for the Trustee to satisfy the requirements of the U.S.A. Patriot
Act.
IN WITNESS WHEREOF, the District has caused the Indenture to be signed in its name by its Authorized Officer, and the Trustee, in token of its acceptance of the duties and obligations of the Trustee created hereunder, has caused the Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

EAST VALLEY WATER DISTRICT

By: __________________________________________
   Board President

ATTEST:

__________________________________________
Secretary, Board of Directors

MUFG UNION BANK, N.A., as Trustee

By: __________________________________________
   Its: Authorized Officer
EXHIBIT A

FORM OF 2020 BOND

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

No. ____ $__________

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

EAST VALLEY WATER DISTRICT
REFUNDING REVENUE BONDS, SERIES 2020[A][B (FEDERALLY TAXABLE)]

INTEREST RATE MATURITY DATE ORIGINAL ISSUE DATE CUSIP
_____% October 1, 20__ _____, 2020 _____

REGISTERED OWNER CEDE & CO.

PRINCIPAL AMOUNT: _________________________________________ DOLLARS

The EAST VALLEY WATER DISTRICT, a county water district that is duly organized and existing under and by virtue of the laws of the State of California (the “District”), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (the “Registered Owner”), on the Maturity Date specified above (subject to any right of prior redemption hereinafter provided for), the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the interest payment date next preceding the date of authentication of this Bond (unless: (i) this Bond is authenticated after the fifteenth day of the calendar month preceding an interest payment date, whether or not such day is a Business Day, and on or before the following interest payment date, in which event it shall bear interest from such interest payment date; or (ii) this Bond is authenticated on or before [September 15, 2020], in which event it shall bear interest from the Original Issue Date identified above; provided, however, that if as of the date of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment on this Bond), at the Interest Rate per annum specified above, payable on [October 1, 2020] and each April 1 and October 1 thereafter, calculated on the basis of a 360-day year composed of twelve 30-day months. Principal hereof and premium, if any, upon early redemption hereof are payable by check of the Trustee upon presentation and surrender hereof at the Designated Corporate Trust Office (as defined in the hereinafter described Indenture) of MUFG Union Bank, N.A., as trustee (the “Trustee”). Interest hereon is payable by check of the Trustee sent by first class mail on the applicable
interest payment date to the Registered Owner hereof at the Registered Owner’s address as it appears on the registration books of the Trustee as of the close of business on the fifteenth day of the month preceding each interest payment date (except that in the case of a Registered Owner of one million dollars ($1,000,000) or more in principal amount, such payment may, at such Registered Owner’s option, be made by wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such Registered Owner prior to the fifteenth (15th) day of the month preceding such interest payment date).

This Bond is not a debt of the State of California, or any of its political subdivisions (other than the District), and neither the State, nor any of its political subdivisions (other than the District), is liable hereon, nor in any event shall this Bond be payable out of any funds or properties of the District other than the Net Revenues (as such term is defined in the Indenture of Trust, dated as of _____ 1, 2020 (the “Indenture”), by and between the District and the Trustee) and other moneys pledged therefor under the Indenture. The obligation of the District to make payments in accordance with the Indenture is a limited obligation of the District as set forth in the Indenture and the District shall have no liability or obligation in connection herewith except with respect to such payments to be made pursuant to the Indenture. This Bond does not constitute an indebtedness of the District in contravention of any constitutional or statutory debt limitation or restriction.

This Bond is one of a duly authorized issue of bonds of the District designated as the “East Valley Water District Refunding Revenue Bonds, Series 2020[A][B (Federally Taxable)]” (the “2020 Bonds”), of an aggregate principal amount of ____ Million ____ Thousand Dollars ($____), all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers or interest rates) and all issued pursuant to Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with Section 53570) of the Government Code of the State of California, and pursuant to the Indenture and the resolution authorizing the issuance of the 2020 Bonds. Reference is hereby made to the Indenture (copies of which are on file at the office of the District) and all supplements thereto for a description of the terms on which the 2020 Bonds are issued, the provisions with regard to the nature and extent of the Net Revenues, and the rights thereunder of the Owners of the 2020 Bonds and the Trustee and the rights, duties and immunities of the Trustee and the rights and obligations of the District hereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees. The 2020 Bonds have been issued in fully registered form without coupons in denominations of $5,000 or any integral multiple thereof.

The 2020 Bonds have been issued by the District for the purpose of refinancing certain capital improvements to the Water System and the Wastewater System of the District.

This Bond and the interest, premium, if any, hereon and all other 2020 Bonds and the interest and premium, if any, thereon (to the extent set forth in the Indenture) are special obligations of the District, secured by a pledge and lien on the Revenues and any other amounts on deposit in certain funds and accounts created under the Indenture, and payable from the Net Revenues. As and to the extent set forth in the Indenture, all of the Revenues are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture, to the payment of the principal of and interest and premium (if any) on this Bond.

The Indenture and the rights and obligations of the District and the Owners of the 2020 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 2020 Bonds then Outstanding, exclusive of Bonds disqualified as set forth in the Indenture, in the manner, to the extent and upon the
terms provided in the Indenture, but no such modification or amendment shall: (i) extend the fixed maturity of any 2020 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 2020 Bond so affected; or (ii) reduce the aforesaid percentage of 2020 Bonds the consent of the Owners of which is required to affect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture except as permitted in the Indenture, or deprive the Owners of the 2020 Bonds of the lien created by the Indenture on such Revenues and other assets, except as expressly provided in the Indenture, without the consent of the Owners of all of the 2020 Bonds then Outstanding.

The Indenture and the rights and obligations of the District, of the Trustee and the Owners of the 2020 Bonds may also be modified or amended for certain purposes described more fully in the Indenture at any time in the manner, to the extent and upon the terms provided in the Indenture by a supplemental indenture, which the District and the Trustee may enter into without the consent of any 2020 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 2020 Bonds.

[The 2020 Bonds with stated maturities on or after October 1, 20__, are subject to redemption prior to their respective stated maturities, as a whole or in part on ____ 1, 20__, or any date thereafter, as directed by the District in a Written Request provided to the Trustee at least 35 days prior to such date and by lot within each maturity in integral multiples of $5,000, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the Redemption Date, without premium.] [MAKE-WHOLE CALL?]

The 2020 Bonds are subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity and within maturities as directed by the District in a Written Request provided to the Trustee at least 35 days 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 Indenture, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

The Term Bonds with stated maturities on October 1, 20__ are subject to mandatory sinking fund redemption in part (by lot) on October 1, 20__ and each October 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:

<table>
<thead>
<tr>
<th>Redemption Date (October 1)</th>
<th>Principal Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>20__</td>
<td>$</td>
</tr>
</tbody>
</table>

* Maturity.
If some but not all of the Term Bonds are redeemed pursuant to the optional redemption provisions of the Indenture, as described above, the principal amount of the applicable Term Bonds to be redeemed on any subsequent October 1 will be reduced, by $5,000 or an integral multiple thereof, as designated by the District in a Written Order of the District filed with the Trustee; provided, however, that the aggregate amount of such reductions shall not exceed the aggregate amount of the applicable Term Bonds redeemed pursuant to the optional redemption provisions of the Indenture.

As provided in the Indenture, notice of redemption shall be mailed by the Trustee by first class mail at least 20 days but not more than 60 days prior to the date fixed for redemption to the respective Owners of any 2020 Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, but neither the failure to receive such notice nor any defect in the notice or the mailing thereof shall affect the validity of the redemption.

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

If an Event of Default, as defined in the Indenture, shall occur, the principal of all of the 2020 Bonds and the interest accrued thereon may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.

This Bond is transferable by the Registered Owner hereof, in person or by his or her duly authorized attorney in writing, at the Designated Corporate Trust Office of the Trustee but only in the manner, subject to the limitations and upon payment of the taxes and charges provided in the Indenture and upon surrender and cancellation of this Bond. Upon registration of such transfer, a new 2020 Bond or 2020 Bonds, of authorized denomination or denominations, for the same aggregate principal amount of the same series and maturity will be issued to the transferee in exchange therefor.

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

The Trustee shall not be required to register the transfer or exchange of this Bond during the period in which the Trustee is selecting 2020 Bonds for redemption or if this Bond has been selected for redemption.

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

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the Indenture and the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the District, does not exceed any limit under any laws of the State of California, and is not in excess of the amount of 2020 Bonds permitted to be issued under the Indenture.
This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been manually signed by the Trustee.

IN WITNESS WHEREOF, the District has caused this Bond to be executed in its name and on its behalf with the manual or facsimile signature of its President as of this ___ day of _____, 2020.

EAST VALLEY WATER DISTRICT

By: __________________________________________

Its: Board President
[FORM OF TRUSTEE’S CERTIFICATE OF AUTHENTICATION
TO APPEAR ON BONDS]

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

Dated: _____ __, 2020

MUFG UNION BANK, N.A., as Trustee

By: ________________________________

Its: Authorized Signatory
[FORM OF ASSIGNMENT]

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

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

the within registered Bond and hereby irrevocably constitute(s) and appoint(s) ____________________________

(attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: ______________

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

Signature Guaranteed:

Note: The signature to this Assignment must be guaranteed by an eligible guarantor that is a member of the Securities Transfer Agents Medallion Program (“STAMP”), the Stock Exchange Medallion Program (“SEMP”) or the New York Stock Exchange, Inc. Medallion Signature Program (“MSP”).
EXHIBIT B

DESCRIPTION OF 2010 PROJECT, PRIOR PROJECTS AND 2013 PROJECT

[DISTRICT TO CONFIRM THAT PROCEEDS WERE ACTUALLY EXPENDED ON THESE PROJECTS]

2010 Project

Water System Components
Plant 134 Upgrade/Expansion
Plant 143 Blending and Air Reduction Tank
Plant 150 Design
Plant 150 Construction—Local Share
Sixth Street Pipeline—Plant 151 to Plant 40
Sixth Street Pipeline—Plant 150 to Plant 12
Vine/Union/Live Oak Main Replacements
Bruce Street Main Replacement
Plant 40 Boosters

Wastewater System Components
Replacement of approximately 2,630 linear feet of a 6 inch and 8 inch diameter vitrified clay pipe sewer main

Prior Projects

<table>
<thead>
<tr>
<th>Financing</th>
<th>Component</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001 Installment Purchase Agreement</td>
<td>Miscellaneous Water System Improvements Financed with 1994 Certificates and new money proceeds</td>
</tr>
<tr>
<td>Water System Improvements</td>
<td>Sterling Avenue Pipeline Materials</td>
</tr>
<tr>
<td></td>
<td>New Administration Offices</td>
</tr>
<tr>
<td></td>
<td>Plant 134 Design</td>
</tr>
<tr>
<td></td>
<td>Plant 150 Design</td>
</tr>
<tr>
<td></td>
<td>Rogers Lane Main Replacement</td>
</tr>
<tr>
<td>2004 Installment Purchase Agreement</td>
<td>Sterling Ave 36” Water Pipeline Installation</td>
</tr>
<tr>
<td>Water System Improvements</td>
<td>Sterling Avenue Pipeline Materials</td>
</tr>
<tr>
<td></td>
<td>Land Purchase and Preliminary Design—Lower Zone</td>
</tr>
<tr>
<td></td>
<td>Blending Plant 150</td>
</tr>
<tr>
<td></td>
<td>New Well Plant 132</td>
</tr>
</tbody>
</table>

2013 Project
Construction of a new 8.5 acre administrative office and corporate yard campus for the District located in the City of Highland, County of San Bernardino on the south side of Greenspot Road approximately three miles east of Church Street.

The 2013 Project includes: (i) an approximately 28,300 square foot administrative office building with a boardroom, employee offices and customer service facilities; (ii) an operations yard with an approximately 5,800 square foot operations building housing vehicle mechanics bays, storage, stockrooms, a covered wash bay, a covered exterior work bay and covered space for compressed natural gas fueling equipment that is expected to be installed in the future; (iii) a 2,000 gallon underground storage tank and clarifier to handle runoff from the wash and mechanics bays; (iv) parking bays covered with solar panels; (v) an electrical transformer enclosure; (vi) an emergency generator with a 500-gallon fuel tank; (vii) the construction of water and wastewater lines to serve the administrative office building and the operations yard; and (viii) other facilities and improvements. The operations yard will be fenced and secured by gates.

The District has determined that approximately 65% of the costs of the 2013 Project are allocable to the Water System and that approximately 35% of the costs of the 2013 Project are allocable to the Wastewater System.
CONTRACT OF PURCHASE

East Valley Water District
31111 Greenspot Road
Highland, California 92346
Attention: General Manager

Ladies and Gentlemen:

The undersigned, J.P. Morgan Securities LLC (the “Underwriter”), hereby offers to enter into this Contract of Purchase (the “Contract of Purchase”) with East Valley Water District (the “District”) which, upon the District’s acceptance hereof, will be binding upon the District and upon the Underwriter. This offer is made subject to the written acceptance of this Contract of Purchase by the District and the delivery of such acceptance to the Underwriter at or prior to 6:00 P.M., California time, on the date hereof.

1. Upon the terms and conditions and upon the basis of the representations and warranties hereinafter set forth, the Underwriter hereby agrees to purchase from the District for reoffering to the public, and the District hereby agrees to sell to the Underwriter for such purpose, all (but not less than all) of $________ aggregate principal amount of the District’s Refunding Revenue Bonds, Series 2020A (the “2020A Bonds”) and Refunding Revenue Bonds, Series 2020B (Federally Taxable) (the “2020B Bonds,” and, together with the 2020A Bonds, the “Bonds”). The aggregate purchase price of the Bonds shall be $________ (representing the principal amount of the Bonds, less an underwriting fee of $_______, plus an original issue premium of $_______).

2. The Bonds are being issued by the District pursuant to Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with Section 53570) of the Government Code of the State of California (the “Bond Law”), a resolution adopted by the Board of Directors of the District (the “Board”) approving the Bonds and other matters in connection therewith (the “Resolution”), and the Indenture of Trust, dated as of _______, 2020 (the “Indenture”) by and between the District and MUFG Union Bank, N.A., as Trustee (the “Trustee”). Capitalized terms used but not defined herein shall have the respective meanings ascribed thereto in the Indenture.

The Bonds are limited obligations of the District payable solely from Net Revenues, which consist of Revenues of the District’s municipal water system (the “Water System”) and municipal wastewater system (the Wastewater System”) remaining after the payment of Operation and Maintenance Costs of the Water System and the Wastewater System, and from amounts on deposit in certain funds and accounts created under the Indenture.
The Preliminary Official Statement with respect to the Bonds, dated ______, 2020 (together with the cover page, Appendices thereto, any documents incorporated therein by reference and any supplements or amendments thereto, the “Preliminary Official Statement”), as amended to conform to the terms of this Contract of Purchase, and with such changes and amendments as are mutually agreed to by the District and the Underwriter, is herein referred to as the “Official Statement.” The District hereby ratifies, confirms and approves the use by the Underwriter of the Preliminary Official Statement. The District hereby deems the Preliminary Official Statement to be final as of its date, except for either revisions to or additions of the initial public offering prices, interest rates, yields, selling compensation, aggregate principal amount, principal amount per maturity, delivery date, ratings, credit enhancement, redemption terms, if any, other terms of the Bonds which depend upon the foregoing and other permitted omissions as provided in and pursuant to Rule 15c2-12 of the Securities and Exchange Commission under the Securities and Exchange Act of 1934, as amended (“Rule 15c2-12”).

The Bonds shall be dated the date of their delivery. The 2020A Bonds are being issued to provide moneys: (i) to refund the East Valley Water District Financing Authority Refunding Revenue Bonds, Series 2010 (the “2010 Bonds”) in full; and (ii) to pay costs of issuance of the 2020A Bonds. The 2020B Bonds are being issued to provide moneys: (i) to refund the East Valley Water District Financing Authority Revenue Bonds, Series 2013A (the “2013A Bonds”) in full; and (ii) to pay costs of issuance of the 2020B Bonds.

In order to effect the refunding of the 2010 Bonds, the District will enter into an Escrow Agreement dated as of ________, 2020 (the “2010 Bonds Escrow Agreement”) by and among the District, the East Valley Water District Financing Authority (the “Authority”) and MUFG Union Bank, N.A., as escrow agent (the “2010 Bonds Escrow Agent”). In order to effect the refunding of the 2013A Bonds, the District will enter into an Escrow Agreement dated as of __________, 2020 (the “2013A Bonds Escrow Agreement,” and together with the 2010 Bonds Escrow Agreement, the “Escrow Agreements”) by and among the District, the Authority and MUFG Union Bank, N.A., as escrow agent (the “2013A Bonds Escrow Agent,” and, together with the 2010 Bonds Escrow Agent, the “Escrow Agent”).

The Bonds shall be substantially in the form described in, and shall be issued and secured under and pursuant to the Indenture, substantially in the form previously submitted to the Underwriter with only such changes therein as shall be mutually agreed upon by the District and the Underwriter. The Bonds shall bear interest and mature as provided in Exhibit A hereto and in the Official Statement.

3. Offering by the Underwriter; Establishment of Issue Price. The Underwriter agrees to assist the District in establishing the issue price of the 2020A Bonds and shall execute and deliver to the district at closing an “issue price” certificate, together with supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the District and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the 2020A Bonds.

[Except as otherwise set forth in Exhibit A attached hereto,] [t]he District will treat the first price at which 10% of each maturity of 2020A Bonds (the “10% test”) is sold to the public as the issue price of that maturity. At or promptly after the execution of this Purchase Contract, the Underwriter shall report to the District the price or prices at which the Underwriter has sold to the public each maturity of 2020A Bonds. For purposes of this Section, if the 2020A Bonds mature on the same date
but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the 2020A Bonds.

The Underwriter confirms that it has offered the 2020A 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, except as otherwise set forth therein. Exhibit A sets forth, as of the date of this Purchase Contract, the maturities, if any, of the 2020A Bonds for which the 10% test has been satisfied (the “10% Test Maturities”). Exhibit A also sets forth, as of the date of this Purchase Contract, the maturities, if any, of the Certificates for which the 10% test has not been satisfied (the “Hold-the-Price Maturities”) and for which the District and the Underwriter, agrees that the restrictions set forth in the next sentence shall apply, which will allow the District to treat the initial offering price to the public of each such Hold-the-Price Maturities 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 2020A Bonds, the Underwriter will neither offer nor sell unsold Hold-the-Price Maturities of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

(i) the close of the fifth (5th) business day after the sale date; or

(ii) the date on which the Underwriter has sold at least 10% of such Hold-the-Price Maturities to the public at a price that is no higher than the initial offering price to the public.

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

The Underwriter confirms that: (i) any selling group agreement and any third-party distribution agreement relating to the initial sale of the 2020A 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 2020A Bonds of each maturity allotted to it, whether or not the Closing Date has occurred until either all the 2020A Bonds of that maturity allotted to it have been sold or it is notified by the Underwriter that the 10% Test has been satisfied as to the applicable 2020A 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) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Underwriter.; and (B) to promptly notify the Underwriter of any sales of 2020A 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 2020A Bonds to the public (each such term being used as defined below); and (C) to acknowledge that, unless otherwise advised by the dealer or broker-dealer, the Underwriter shall assume that each order submitted by the dealer or broker-dealer is a sale to the public; (ii) any selling group agreement relating to the initial sale of the 2020A 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 2020A 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 2020A Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all 2020A Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter or dealer that the 10% test has been satisfied as
to the 2020A 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 dealer, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter or the dealer and as set forth in the related pricing wires. The District acknowledges that, in making the representations set forth in this section, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the 2020A 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 2020A Bonds, including but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable, 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 2020A Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the 2020A Bonds, including but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable, as set forth in the third-party distribution agreement and the related pricing wires. The District further acknowledges that the Underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the 2020A Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the 2020A Bonds.

Further, for purposes of this Section:

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

(ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the 2020A 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 2020A 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 2020A Bonds to the public),

(iii) a purchaser of any of the 2020A Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

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

4. The District hereby authorizes the use by the Underwriter of the Resolution, the Continuing Disclosure Certificate dated the Closing Date (as defined in Section 7 below) (the “Continuing Disclosure Certificate”) of the District, the Indenture, the Preliminary Official Statement, the Official Statement, and any supplements or amendments thereto, and the information contained in each of such documents, in connection with the public offering and sale of the Bonds.
5. Within seven (7) business days from the date hereof, and in any event not later than one (1) business day prior to the Closing Date, the District hereby agrees to deliver, or to cause to be delivered, the Official Statement (including the financial statements in Appendix A as included or incorporated by reference therein) in “designated electronic format” (as defined in Rule G-32 of the Municipal Securities Rulemaking Board (the “MSRB”)) to such addresses as the Underwriter shall specify, in order to enable the Underwriter to comply with the obligations of the Underwriter pursuant to Rule 15c2-12(b)(4) under the Securities and Exchange Act of 1934, as amended, Rule G-32 and all other applicable rules of the MSRB. The Underwriter agrees to file the Official Statement (including the Official Statement as it may be amended or supplemented) with the MSRB through its Electronic Municipal Market Access system within one Business Day after receipt from the District, but in no event later than the Closing Date (as defined in Section 7 below).

6. The District will undertake, pursuant to the Continuing Disclosure Certificate, to provide certain annual financial information and notices of certain events, as described in the Official Statement.

7. At 8:00 A.M., Los Angeles time, on ______, 2020, or at such other time or on such other Business Day as shall have been mutually agreed upon by the District and the Underwriter (the “Closing Date”), the District, subject to the terms and conditions hereof, will cause the delivery of the Bonds to the Underwriter through the facilities of The Depository Trust Company, New York, New York (“DTC”), or at such other place as the District and the Underwriter may mutually agree upon, such Bonds to be in fully registered book-entry form, duly executed and registered in the name of Cede & Co., as nominee of DTC; and, subject to the terms and conditions hereof, the Underwriter will accept such delivery and pay the purchase price of the Bonds by wire transfer in immediately available funds to, or in care of, the Trustee as directed in a certificate of an Authorized Representative as shall have been mutually agreed upon by the District and the Underwriter; such delivery of and payment for the Bonds is referred to herein as the “Closing.” The proceedings for Closing shall occur at the offices of Stradling Yocca Carlson & Rauth, a Professional Corporation in Newport Beach, California or such other place as shall have been mutually agreed upon by the District and the Underwriter. The Bonds shall be made available for inspection by the Underwriter and DTC at least one Business Day before the Closing.

8. The District represents, warrants and covenants to the Underwriter that:

a. Due Organization, Existence and Authority. The District is a county water district duly organized and existing under and by virtue of the 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 Indenture, the Escrow Agreements and the Continuing Disclosure Certificate (collectively, the “Legal Documents”) and to carry out and consummate the transactions contemplated by the Legal Documents and the Official Statement.

b. Due Authorization and Approval. By all necessary official action of the District, the District has duly authorized and approved the execution and delivery of, and the performance by the District of the obligations contained or described in the Preliminary Official Statement, the Official Statement and the Legal 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, each Legal 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.

c. **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 of its most recent audited financial report.

d. **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 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 Legal 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 Legal Documents, a default or event of default under any such instrument; and, as of such time, the authorization, execution and delivery of the Legal 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 Legal 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 Legal Documents.

e. **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, 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 Legal Documents or the consummation of the transactions contemplated thereby, or contesting the exclusion of the interest component of Bonds from gross income for federal income tax purposes or contesting the powers of the District to enter into the Legal Documents; (C) which, except as described in the Official Statement, may result in any material adverse change to the financial condition of the District or to its ability to pay principal of and interest on the Bonds when due; or (D) 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 (D) of this sentence.
f. **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.

g. **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 Legal Documents 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.

h. **Official Statement Accurate and Complete.** The Preliminary Official Statement was as of its date, 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 DTC or DTC’s book-entry system).

i. **No Prior Liens on Revenues.** Other than as disclosed in the Official Statement, the District does not and will not, as of the date of Closing, have outstanding any other indebtedness which indebtedness is secured by a lien on the Revenues superior to or on a parity with the lien on the Net Revenues.

j. **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.

k. **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 Section 240 15c2-12 in Chapter II of Title 17 of the Code of Federal Regulations (“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 Municipal Securities Rulemaking Board (the “MSRB”). The Underwriter acknowledges that the end of the “underwriting period” will be as set forth in Section 15 hereof.

1. **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 the District’s Revenues.

m. **The Bonds.** Any certificate signed by any official of the District and delivered to the Underwriter shall be deemed to be a representation and warranty by the District to the Underwriter as to the statements made therein.

n. **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 shall cause a final printed 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.

o. **Continuing Disclosure.** During the past five years, [except as disclosed in the Official Statement, 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 Appendix E to the Official Statement.

p. [Add subheading for conformity?] The financial statements of, and other financial information regarding, the District contained in the Official Statement fairly present the financial position and results of the operations of the District as of the dates and for the periods therein set forth, and, to the best of the District’s knowledge, (i) the annual audited financial statements have been prepared in accordance with generally accepted accounting principles consistently applied; (ii) the other historical financial information has been determined on a basis substantially consistent with that of the District’s audited financial statements included in the Official Statement; (iii) there has not been any material increase in long-term debt or commitments or any material decrease in fund equity of the District, other than through the normal course of operations of the District as compared to the audited financial statements of the District for the year ended June 30, 2019 included in the Preliminary Official Statement and the Official Statement; (iv) no events have occurred which would require adjustments of or disclosures in the audited financial statements of the District as of and for the year ended June 30, 2019, included in the Preliminary Official Statement and the Official Statement, in order for them to be in conformity with generally accepted accounting principles; and (v) the audited financial statements of the District as of and for the year ended June 30, 2019, included in the Preliminary Official Statement and the Official Statement, do not require adjustments or additional disclosures essential to a fair presentation in conformity with generally accepted accounting principles;
q. [subheading?] The consent of CliftonLarsonAllen LLP, independent certified public accountants to the District, is not required for inclusion of their report on the District’s financial statements for the fiscal year ended June 30, 2019 and reference to such firm included in the Preliminary Official Statement and the Official Statement;

r. [subheading?] The District has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the District is a bond issuer whose arbitrage certificates may not be relied upon.

All representations, warranties and agreements of the District shall remain operative and in full force and effect, regardless of any investigations made by the Underwriter or on the Underwriter’s behalf, and shall survive delivery of the Bonds.

9. The Underwriter has entered into this Contract of Purchase in reliance upon the representations and warranties of the District contained herein, the covenants of the District contained in the Resolution, the Bonds, the Legal Documents, and the performance by the District of its obligations hereunder, both as of the date hereof and as of the Closing Date. The Underwriter’s obligations under this Contract of Purchase are and shall be subject to the following further conditions:

a. The representations and warranties of the District contained herein shall be true, complete and correct in all material respects on the date hereof and at and as of the Closing, as if made at and as of the Closing, except that all representations in respect of the Preliminary Official Statement shall be deemed to have been made as of the date of this Contract of Purchase, and the statements made in all certificates and other documents delivered to the Underwriter at the Closing pursuant hereto shall be true, complete and correct in all material respects at the Closing; the District shall be in compliance with each of the agreements made by it in this Contract of Purchase (unless such agreements are waived by the Underwriter); and there shall not have occurred an adverse change in the financial position, results of operations or financial condition of the District which may result in any material adverse change in the business, properties, assets or the financial condition of the District or which may have a material adverse effect on the ability of the District to meet its obligations under the Resolution, the Bonds, the Escrow Agreements and the Indenture;

b. At the time of the Closing, the Official Statement, the Resolution, the Continuing Disclosure Certificate, the Bonds, the Indenture, the Escrow Agreements and this Contract of Purchase shall be in full force and effect, and shall not have been amended, modified or supplemented (except as may be agreed to in writing by the Underwriter and the District); all actions which, in the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel to the District (“Bond Counsel”), shall be necessary in connection with the transactions contemplated hereby, shall have been duly taken and shall be in full force and effect; and the District shall perform or have performed its obligations required under or specified in this Contract of Purchase, the Official Statement, the Resolution, the Continuing Disclosure Certificate, the Bonds, the Indenture and the Escrow Agreements to be performed at or prior to the Closing;

c. At the time of the Closing, the Official Statement (as amended and supplemented) shall be true and correct in all material respects, and shall not omit any statement or information necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;
d. At the time of the Closing, except as disclosed in the Official Statement, (i) no default by the District shall have occurred and be continuing in the payment of the principal and redemption premium, if any, of or interest on any bond, note or other evidence of indebtedness issued by the District and (ii) no bankruptcy, insolvency or other similar proceeding in respect of the District shall be pending or to the knowledge of the District contemplated;

e. At or prior to the Closing, the Underwriter shall receive the following documents:

1. A copy of the Resolution, certified by the Secretary of the District as having been duly adopted by the District and as being in full force and effect on the date of Closing, with such changes or amendments as may have been agreed to by the Underwriter;

2. The opinion of Bond Counsel, dated the Closing Date, in substantially the form included in the Official Statement as Appendix C, addressed to the District and the Underwriter (or accompanied by a reliance letter to the Underwriter);

3. A supplemental opinion or opinions of Bond Counsel, dated the Closing Date, in form and substance satisfactory to the Underwriter and Counsel to the Underwriter, addressed to the District and the Underwriter, to the effect that (i) the Legal Documents [this is OK, but the Indenture will be covered in the BC opinion] have each been duly authorized, executed and delivered by the District and, assuming the due authorization, execution and delivery thereof by the other respective parties, if any, thereto, constitute the respective legal, valid and binding obligations of the District enforceable against the District in accordance with their respective terms, except to the extent that the enforceability thereof may be subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws now or hereafter enacted affecting the enforcement of creditors’ rights and the unavailability of equitable remedies or the application thereto of general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law); (ii) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended; (iii) the statements set forth in the Preliminary Official Statement and the Official Statement (or if either shall be amended or supplemented, the statements in the Preliminary Official Statement or Official Statement as so amended or supplemented addressing the matters addressed in the statements) contained in the front portion of the Preliminary Official Statement and the Official Statement under the headings “INTRODUCTION,” “THE 2020 BONDS,” “SECURITY FOR THE 2020 BONDS,” and “TAX MATTERS,” and in Appendix B thereto, are accurate insofar as such statements purport to summarize certain provisions of the Bonds, the Indenture and Bond Counsel’s final approving opinion; (iv) [THIS SHOULD GO IN GENERAL COUNSEL OPINION] the Resolution has been duly adopted by the District and constitutes the legal, valid and binding obligation of the District enforceable in accordance with its terms, except to the extent that the enforceability thereof may be subject to applicable bankruptcy, insolvency, reorganization, moratorium, and other laws now or hereafter enacted affecting the enforcement of creditors’ rights and the unavailability of equitable remedies or other application thereto of general principles of equity (regardless of whether enforcement is sought in
a proceeding in equity or at law; and (v) the 2010 Bonds and the 2013A Bonds have been paid within the meaning of the respective indenture under which they were issued;

(4) An opinion of JC Law Firm, General Counsel to the District, in form and substance satisfactory to the Underwriter dated the Closing Date, addressed to the Underwriter, to the effect that: (i) the District is duly existing as a county water district organized under and by virtue of the laws of the State of California, with full legal right, power and authority to undertake the activities described in and contemplated by the Preliminary Official Statement, the Official Statement and the Contract of Purchase and to execute and deliver the documents and agreements described in the Preliminary Official Statement and the Official Statement as documents and agreements to which the District is a party; (ii) the Resolution was duly adopted at a meeting of the Board of the District, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout; (iii) the Legal Documents have each been duly authorized, executed and delivered by the District; (iv) to the best of its actual knowledge, the execution and delivery of the Legal Documents and the Official Statement and compliance with the provisions thereof, do not and will not conflict with or constitute on the part of the District a breach or default under any existing law, regulation, court order or consent decree to which the District is subject; (v) to the best of its actual knowledge, the execution and delivery of the Legal Documents and the Official Statement and compliance with the provisions thereof, do not and will not conflict with or constitute on the part of the District a breach or default under any agreement or instrument to which the District is a party or by which the District is bound; (vi) all actions on the part of the District necessary for the making and performance of the Legal Documents, and the actions on the part of the District contemplated thereby, including causing the execution and delivery of the Bonds, have been duly and effectively taken; (vii) to its knowledge, no consent, authorization or approval of, or filing or registration with, any governmental or regulatory officer or body not already obtained is required to be obtained by the District for the making and performance of the Legal Documents or the actions on the part of the District contemplated thereby, including causing the execution and delivery of the Bonds; (ix) after due inquiry of the United States District Court located in the City of Riverside, California, and the Superior Court of the State of California, located in the City of San Bernardino, there is no action, proceeding or investigation at law or in equity before or by any court, public board or body; pending or, to its current actual knowledge, threatened to restrain or enjoin the execution or delivery of any of the Bonds, or the application of the proceeds of sale of the Bonds, or the collection of the revenues or other income or moneys pledged or to be pledged to pay the principal or interest or other amounts due with respect to the Indenture or the Bonds, or in any way contesting or affecting the execution, delivery or validity of the Legal Documents or the Bonds or the security therefor or the Resolution; and (x) after due inquiry of the United States District Court located in the City of Riverside, California, and the Superior Court of the State of California, located in the City of San Bernardino, there is no action, proceeding or investigation at law or in equity before or by any court, public board or body; pending or, to its current actual knowledge, threatened against the District or involving any of the property or assets under the control of the District wherein an unfavorable decision, ruling or finding would materially adversely affect the ability of the District to perform its obligations under the Legal Documents or the transactions contemplated thereby or the security for the Bonds, the Resolution or the
federal, state or local tax-exemption of interest or other amounts due with respect to the Bonds. In addition, Counsel shall state that, although they have not verified, are not passing upon and assume no responsibility for the accuracy, completeness or fairness of the statements contained in the Preliminary Official Statement and the Official Statement, to their actual knowledge, they have no reason to believe that insofar as each relates to the District (a) the Preliminary Official Statement as of its date and as of the date of the Contract of Purchase contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and (b) the Official Statement as of its date contained, and as of the Closing Date contains, an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided that in expressing the foregoing opinion, Counsel to the District may advise that it had limited participation in the preparation of the Preliminary Official Statement and the Official Statement and have undertaken no responsibility to undertake any due diligence to investigate the accuracy (or lack thereof) of any of the statements (or lack thereof) contained in the Preliminary Official Statement and the Official Statement, including, without limitation, financial statements, financial data or operational or historical information concerning the District;

(5)  The opinion of Nixon Peabody LLP, Los Angeles, California, Counsel to the Underwriter dated the Closing Date addressed to the Underwriter, in form and substance satisfactory to the Underwriter;

(6)  A certificate signed by the General Manager of the District or another duly authorized official of the District in form and substance satisfactory to the Underwriter dated the Closing Date to the effect that each and all of the representations and warranties of the District contained in this Contract of Purchase are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date, except that all representations in respect of the Preliminary Official Statement shall be deemed to have been made as of the date of this Contract of Purchase, and no event affecting the District has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing Date any statement or information contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein, in light of the circumstances under which they were or are made, not misleading in any material respect;

(7)  A certificate signed by the General Manager of the District or another duly authorized official of the District in form and substance satisfactory to the Underwriter dated the Closing Date to the effect that (i) other than as set forth in the Preliminary Official Statement and the Official Statement, no litigation is pending or, to his knowledge, threatened in any court to restrain or enjoin the execution or delivery of any of the Bonds, or the application of the proceeds of sale of the Bonds, or the collection of the revenues or other income or moneys pledged or to be pledged to pay the principal or interest or other amounts due with respect to the Indenture or the Bonds, or in any way contesting or affecting the adoption of the Resolution or the execution, delivery or validity of the Indenture or the Bonds or the security therefor or the
and (ii) other than as set forth in the Preliminary Official Statement and the Official Statement, there is no litigation pending, or, to his knowledge, threatened against the District or involving any of the property or assets under the control of the District wherein an unfavorable decision, ruling or finding would materially adversely affect the ability of the District to perform its obligations under the Resolution, the Legal Documents or the Bonds or the security for the Bonds or the exclusion of interest due with respect to the Bonds from gross income for purposes of federal, state or local income taxation;

(8) A certificate signed by an authorized official of MUFG Union Bank, N.A. (“MUFG Bank”), in its capacity as Trustee, addressed to the Underwriter, in form and substance satisfactory to the Underwriter dated the Closing Date to the effect that (i) MUFG Bank is a duly organized and validly existing national banking association and has full power and authority to carry out its activities under the Indenture, (ii) the Bonds have been duly authenticated by MUFG Bank in accordance with the Indenture, (iii) the Indenture has been duly authorized, executed and delivered by MUFG Bank and, assuming due authorization, execution and delivery by the other party thereto, the Indenture is the valid, legal and binding agreement of MUFG Bank, enforceable in accordance with its terms, and (iv) the execution and delivery of the Indenture and the Bonds, and compliance with the provisions thereof, will not conflict with, or constitute a breach of or default under, any law, administrative regulation, court decree, resolution, charter, by-law or agreement to which MUFG Bank is subject or by which it is bound;

(9) An opinion of counsel to MUFG Bank, addressed to the Underwriter, in form and substance satisfactory to the Underwriter dated the Closing Date to the effect that (i) the Indenture has been duly authorized, executed and delivered by MUFG Bank and constitutes the valid and legally binding agreement of MUFG Bank enforceable in accordance with its terms, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditor’s rights, (ii) MUFG Bank has lawful authority for the execution and delivery of the Bonds, (iii) the Bonds have been duly authenticated by MUFG Bank and delivered in accordance with the Indenture and are entitled to the benefits of the Indenture; (iv) MUFG Bank is a national banking association duly organized, validly existing and in good standing under the laws of the United States having full power and authority and being qualified to enter into, accept and administer the trust created under the Indenture to which it is a party and to enter into such Indenture; (v) the execution, delivery and performance of the Indenture will not conflict with or cause a default under any law, ruling, agreement, administrative regulation or other instrument by which MUFG Bank is bound; and (vi) no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, is pending or threatened in any way affecting the existence of MUFG Bank or the titles of its directors or officers to their respective offices, or seeking to restrain or enjoin the issuance, sale or delivery of the Bonds or the application of proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the Bonds or the Indenture;

(10) A certificate signed by an authorized official of MUFG Union Bank N.A. in its capacity as escrow agent (the “Escrow Agent” or “MUFG Bank”) under the
Escrow Agreements, addressed to the Underwriter, in form and substance satisfactory
to the Underwriter dated the Closing Date to the effect that (i) MUFG Bank is a duly
organized and validly existing national banking association and has full power and
authority to carry out its activities under the Escrow Agreements, (ii) the Escrow
Agreements have been duly authorized, executed and delivered by MUFG Bank and,
assuming due authorization, execution and delivery by the other parties thereto, the
Escrow Agreements are valid, legal and binding agreements of MUFG Bank,
enforceable in accordance with their terms, and (iii) the execution and delivery of the
Escrow Agreements, and compliance with the provisions thereof, will not conflict with,
or constitute a breach of or default under, any law, administrative regulation, court
decree, resolution, charter, by-law or agreement to which MUFG Bank is subject or by
which it is bound;

(11) An opinion of counsel to MUFG Bank, in its capacity as Escrow Agent
under the Escrow Agreements, addressed to the Underwriter, in form and substance
satisfactory to the Underwriter dated the Closing Date to the effect that (i) the Escrow
Agreements have been duly authorized, executed and delivered by MUFG Bank and
constitute valid and legally binding agreements of MUFG Bank enforceable in
accordance with their terms, except as the same may be limited by bankruptcy,
insolvency, reorganization, moratorium or other laws relating to or affecting generally
the enforcement of creditor’s rights, (ii) MUFG Bank is a national banking association
duly organized, validly existing and in good standing under the laws of the United
States having full power and authority and being qualified to enter into the Escrow
Agreements; (iii) the execution, delivery and performance of the Escrow Agreements
will not conflict with or cause a default under any law, ruling, agreement,
administrative regulation or other instrument by which MUFG Bank is bound; and (iv)
no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by
any court, regulatory agency, public board or body, is pending or threatened in any way
affecting the existence of MUFG Bank or the titles of its directors or officers to their
respective offices, or in any way contesting or affecting the Escrow Agreements;

(12) Executed copies of this Contract of Purchase, the Indenture, the Escrow
Agreements, the Continuing Disclosure Certificate and the Official Statement, together
with a copy of the record of proceedings for the Bonds;

(13) A Tax Certificate of the District signed by an authorized officer of the
District;

(14) Evidence that the long-term credit ratings on the Bonds set forth in the
Official Statement have been assigned by S&P and Fitch, respectively, and that each is
in full force and effect on the Closing Date;

(15) A copy of the Blue Sky Survey, prepared by Nixon Peabody LLP, with
respect to the Bonds;

(16) A copy of the District’s executed Blanket Letter of Representation to
The Depository Trust Company; and
Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter or Bond Counsel may reasonably request to evidence compliance by the District with legal requirements, the accuracy, as of the time of Closing, of the District’s representations herein contained and the due performance or satisfaction by the District at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the District.

If the District shall be unable to satisfy the conditions to the Underwriter’s obligations contained in this Contract of Purchase or if the Underwriter’s obligations shall be terminated for any reason permitted by this Contract of Purchase, this Contract of Purchase shall terminate and neither the District nor the Underwriter shall have any further obligation hereunder, nor any liability to any other party with respect to such termination.

10. The Underwriter may terminate this Contract of Purchase by notification to the District if at any time after the date hereof and prior to the Closing any of the following events shall occur in the sole and reasonable judgment of the Underwriter:

a. Legislation shall have been introduced in or favorably reported for passage by the State of California, in either house of the Congress of the United States of America by any committee of such house to which legislation has been referred for consideration or has been enacted (or resolution passed) by the Congress of the United States of America or recommended to the Congress by the President of the United States, the Department of the Treasury, the Internal Revenue Service, or any member of Congress, or favorably reported for passage to either House of Congress by any committee of such House to which such legislation had been referred for consideration, or a decision rendered by a court established under Article III of the Constitution of the United States of America or by the Tax Court of the United States of America, or an order, ruling, regulation (final, temporary or proposed), press release or other form of notice issued or made by or on behalf of the Treasury Department of the United States of America or the Internal Revenue Service, affecting (directly or indirectly) the federal or state taxation of interest received on obligations of the general character of the Bonds which, in the judgment of the Underwriter, materially adversely affects the market price or the marketability of the Bonds, or the ability of the Underwriter to enforce contracts for the sale, at the contemplated offering prices (or yields), of the Bonds;

b. Legislation shall have been introduced in or favorably reported for passage by either house of the United States Congress by any committee of such house to which such legislation has been referred for consideration, or has been enacted (or resolution passed) by the Congress or an order, decree or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds, including any or all underlying arrangements, are not exempt from registration under or other requirements of the Securities Act of 1933, as amended, or that the Indenture is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended, or that the issuance, offering or sale of obligations of the general character of the Bonds, including any or all underlying arrangements, as contemplated hereby or by the Official Statement or otherwise is or would be in violation of the federal securities laws as amended and then in effect;

c. A general suspension of trading in securities on the New York Stock Exchange, or the imposition by the New York Stock Exchange or other national securities exchange, or any
governmental authority, of any material restrictions not now in force with respect to the Bonds, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, the Underwriter, or a general banking moratorium or limits on loans or the amounts of loans to investment banking firms in general shall have been declared by federal, State of New York or State of California officials authorized to do so, which in the judgment of the Underwriter materially adversely affects the market price or the marketability of the Bonds, or the ability of the Underwriter to enforce contracts for the sale, at the contemplated offering prices (or yields), of the Bonds;

d. The introduction, proposal or enactment of any amendment to the United States Constitution or California Constitution or any action by any federal or California court, legislative body, regulatory body or other authority materially adversely affecting the tax status of the District, its property, income, securities (or interest thereon), the validity or enforceability of the Resolution, the Indenture or the Bonds;

e. Any event occurring, or information becoming known which, in the judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Preliminary Official Statement or in the Official Statement, or has the effect that the Preliminary Official Statement or the Official Statement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

f. There shall have occurred (1) any outbreak or increase of hostilities or terrorism or other local, national or international event, act, or occurrence (or the escalation thereof); or (2) any calamity or crisis in the financial markets in the United States; or (3) a default with respect to the debt obligations of, or the institution of proceedings under the federal or applicable state bankruptcy laws by or against, any agency or instrumentality of the State of California, any state of the United States or agency thereof, or any city located in the United States having a population of over one million the effect of which on the financial markets of the United States of America, which in the reasonable judgment of the Underwriter, is such as to materially and adversely affect the market price or the marketability of the Bonds, or the ability of the Underwriter to enforce contracts for the sale of the Bonds;

g. There shall have been any material change in the affairs of the District and the District refuses to permit the Official Statement to be supplemented in a manner satisfactory to the Underwriter, or the Official Statement shall have been supplemented pursuant to Section 8(k) hereof, and in the reasonable judgment of the Underwriter, such change or supplement materially affects the marketability of the Bonds or the market price of the Bonds or the ability of the Underwriter to enforce contracts for the sale, at the contemplated offering prices (or yields), of the Bonds;

h. (i) Any rating of the Bonds shall have been downgraded, suspended or withdrawn by a national rating service, which, in the Underwriter’s reasonable opinion, materially adversely affects the marketability or market price of the Bonds, or (ii) there shall have been any official statement as to a possible downgrading (such as being placed on “credit watch” or “negative outlook” or any similar qualification) of any rating of any debt securities issued by the District, including the Bonds;

i. An order, decree or injunction of any court of competent jurisdiction, issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds,
or the issuance, offering or sale of the Bonds, including any or all underlying obligations, as contemplated hereby or by the Preliminary Official Statement of the Official Statement, is or would be in violation of any applicable law, rule or regulation, including (without limitation) any provision of applicable federal securities law as amended and then in effect;

j. A stop order, ruling, regulation or official statement by the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall have been made or any other event occurs, the effect of which is that the issuance, offering or sale of the Bonds, or the execution and delivery of the Legal Documents as contemplated hereby or by the Preliminary Official Statement or the Official Statement, is or would be in violation of any applicable law, rule or regulation, including (without limitation) any provision of applicable federal securities laws, including the Securities Act of 1933, as amended, the Securities and Exchange Act of 1934, as amended, or the Trust Indenture Act, each as amended and as then in effect; or

k. Any litigation shall be instituted or be pending at the time of the Closing to restrain or enjoin the issuance, sale or delivery of the Bonds, or in any way contesting or affecting any authority for or the validity of the proceedings, authorizing and approving the Bonds, the Act, the Resolution, the Legal Documents or the existence or powers of the District with respect to its obligations under the Legal Documents or the Bonds.

11. The District shall, except as set forth in the next succeeding paragraph, pay any expenses incident to the performance of the District’s obligations hereunder, including but not limited to the following: (i) the cost of the preparation, printing and delivery of the Bonds, (ii) the fees for bond ratings, (iii) the cost of printing and distribution of the Indenture, the Continuing Disclosure Certificate, the Preliminary Official Statement and the Official Statement, (iv) the fees and disbursements of Stradling Yocca Carlson & Rauth, a Professional Corporation, as Bond Counsel, (v) any fees and disbursements of the District’s accountants, (vi) the fees and disbursements of JC Law Firm, General Counsel to the District, (vii) the fees and disbursements of the Trustee and its counsel, (viii) the fees and expenses of Fieldman, Rolapp & Associates, Inc., municipal advisor to the District, (ix) the fees and disbursements of any other engineers, accountants, attorneys, auditors and other experts or consultants or advisors retained by the District, and (x) any other costs and disbursements incurred by the District in connection with the transaction. To the extent that the Underwriter, in order to facilitate the transactions hereunder, has advanced funds to pay any expenses of the District incidental to this Contract of Purchase and the transactions hereunder (including, but not limited to, transportation, lodging, meals and other ancillary costs of District representatives associated with the financing), the District shall reimburse the Underwriter for such advances as part of the expense component of the Underwriter’s compensation hereunder.

The Underwriter shall pay (i) the fees and disbursements of Nixon Peabody LLP, retained by the Underwriter in connection with the purchase and sale of the Bonds pursuant hereto as Underwriter’s counsel, (ii) the fee payable to the California Debt and Investment Advisory Commission with respect to the sale of the Bonds, (iii) advertising expenses and all other expenses incurred by the Underwriter in connection with the public offering and distribution of the Bonds, (iv) fees and expenses related to obtaining CUSIP numbers, and (v) expenses to qualify the Bonds for sale under any Blue Sky laws. Notwithstanding that the fees payable to the California Debt and Investment Advisory Commission are solely the legal obligation of the Underwriter, the District agrees to reimburse the Underwriter for such fees.
12. The District will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and to provide for the continuance of such qualification; provided, however, that the District will not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any state.

13. Any notice or other communication to be given to the District under this Contract of Purchase may be given by delivering the same in writing to East Valley Water District, 3654 31111 Greenspot Road, Highland, California 92346, Attention: General Manager, or to such other person as he may designate in writing, and any notice or other communication to be given to the Underwriter under this Contract of Purchase (other than the acceptance hereof as specified in the first Paragraph hereof) may be given by delivering the same in writing to J.P. Morgan Securities LLC, 2029 Century Park East, Suite 4140, Los Angeles California 90067, Attention: Tyler Old.

14. The validity, interpretation and performance of this Contract of Purchase shall be governed by the laws of the State of California.

15. The term “end of the underwriting period” means the later of such time as (i) the District delivers the Bonds to the Underwriter or (ii) the Underwriter does not retain directly an unsold balance of the Bonds for sale to the public. Unless the Underwriter gives notice to the contrary, the “end of the underwriting period” shall be deemed the Closing Date. Any notice delivered pursuant to this Section shall be written notice, delivered to the District at or prior to the Closing, and shall specify a date, other than the Closing Date (or other date specified by notice delivered pursuant to this Section), to be deemed the “end of the underwriting period.”

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

17. The District acknowledges and agrees that: (i) the transaction contemplated by this Contract of Purchase is an arm’s length, commercial transaction between the District and the Underwriter in which the Underwriter are acting solely as a principal and is not acting as a municipal advisor, financial advisor or fiduciary to the District; (ii) the Underwriter has not assumed any advisory or fiduciary responsibility to the District with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the District on other matters); (iii) the only obligations the Underwriter has to the District with respect to the transaction contemplated hereby expressly are set forth in this Contract of Purchase; and (iv) the District has consulted its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate.

[Signature Page Follows]
18. This Contract of Purchase when accepted by the District in writing as heretofore specified shall constitute the entire agreement between the District and the Underwriter and is made solely for the benefit of the District and the Underwriter (including the successors or assigns of the Underwriter or any members of the syndicate, if any). No other person shall acquire or have any right hereunder or by virtue hereof.

Very truly yours,

J.P. MORGAN SECURITIES LLC, as Underwriter

By: ________________________________

Agreed and Accepted:

EAST VALLEY WATER DISTRICT

By: ________________________________

General Manager
EXHIBIT A

$___________
EAST VALLEY WATER DISTRICT
Refunding Revenue Bonds, Series 2020A

<table>
<thead>
<tr>
<th>Maturity Date (October 1)</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
<th>Yield</th>
<th>Price</th>
<th>CUSIP Number</th>
</tr>
</thead>
</table>

[ADD 10% SOLD AND HTOP COLUMNS? OR DO YOU DO THAT BY FOOTNOTE?]  

$___________
EAST VALLEY WATER DISTRICT
Refunding Revenue Bonds, Series 2020B
(Federally Taxable)

<table>
<thead>
<tr>
<th>Maturity Date (October 1)</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
<th>Yield</th>
<th>Price</th>
<th>CUSIP Number</th>
</tr>
</thead>
</table>
EXHIBIT B

$_____
EAST VALLEY WATER DISTRICT
REFUNDING REVENUE BONDS,
SERIES 2020A

FORM OF ISSUE PRICE CERTIFICATE

The undersigned, J.P. Morgan Securities LLC (the “Underwriter”), having acted as the Underwriter in connection with the sale and issuance by East Valley Water District (the “Issuer”) of $___________ aggregate initial principal amount of its Refunding Revenue Bonds, Series 2020A (the “Bonds”), being executed and delivered on the date hereof, hereby certifies and represents the following:

Issue Price.

[NOT USING HOLD THE PRICE]

1. [10% OF EACH MATURITY SOLD BY CLOSING] As of the date hereof, the first price or yield at which at least 10% of each Maturity of the Bonds was sold by the Underwriter to the Public was the [Initial Offering Price/ OR IF ACTUAL SALES AT OTHER THAN IOP price or yield set forth on Schedule 1 hereto.]

[USING HOLD THE PRICE]

1. As of [SALE DATE], 2020 (the “Sale Date”), all of the Bonds were the subject of a bona fide offering to the Public at the Initial Offering Price.

[2. [USING HOLD THE PRICE FOR A PORTION OF THE ISSUE] As of the date hereof, other than the Bonds listed on Exhibit A to the Purchase Contract, dated [SALE DATE], 2020, by and between the Underwriter and the Issuer, as Subject-to-Hold-The-Offering-Price Rule (the “Undersold Maturities”), the first price or yield at which at least 10% of each Maturity of the Bonds was sold by the Underwriter to the Public was the respective [Initial Offering Price OR IF ACTUAL SALES AT OTHER THAN IOP price set forth on Schedule 1 hereto]. Attached hereto as Schedule 2 is a copy of the final pricing wire for each Undersold Maturity or an equivalent communication. With respect to the Undersold Maturities, as agreed to in writing by the Underwriter in the Purchase Contract between the Issuer and the Underwriter dated [SALE DATE], 2020, the Underwriter has not offered or sold any unsold Bonds of the Undersold Maturities to any person at a price higher than or a yield lower than the respective Initial Offering Price for a period of time starting on the Sale Date and ending on the earlier of (a) the date on which 10% of the respective Undersold Maturity was sold at one or more prices no higher than or yields no lower than the Initial Offering Price by the Underwriter or (b) the close of the fifth business day following the Sale Date.

2. [USING HOLD THE PRICE FOR 100% OF THE ISSUE]. As agreed to in writing by the Underwriter in the Purchase Contract between the Issuer and the Underwriter dated [SALE
DATE], 2020, the Underwriter has not offered or sold any unsold Bond to any person at a price higher than or a yield lower than the respective Initial Offering Price for a period of time starting on the Sale Date and ending on the earlier of (a) the date on which 10% of the respective Undersold Maturity was sold at one or more prices no higher than or yields no lower than the Initial Offering Price by the Underwriter or (b) the close of the fifth business day following the Sale Date. Attached hereto as Schedule 1 is a copy of the final pricing wire for the Bonds or an equivalent communication.

[ADD SECTION ON QUALIFIED GUARANTEE IF APPLICABLE]

2. Defined Terms.

(a) “Initial Offering Price” means the prices or yields set forth on the inside cover page of the Issuer’s Official Statement in respect of such Bonds dated ____________, 2020.

(b) “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.

(c) “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.

(d) “Related Party” means any entity if an Underwriter and such entity are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profit interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(e) “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 the Underwriter’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, a Professional Corporation in connection with rendering its opinion that the interest with respect to 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.
J.P. MORGAN SECURITIES LLC

By:_______________________________

Name:_____________________________
SCHEDULE 1
ISSUE PRICES

[IF USING ACTUAL SALES AND THE IOP IS NOT THE ISSUE PRICE FOR EACH MATURITY]

First Price of At Least 10% (ONLY APPLICABLE IF PRICE IS NOT THE IOP)

Undersold Maturities

[IF USING HOLD THE PRICE FOR A PORTION]

First Price of At Least 10% (Only Applicable if Not IOP)

Initial Offering Prices of Undersold Maturities
EXHIBIT D

THE DISTRICT

General

The Board of Supervisors of the County of San Bernardino (the “County”) approved a petition for the formation of the District (which was formerly called East San Bernardino County Water District) under Division 12 of the State Water Code and ordered an election held on January 12, 1954. The formation of the District was approved by the electors and the County Board of Supervisors and incorporation of the District was approved by the State on February 1, 1954.

The District has broad general powers over the use of water and wastewater collection and treatment within District boundaries, including the right of eminent domain and the authority to acquire, control, distribute, store, spread, sink, treat, purify, reclaim, process and salvage any water for beneficial use, to provide wastewater service, to sell treated or untreated water, to contract with the United States, other political subdivisions, public utilities and other persons, and, subject to certain State Constitutional limits, to levy certain taxes.

Encompassing an area of approximately 30 square miles, the District was originally formed to provide domestic water service to the then-unincorporated and agriculturally-based communities of Highland and East Highland. The District’s service area is now largely urbanized and includes all of the City of Highland and portions of the City of San Bernardino (the “City”), with such areas representing approximately 85% of the District’s service area. The remaining 15% of the District’s service area is located in unincorporated areas of the County. The service area has a population of approximately 102,000.

The District supplies potable water to approximately 19,898 single family residential, 475 multi-family residential, 694 commercial (including industrial and governmental) and 588 irrigation and fireline connections. The District has three sources of water: (i) groundwater extracted from the Bunker Hill Groundwater Basin (the “Basin”); (ii) Santa Ana River flows; and (iii) State Water Project (“SWP”) water purchased from San Bernardino Valley Municipal Water District (“SBVMWD”). The Water System includes 15 active wells, 18 water tanks and reservoirs with a combined storage capacity of approximately 28,977,000 gallons, 23 booster pump stations, which pump water from lower elevations to various higher pressure zones, 3,025 fire hydrants and approximately 300 miles of pipelines, including distribution lines ranging in size from 4 inches to 36 inches in diameter. See the caption “THE WATER SYSTEM OF THE DISTRICT.”

The District provides wastewater service to approximately 18,598 single family residential connections, 465 multi-family residential connections, and 616 non-residential connections within the District’s service area. Since commencing wastewater services in 1964, the District has operated a wastewater collection and transmission system but has not owned or operated a wastewater treatment plant. Instead, the District contracts with the City for the treatment of wastewater flows.

The District is constructing a wastewater treatment plant called the Sterling Natural Resource Center (the “SNRC”) which is expected to commence operations in November 2021. When completed, the SNRC will enable the District to treat wastewater from the District’s Wastewater System customers without reliance on the City’s treatment facilities. Treated wastewater flow will be recharged into the Basin for later extraction, treatment to potable water standards and delivery to Water System customers. See the caption “THE WASTEWATER SYSTEM OF THE DISTRICT.”

Land Use and Service Area

Land use within the District is primarily residential, with some commercial/industrial, park/landscape and agricultural uses. According to the District, approximately 93.7% of the District’s metered customers are residential (91.5% single-family and 2.2% multi-family). The District’s commercial customers and
park/landscape customers account for approximately 4.9% and 1.5%, respectively, of total metered services. Agricultural users receive irrigation water from the Santa Ana River via the North Fork Canal and therefore account for 0% of the current metered services.

The District currently serves a population of approximately 102,000 people within its service area. Large areas within the District’s boundaries remain undeveloped, portions of which are expected to be developed in the future, including a housing development called Highland Hills which is expected to add several hundred homes to the District’s service area in the next decade. The District’s Water Master Plan update completed in January 2019 currently projects that it the District will have a population of 142,000 people at ultimate buildout in 2040.

**Governance and Management**

*General.* The District is governed by a five member Board of Directors (the “Board”). Board members are elected at large by the registered voters of the District and serve staggered four-year terms. The current Board members, their occupations and the expiration dates of their terms are set forth below.

<table>
<thead>
<tr>
<th>Board Member</th>
<th>Expiration of Term</th>
<th>Occupation</th>
</tr>
</thead>
<tbody>
<tr>
<td>David E. Smith, Chair</td>
<td>December 2020</td>
<td>Securities Compliance Officer</td>
</tr>
<tr>
<td>Phillip R. Goodrich, Vice Chair</td>
<td>December 2022</td>
<td>Business Owner</td>
</tr>
<tr>
<td>Chris Carrillo</td>
<td>December 2020</td>
<td>Attorney</td>
</tr>
<tr>
<td>Ronald L. Coats</td>
<td>December 2022</td>
<td>Retired</td>
</tr>
<tr>
<td>James Morales, Jr.</td>
<td>December 2022</td>
<td>Public Administration</td>
</tr>
</tbody>
</table>

Day-to-day management of the District is delegated to the General Manager/Chief Executive Officer (the “General Manager”), John Mura. Mr. Mura has served as the District’s General Manager since January 2012. In his role as General Manager, Mr. Mura oversees the daily operations of the District based on the Board’s direction through the District’s adopted Strategic Plan. Prior to joining the District, Mr. Mura served as the Public Works Director for the City of Chino Hills, California. Having worked at various levels of government, he brings over 23 years of government experience in utility management, the successful operation of various infrastructure projects and the implementation of essential programs. Mr. Mura holds a Bachelor’s Degree in Management and Business from Pepperdine University and a Master’s Degree in Public Administration from California State University, Fullerton.

Brian W. Tompkins serves as Chief Financial Officer of the District. Mr. Tompkins has been with the District since January 2002. Prior to joining the District, Mr. Tompkins was employed by Rogers, Anderson, Malody and Scott, LLP, Certified Public Accountants. Mr. Tompkins holds a Bachelor’s of Science Degree in Business Administration and is a Certified Public Accountant.

Jeff Noelte serves as the Director of Engineering and Operations for the District. Mr. Noelte has served in this role since joining the District in December 2017. Prior to joining the District, Mr. Noelte served as a principal engineer at a consulting firm and as the Manager of Technical Services at the Inland Empire Utilities Agency. With 25 years of experience in the water and wastewater industries, he has garnered the unique experience of serving as an engineer and operator in both the public and private sectors. Mr. Noelte holds a Bachelor of Science in Environmental Science from the University of California, Riverside and Master’s and Ph.D. Degrees in Environmental Engineering from the California Institute of Technology. He is a licensed Professional Civil Engineer, a Board-Certified Environmental Engineer and certified as a Grade V Wastewater Treatment Operator and T2 Water Treatment Operator.
**Management Policies.** The District has adopted several policies which are designed to ensure the prudent and effective management of District operations, including an investment policy, a reserve funds policy, a debt management policy and an operating and capital budget policy. Further information about each such policy is set forth below.

**Investment Policy.** The District invests its funds in accordance with the District’s investment policy (the “**Investment Policy**”), which was last revised by the District on April 24, 2019. The Investment Policy sets forth the policies and procedures that are applicable to the investment of District funds and designates eligible investments. The Investment Policy also sets forth stated objectives, including the assurance of the safety of invested funds, the maintenance of sufficient liquidity, compliance with law and the attainment of the best yield or returns on investments. Funds are invested in the following order of priority:

- Safety of Principal;
- Liquidity; and
- Yield.

The Board has delegated the authority to invest funds of the District to the Chief Financial Officer. The Chief Financial Officer must invest District funds in accordance with the prudent person standard under California Civil Code § 2261 et seq.

The Investment Policy provides a number of permitted investment categories, including: (i) the State of California Local Agency Investment Fund (“**LAIF**”); (ii) United States Treasury Securities (limited to maximum maturities of 5 years); (iii) State of California and other municipal obligations which are rated “AA” or higher (limited to 20% of the District’s portfolio and maximum maturities of 5 years); (iv) federal agency obligations (limited to maximum maturities of 5 years); (v) money market mutual funds in the highest rating category (limited to 15% of the District’s portfolio); and (vi) commercial paper which is rated “A” or higher (limited to 15% of the District’s portfolio and maximum maturities of 270 days).

[UPDATE TO JUNE 30, 2020] As of June 30, 2019, the District had total moneys invested in the amount of $26,877,376 (of which $8,171,966 was restricted) in permitted investments under the Investment Policy.

The District’s investments are reported quarterly to the Board. For additional information relating to the Investment Policy, see Note 2 to the District’s audited financial statements for the fiscal year of the District ended June 30 (each, a **Fiscal Year**), 2019 set forth in Appendix A.

**Reserve Funds Policy.** Under the District’s reserve funds policy, the District maintains the following reserves:

(i) Capital replacement funds, which have a target level of $10 million, will be applied to the replacement of capitalized assets when they reach the end of their useful lives. This reserve will be funded from user fee revenue from the Water System and Wastewater System. The maximum balance in the capital replacement funds may not exceed the projected needs for seven years under the District’s Capital Improvement Plan. Expenditures of capital replacement fund moneys will be approved as part of the District’s capital budget approval.

(ii) An emergency fund, which has a target level of 2% of the total value of District assets and equipment, will be applied to begin repair of the water and wastewater infrastructure after a catastrophic event, such as a severe earthquake or fire, while long-term financing is being arranged or insurance claims are being processed. Expenditures of emergency fund moneys will be approved by the Board.

(iii) A rate stabilization fund, which has a target level of 45-60 days of budgeted operating expenses, will be applied to provide flexibility to the Board when setting rates in order to allow for temporary rate
fluctuations or one-time expenditures. Expenditures of rate stabilization fund moneys will be approved by the Board.

(iv) An operating fund, which has a target level of 90-120 days of operating expenses, will be applied to maintain working capital for current operations and to meet routine cash flow needs. Expenditures of operating fund moneys will be approved by the Board.

[UPDATE TO JUNE 30, 2020] As of June 30, 2019, the District’s Water Fund operating reserve was fully funded at $6.2 million and the District’s Sewer fund operating reserve was 95% funded at $3.9 million. The Water Fund also had an accumulated capital replacement reserve of $8.6 million. The Water and Sewer reserves for restricted capacity fees held $2.0 million and $1.3 million, respectively.

Debt Management Policy. The District’s debt management policy addresses the matters that are required by California Government Code § 8855(i), including: (i) the purposes for which debt proceeds may be used; (ii) the types of debt that may be issued; (iii) the relationship of the debt to, and integration with, the District’s capital improvement program or budget; (iv) policy goals related to the District’s planning goals and objectives; and (v) the internal control procedures which ensure that the proceeds of each debt issuance are directed to their intended use.

Operating and Capital Budget Policy. The District’s operating and capital budget policy is described under the caption “—Budget Process.”

Employees and Employee Benefits

General. [UPDATE TO JUNE 30, 2020] As of June 30, 2019, the District had 70.5 full-time equivalent employees, of whom 27.5 work in District administration, 32 work in engineering and maintenance and 11 work in operations. Certain non-management employees are represented by the East Valley Water District Employee Partnership (the “EVWDEP”) under a Memorandum of Understanding which extends through June 30, 2020. The District is currently negotiating a new memorandum of understanding with the EVWDEP. The current Memorandum of Understanding will continue in force on a month-to-month basis until a new memorandum of understanding is signed. The District has never experienced a strike, slowdown or work stoppage.

Pension Obligations. 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 governs the accounting treatment of defined benefit pension plans, including how expenses and liabilities are calculated and reported by state and local government employers in their financial statements. 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 changed the District’s accounting reporting and disclosure requirements, but it did not change the District’s pension plan funding obligations.

The District participates in a Miscellaneous plan to fund pension benefits for its employees. The District’s Miscellaneous plan is administered by the California Public Employees Retirement System (“CalPERS”). CalPERS administers an agent multiple-employer public employee defined benefit pension plan for all of the District’s permanent 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.
District employees who were hired before January 1, 2013 are subject to different benefit levels than employees who were hired on or after January 1, 2013 and who were not previously CalPERS members. Benefit provisions for District employees are set forth below.

EAST VALLEY WATER DISTRICT
CalPERS Miscellaneous Pension Plan – Summary of Benefit Provisions

<table>
<thead>
<tr>
<th>Employees Hired Before January 1, 2013</th>
<th>Employees Hired On or After January 1, 2013 (AB 340)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefit Formula</td>
<td>2.7% @ age 55</td>
</tr>
<tr>
<td></td>
<td>2.0% @ age 62</td>
</tr>
<tr>
<td>Benefit Vesting</td>
<td>5 years of service</td>
</tr>
<tr>
<td></td>
<td>5 years of service</td>
</tr>
<tr>
<td>Benefit Payments</td>
<td>Monthly for life</td>
</tr>
<tr>
<td></td>
<td>Monthly for life</td>
</tr>
<tr>
<td>Retirement Age</td>
<td>50-55</td>
</tr>
<tr>
<td></td>
<td>52-67</td>
</tr>
<tr>
<td>Monthly Benefits as % of Salary</td>
<td>2.0% - 2.7%</td>
</tr>
<tr>
<td></td>
<td>1.0% - 2.5%</td>
</tr>
<tr>
<td>Employee Contribution Rate</td>
<td>8.0%(1)</td>
</tr>
<tr>
<td></td>
<td>6.5%(2)</td>
</tr>
</tbody>
</table>

(1) Employees who were hired before January 1, 2013 are required to make the full employee contribution themselves.
(2) Employees who were hired on or after January 1, 2013 are required to make the full employee contribution themselves.
Source: 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. Employees are required to pay at least 50% of the total normal cost rate. 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.

EAST VALLEY WATER DISTRICT
Pensionable Income Caps for 2019 (AB 340 and Non-AB 340 Employees)

<table>
<thead>
<tr>
<th></th>
<th>Before January 1, 2013 (Non-AB 340 Employees)</th>
<th>After January 1, 2013 (AB 340 Employees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum Pensionable Income</td>
<td>$275,000</td>
<td>$146,666</td>
</tr>
<tr>
<td>Maximum Pensionable Income if also Participating in Social Security</td>
<td>N/A</td>
<td>$121,388</td>
</tr>
</tbody>
</table>

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 also required to contribute the actuarially determined remaining amounts necessary to fund benefits for its members. 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. Total plan contributions are determined through the CalPERS annual actuarial valuation process. 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.

Beginning in Fiscal Year 2016, CalPERS began collecting employer contributions toward a pension plan’s unfunded accrued liability, or “UAL,” as dollar amounts instead of the prior method of a percentage of payroll. According to CalPERS, this change was intended to address potential funding issues that could arise from a declining payroll or a reduction in the number of active members in the plan. Funding the unfunded liability as a percentage of payroll could lead to underfunding of pension plans. 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 total required employer contribution rates for Fiscal Years 2018 and 2019 were as follows:

<table>
<thead>
<tr>
<th>Benefit Plan</th>
<th>Fiscal Year 2018</th>
<th>Fiscal Year 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.7% @ age 55 (non-AB 340 Employees)</td>
<td>11.388% of payroll plus $525,670 UAL contribution (12.177%)</td>
<td>11.913% of payroll plus $646,278 UAL contribution (13.650%)</td>
</tr>
<tr>
<td>2.0% @ age 62 (AB 340 Employees)</td>
<td>6.625% of payroll plus $511 UAL contribution (.0058%)</td>
<td>6.939% of payroll plus $3,230 UAL contribution (0.306%)</td>
</tr>
</tbody>
</table>

Source: District.

The District’s required contributions to CalPERS fluctuate each year and, as noted, include a normal cost component and a component equal to an amortized amount of the UAL. 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 2015 through 2019 report investment gains of approximately 2.4%, 0.6%, 11.2%, 8.6%, 6.7%, respectively. In July 2020, CalPERS reported a preliminary 4.7% investment return in Fiscal Year 2020. The District expects that CalPERS’ earnings may be reduced in Fiscal Year 2021 as a result of stock market declines in the wake of the COVID-19 outbreak, which could increase future contribution rates for plan participants, including the District. See the caption “—COVID-19 Outbreak.”

On December 21, 2016, the CalPERS Board of Administration voted to lower its discount rate from the current rate of 7.50% to 7.00% over a three-year period. For public agencies such as the District, the first discount rate reduction took effect July 1, 2018. Lowering the discount rate means that employers that contract with CalPERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013 who were not previously CalPERS members will also see their contribution rates rise under AB 340. The reduction in the discount rate will result in average employer rate increases of approximately 1% to 3% of normal cost as a percentage of payroll for most Miscellaneous retirement plans such as the District’s plan. Additionally, many employers will see a 30% to 40% increase in their current unfunded accrued liability payments. These payments are made to amortize unfunded liabilities over 20 years to bring pension funds to a fully funded status over the long term.
For Fiscal Years 2018 and 2019, the District made total required Miscellaneous plan contributions of $1,228,277 and $1,035,102, respectively. Total contributions for Fiscal Year 2018 include a supplemental, voluntary payment of $450,000 towards the District’s UAL.

In order to continue making supplemental payments using a calculated approach, in August 2018 the District asked CalPERS actuaries to calculate a level-pay amount that would amortize the District’s UAL over a period of 15 years. The actuaries calculated the amount to be $1,165,981.

In November 2018, the District Board approved using the 15 year level-pay approach for amortizing the District’s UAL. Accordingly, each year the proposed District budget will include a UAL payment of $1,165,981 in addition to normal cost payments which are a percentage of payroll. The District made its first level-pay payment in July 2019, resulting in total contributions of $2,105,895 during Fiscal Year 2020. The District expects total pension contributions for Fiscal Year 2021 to be approximately $2,178,380. The District notes that contributions in future years may increase as a result of losses in CalPERS’ portfolio resulting from stock market declines in the wake of the COVID-19 outbreak. See the caption “—COVID-19 Outbreak.”

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

The comprehensive annual financial reports of CalPERS are available on CalPERS’ Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS’ most recent actuarial valuation reports and other information that concerns benefits and other matters. The textual reference to such Internet website is provided for convenience only. None of the information on such Internet website is incorporated by reference herein. The District cannot guarantee the accuracy of such information. Actuarial assessments are “forward-looking” statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future.

The District’s Miscellaneous plan had a total net pension liability of approximately $11,601,798 for the Fiscal Year ended June 30, 2018 and approximately $10,846,955 for the Fiscal Year ended June 30, 2019. 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 resulting from stock market declines in the wake of the COVID-19 outbreak. See the caption “—COVID-19 Outbreak.”

A summary of principal assumptions and methods used to determine the total pension liability for Fiscal Year 2019 is shown below.
EAST VALLEY WATER DISTRICT
Actuarial Assumptions for CalPERS Miscellaneous 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:** 7.15%
- **Inflation:** 2.50%
- **Salary Increases:** 2.50%
- **Investment Rate of Return:** 7.15% net of pension plan investment and administrative expenses; includes projected inflation rate of 2.50%
- **Mortality Rate Table:** Derived using CalPERS’ membership data for all funds

(1) The mortality table used was developed based on CalPERS-specific data. The table was based on the results of an actuarial experience study for the period from 1997 to 2011.

Source: District.

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

**EAST VALLEY WATER DISTRICT**
Changes in CalPERS Miscellaneous Pension Plan Net Pension Liability

<table>
<thead>
<tr>
<th>Increase / (Decrease)</th>
<th>Total Pension Liability</th>
<th>Plan Fiduciary Net Position</th>
<th>Net Pension Liability / (Asset)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at June 30, 2017</td>
<td>$39,308,545</td>
<td>$27,706,747</td>
<td>$11,601,798</td>
</tr>
<tr>
<td>Balance at June 30, 2018</td>
<td>$44,410,220</td>
<td>$33,563,265</td>
<td>$10,846,955</td>
</tr>
<tr>
<td>Net Changes for period from July 1, 2017 through June 30, 2018</td>
<td>$5,101,675</td>
<td>5,856,518</td>
<td>$(754,843)</td>
</tr>
</tbody>
</table>

Source: District.

The following table presents the net pension liability of the District’s Miscellaneous plan, calculated using the discount rate as of June 30, 2018 (which was applicable to Fiscal Year 2019 (7.15%)), as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.15%) or 1 percentage point higher (8.15%) than the current rate:

**EAST VALLEY WATER DISTRICT**
Sensitivity of the Miscellaneous Plan Net Pension Liability to Changes in the Discount Rate

<table>
<thead>
<tr>
<th>Discount Rate – 1% (6.15%)</th>
<th>Current Discount Rate (7.15%)</th>
<th>Discount Rate + 1% (8.15%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan’s Net Pension Liability / (Asset)</td>
<td>$16,862,265</td>
<td>$10,846,955</td>
</tr>
</tbody>
</table>

Source: District.

The District’s projections of Operation and Maintenance Costs under the caption “FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage” assume moderate increases in CalPERS normal cost contributions in the future as a result of the COVID-19 outbreak. See the caption “—COVID-19 Outbreak.” The District does not expect that any increased funding of pension benefits will have a material adverse effect on the ability of the District to pay the 2020 Bonds.
For additional information relating to the District’s CalPERS Miscellaneous pension plan, see Note 8 to the District’s audited financial statements set forth in Appendix A.

**Other Post-Employment Benefits.** In addition to the pension benefits that are described under the subcaption “—Pension Obligations,” the District provides certain health care benefits for retired employees and eligible dependents (“OPEB”). Substantially all of the District’s full-time employees who are eligible for pension benefits may become eligible for such OPEB. As of Fiscal Year 2020, 66 employees meet these eligibility requirements and 19 retirees or their beneficiaries participate in the plan. Actuarially determined contributions of $149,548 and $183,404, respectively, were recognized for OPEB in Fiscal Years 2018 and 2019.

On June 7, 2011, the District elected to fund its OPEB contributions through the California Employers’ Retiree Benefit Trust Fund (“CERBT”), an agent, multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers.

GASB Statement No. 75 (“GASB 75”) requires governmental agencies to account for and report outstanding obligations and commitments related to OPEB in essentially the same manner as for pensions. For the District, the reporting obligation began in Fiscal Year 2018.

The District retained Nyhart (the “Actuarial Consultant”) to calculate the District’s OPEB funding status. In a report dated December 31, 2019 (the “Report”), the Actuarial Consultant concluded that, as of June 30, 2019, the District’s net liability for OPEB was $2,096,677, and that the District’s actuarially determined contribution for Fiscal Year 2020 (the actuarial value of benefits earned during Fiscal Year 2020 plus costs to amortize the unfunded actuarial accrued liability, or “ADC”) was $[____]

Changes in the net liability for the District’s OPEB plan were as follows.

<table>
<thead>
<tr>
<th>EAST VALLEY WATER DISTRICT</th>
<th>Changes in OPEB Plan Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Increase / (Decrease)</strong></td>
<td><strong>Total OPEB Plan Liability</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Plan Fiduciary Net Position</strong></td>
</tr>
<tr>
<td>Balance at June 30, 2018</td>
<td>$2,537,882</td>
</tr>
<tr>
<td>Balance at June 30, 2019</td>
<td>2,658,612</td>
</tr>
<tr>
<td>Net Changes for period from July 1, 2018 through June 30, 2019</td>
<td>$120,730</td>
</tr>
</tbody>
</table>

Source: District.

The following table presents the net liability of the District’s OPEB plan, calculated using the discount rate applicable to Fiscal Year 2019 (6.50%), as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.50%) or 1 percentage point higher (7.50%) than the Fiscal Year 2019 rate:
## EAST VALLEY WATER DISTRICT

### Sensitivity of the OPEB Plan Net Liability to Changes in the Discount Rate

<table>
<thead>
<tr>
<th>Discount Rate – 1% (5.50%)</th>
<th>Applicable Discount Rate (6.50%)</th>
<th>Discount Rate + 1% (7.50%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan’s Net Liability/(Asset)</td>
<td>$2,301,125</td>
<td>$2,106,418</td>
</tr>
<tr>
<td></td>
<td>$1,772,914</td>
<td></td>
</tr>
</tbody>
</table>

Source: District.

The District’s projections of Operation and Maintenance Costs under the caption “FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage” do not assume unusual increases in OPEB 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 OPEB will have a material adverse effect on the ability of the District to pay the 2020 Bonds.

For additional information relating to the OPEB plan, see Note 11 to the District’s audited financial statements set forth in Appendix A.

### Budget Process

Under the District’s budget policy, the District’s proprietary funds are budgeted on the full accrual basis of accounting with the following exceptions: (i) changes in the fair value of investments are not treated as adjustments to revenue; (ii) compensated absence liabilities are expensed when paid; (iii) pension expense is budgeted based on employer contribution rates; (iv) principal payments on long-term debt are treated as expenses; (v) depreciation expense is not recognized; and (vi) capital purchases are recognized as an expense.

The Chief Financial Officer must present the proposed budget to the Board at a public meeting in June of each year. The Board must then adopt a balanced budget before June 30 of each year for the following Fiscal Year. A balanced budget means that operating revenues and other financing sources must fully cover operating expenses, including debt service and Capital Improvement Plan contributions, and other financing uses. In addition one-time revenue sources and development fees may not be used to fund operational costs.

The District adopted its Fiscal Year 2021 budget on June 24, 2020.

### District Insurance

The District’s insurance coverage for general liability, automobile liability, public officials liability, property damage and fidelity is provided through a self-insurance program under the Special District Risk Management Authority (the “SDRMA”). The SDRMA is a risk-pooling self-insurance authority created under the provisions of State Government Code Section 6500 et seq. The SDRMA is governed by a board consisting of a representative from each member agency. The board controls the operations of the SDRMA, including selection of management and approval of operating budgets.

The purpose of the SDRMA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. The District maintains the following coverages through the SDRMA, inter alia: (i) personal injury and property damage coverage of up to $10,000,000 per occurrence, with a $500 deductible; (ii) automobile personal injury and property liability coverage of up to $10,000,000 per accident, with no deductible; (iii) public officials errors and omissions coverage of up to $10,000,000, with no deductible; (iv) boiler and machinery coverage of up to $100,000,000, with a $1,000 deductible.
deductible; (v) employee dishonesty coverage of up to $1,000,000, with no deductible; and (vi) workers compensation coverage up to statutory limits. The District does not maintain earthquake insurance.

The District’s property damage insurance covers all Water System and Wastewater System treatment facilities and pipelines within 1,000 feet of treatment plants and other insured facilities. Except as described in the preceding sentence, the District’s Water System and Wastewater System pipelines are not insured.

There can be no assurance that incurred losses of the District will be covered up to the amount of loss, if at all. See the caption “CERTAIN RISKS TO BONDHOLDERS—Natural Disasters.” Claims have not exceeded the District’s insurance coverage in any of the last three years.

The District can also provide no assurance that it will maintain the above insurance coverage amounts while the Bonds are outstanding. See Appendix B under the caption “PARTICULAR COVENANTS—Insurance” for a description of insurance coverages that are required to be maintained while the Bonds are outstanding.

For additional information relating to the District’s insurance coverages, see Note 10 to the District’s financial statements set forth in Appendix A.

Outstanding Parity Obligations

The following District obligations are payable from all or a portion of Net Revenues on a parity with the 2020 Bonds.

2010 State Contract. In 2010, the District entered into a funding agreement (the “2010 State Contract”) with the State Department of Public Health (administration of which was later transferred to the State of California Water Resources Control Board (the “SWRCB”)) to finance certain improvements to the Water System. As of June 30, 2020, the 2010 State Contract was outstanding in the principal amount of $[6,301,767]. The 2010 State Contract is payable in semiannual installments of $116,700 and bears no interest. The final payment under the 2010 State Contract is due in 2045. The obligation of the District to make payments on the 2010 State Contract is payable from Net Water System Revenues on a parity with the obligation of the District to pay the 2020 Bonds.

2018 State Contract. In 2018, the District entered into a Construction Installment Sale Agreement and Grant (as amended by Amendment No. 1 dated December 2, 2019, the “2018 State Contract”) with the SWRCB to finance the SNRC. See the caption “THE WASTEWATER SYSTEM—General” for a description of the SNRC. The District is entitled to borrow up to $157 million under the 2018 State Contract (excluding grant amounts) and currently expects to borrow up to $150,257,875 to complete the SNRC. The 2018 State Contract is payable in annual installments of $3,412,139 commencing in 2023 and bears interest at the rate of 1.8% per annum. The final payment under the 2018 State Contract is expected to be due in 2052. The obligation of the District to make payments on the 2018 State Contract is payable from Net Revenues on a parity with the obligation of the District to pay the 2020 Bonds.

Other Obligations

Arroyo Verde Loan. The County, as part of an agreement to provide a combination of grants and loans to the Arroyo Verde Water Company (“AVWC”) to finance capital improvements to its distribution system, required that the AVWC dissolve and transfer its customers to the District. In 2004, the District entered into the Arroyo Verde Assessment District Construction Loan (the “Arroyo Verde Loan”) to finance the installation of a new water distribution system serving AVWC’s former customers. The Arroyo Verde Loan, which matures in 2031, was outstanding in the principal amount of $[84,526] as of June 30, 2020 and does not bear interest. The Arroyo Verde Loan is payable from assessments levied by the District. No Revenues of the Water System or Wastewater System are pledged to repayment of the Arroyo Verde Loan.
**Eastwood Farms Loan.** In 2009, the County Department of Public Health offered funding to assist the District in absorbing the Eastwood Farms Water Users Association ("EFWUA"), a group of 120 property owners located on the District’s southwestern boundary whose water distribution system was in disrepair. On September 15, 2010, EFWUA property owners voted to approve the formation of an assessment district to facilitate the replacement of EFWUA’s distribution system and add EFWUA property owners as District customers. The District authorized the formation of an assessment district (the Eastwood Farms Assessment District (the “Assessment District”)) on September 15, 2010.

In 2011, the District and the State of California Department of Water Resources ("DWR") entered into a funding agreement (the “Eastwood Farms Loan”) to finance capital improvements within the Assessment District. The Eastwood Farms Loan, which matures in 2043, was outstanding in the principal amount of $325,402 as of June 30, 2020 and bears no interest. The Eastwood Farms Loan is payable from assessments levied by the District. No Revenues of the Water System or Wastewater System are pledged to repayment of the Eastwood Farms Loan.

**U.S. Bank Lease/Purchase Agreement.** In 2013, the District and U.S. Bancorp Government Leasing and Finance, Inc. entered into a Master Tax Exempt Lease/Purchase Agreement (the “U.S. Bank Lease/Purchase Agreement”) in order to finance certain energy efficiency projects to District infrastructure. The U.S. Bank Lease/Purchase Agreement, which matures in 2024, was outstanding in the principal amount of $2,522,306 as of June 30, 2020 and bears interest at the rate of 2.38% per annum. The U.S. Bank Lease/Purchase Agreement is payable from any available District revenues but is not entitled to a priority claim on Revenues of the Water System or Wastewater System.

**SBVMWD Loan.** In 2015, the District and SBVMWD entered into an Agreement for the Construction, Operation and Maintenance of the City Creek Turnout and the Plant 134 Hydroelectric Station (the “SBVMWD Loan”) to finance certain improvements to the District’s water system. The SBVMWD Loan, which matures in 2025, was outstanding in the principal amount of $3,870,002 as of June 30, 2020 and bears interest at the LAIF investment rate. The SBVMWD Loan is payable from any available District revenues but is not entitled to a priority claim on Revenues of the Water System or Wastewater System.

**Seismic Considerations**

The District is located in a seismically active region in Southern California. Significant fault zones in the region include the Elsinore, San Jacinto, Wildomar and San Andreas Fault Zones. There is significant potential for destructive ground shaking during the occurrence of a major seismic event. In addition, land along the aforementioned fault lines may be subject to liquefaction during the occurrence of such an event. In the event of a severe earthquake, there may be significant damage to both property and infrastructure within the District.

Newer District facilities are designed to withstand earthquakes with minimal damage, as earthquake loads are taken into consideration in the design of project structures. The impact of lesser magnitude events is expected by the District to be temporary, localized and repairable. To date, no District facilities have suffered any significant earthquake damage.

The District does not maintain earthquake insurance. See the captions “—District Insurance” and “CERTAIN RISKS TO BONDHOLDERS—Natural Disasters.”

**COVID-19 Outbreak**

The spread of a novel strain of coronavirus, and the resultant disease called COVID-19 ("COVID-19"), is having significant negative impacts throughout the world, including within the City. The World Health Organization has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the County, the State and the United States. The purpose of these declarations is to coordinate and formalize
emergency actions across federal, State and local governmental agencies and to proactively prepare for a wider spread of COVID-19.

To date there have been a number of confirmed cases of COVID-19 in the County and health officials are expecting the number of confirmed cases to grow. The outbreak has resulted in the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools (including schools within the District’s service area). The United States is also restricting certain non-citizens and permanent residents from entering the country. In addition, financial markets in the United States and globally have been volatile, with significant declines attributed to COVID-19 concerns.

Potential impacts to the District associated with the COVID-19 outbreak include, but are not limited to, increasing costs and challenges to the public health system in and around the District’s service area, cancellations of public events and disruption of the regional and local economy with corresponding decreases in water use.

[In response to the COVID-19 outbreak, has staggered employee shifts, enabled certain employees to telecommute and moved employees to multiple locations in order to prevent large gatherings of personnel at any one time. The City does not foresee an impact on Water System or Wastewater System operations at this time as a result of the COVID-19 outbreak.

In addition, the State Governor has suspended utility service shutoffs (including for the Water System and the Wastewater System) for the duration of the state of emergency declared by the State, and the District will not seek to collect late fees or penalties. Although no service charges are being forgiven, the District expects its accounts receivable amount to increase as a result of the foregoing policy. See the caption “THE WATER SYSTEM—Collection Procedures” and “THE WASTEWATER SYSTEM—Collection Procedures.”

The COVID-19 outbreak is ongoing, and the duration and severity of the outbreak and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. The ultimate impact of COVID-19 on the operations and finances of the District is unknown at this time. The projected operating results which are set forth under the caption “FINANCIAL INFORMATION OF THE DISTRICT—Projected Operating Results and Debt Service Coverage” include the following assumptions based on the trends that the District has seen since the beginning of the outbreak: [TO COME]. The District continues to actively monitor customer usage, revenues and delinquencies so that any further impacts can be anticipated.

The District also expects that CalPERS’ earnings will be reduced in Fiscal Year 2020 as a result of stock market declines in the wake of the COVID-19 outbreak, which could increase future contribution rates for plan participants, including the District, although the District is unable to estimate the magnitude of any such increases, or the proportion of such increases that will be attributable to the Water System, at this time. See the caption “—Employees and Employee Benefits—Pension Obligations.”

The District does not currently expect that the COVID-19 outbreak will have a material adverse effect on the District’s ability to pay the 2020 Bonds. The District notes its customer base is primarily residential and that both water and wastewater charges include a monthly fixed rate component which partially mitigates the effect of reduced consumption by commercial customers during the pandemic. See the captions “THE WATER SYSTEM OF THE DISTRICT—Water System Rates and Charges—Adopted Rates and Charges” and “THE WASTEWATER SYSTEM OF THE DISTRICT—Wastewater System Rates and Charges—Adopted Rates and Charges.”

Financial Statements

A copy of the most recent audited financial statements of the District prepared by CliftonLarsenAllen LLP, Glendora, California (the “Auditor”) are attached as Appendix A hereto (the “Financial Statements”). The Auditor’s letter dated October 1, 2019 is set forth at the beginning of the Financial Section of the Financial
Statements. The Financial Statements should be read in their entirety. The Auditor has not been engaged to review this Official Statement, has not performed any procedures on the numbers herein and has no responsibility for the contents hereof.

The summary operating results that are contained under the caption "FINANCIAL INFORMATION OF THE DISTRICT—Historical Operating Results and Debt Service Coverage" are derived from the Financial Statements and audited financial statements for prior Fiscal 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 District accounts for moneys received and expenses paid in accordance with generally accepted accounting principles applicable to public entities ("GAAP"). Generally, the District recognizes revenues and expenses on the full accrual basis of accounting, meaning that revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place. However, in certain cases, 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 Note 1 to the financial statements that are set forth in Appendix A. 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 Water Fund and the Sewer Fund of the District are accounted for as proprietary fund types (enterprise funds) using the economic resources measurement focus. In governmental accounting, enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are to be financed or recovered primarily through user charges, or where periodic determination of revenues earned, expenses incurred and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Financial Statements are public documents and the District has not sought the approval of the Auditor to append the Financial Statements to this Official Statement. The Auditor has neither performed any post-audit review of the financial condition of the District nor reviewed or audited this Official Statement.

THE WATER SYSTEM OF THE DISTRICT

The following is a description of the Water System of the District. The District expects that approximately 95.6% of the payments on the 2020 Bonds will be attributable to the Water System and payable from Net Water System Revenues, unless Parity Bonds or Contracts are issued or delivered, as applicable; the District notes that payments under certain parity obligations are payable from Net Water System Revenues in a different proportion than the 2020 Bonds, as described under the caption “THE DISTRICT—Outstanding Parity Obligations.” The District does not anticipate that Net Water System Revenues will serve as a significant source of moneys used to pay 2020 Bonds beyond the allocated percentage described in the preceding sentence.

General

In Fiscal Year 2020, the District supplied potable water to approximately 19,898 single family residential, 475 multi-family residential, 694 commercial (including industrial and governmental) and 588 irrigation and fire line connections. See the caption “—Historical Water System Connections.”

The District has three sources of water: (i) groundwater from 15 District-owned wells in the Basin; (ii) Santa Ana River flows; and (iii) SWP water purchased from SBVMWD. The District holds a majority of the voting stock of two mutual water companies in the City of Highland, the North Fork Water Company (“North Fork”) and the City Creek Water Company (“City Creek”). The District’s ownership interests allow it to take certain quantities of Santa Ana River flows and to use the mutual water companies’ existing distribution systems.
In Fiscal Year 2020, the District paid an annual assessment of $91,433 to North Fork. See the caption “—Water Supply.”

The Water System includes 15 active wells, 18 water tanks and reservoirs with a combined storage capacity of approximately 28,977,000 gallons, 23 booster pump stations, which pump water from lower elevations to various higher pressure zones, 3,025 fire hydrants and approximately 300 miles of pipelines, including transmission lines ranging in size from 4 inches to 36 inches in diameter.

The District also operates the Philip A. Disch Surface Water Treatment Plant (“Plant 134”) to treat Santa Ana River flows and SWP water purchased from SBVMWD. See the caption “—Water Treatment Plant.”

**Water Treatment Plant**

Plant 134 is a submerged membrane filtration water treatment plant with a total treatment capacity of up to 8 million gallons per day (“mgd”). Plant 134 treats untreated surface water from the Santa Ana River and the SWP to potable water standards. Plant 134 includes 5 trains with the capacity to treat up to 2 mgd each. Treated water is stored in a 3 million gallon reservoir. Plant 134 includes a booster station which enables the District to boost treated water to higher elevation zones within the Water System.

**Water Quality**

**General.** The District’s primary water source is groundwater from District-owned wells in the Basin. Such water is generally of high quality and is disinfected with chlorine prior to delivery to customers.

The District has access to Santa Ana River flows. The source of the Santa Ana River is snowmelt from nearby mountains. The District also purchases untreated SWP water from SBVMWD. Santa Ana River and SWP supplies are treated to potable water standards at Plant 134 prior to delivery to customers. See the caption “—Water Treatment Plant.”

In 2016 and early 2017, routine water sampling by the District revealed levels of total trihalomethanes (“TTHMs”) at levels that were slightly above maximum contaminant levels established under the federal Safe Drinking Water Act. TTHMs are a group of chemicals that are formed during the water treatment process when chlorine reacts with organic materials such as leaves, plants and soil in untreated water. A rise in TTHMs can result from increased chlorination during the treatment process, high organics in source water, drought conditions or limited water circulation within the pipeline system. After a range of measures, including pipeline replacements, installing tank mixers, hydrant flushing and blending of the District’s various water sources, additional sampling since 2017 has not revealed the presence of TTHMs at levels that exceed regulatory requirements. The District will also seek funding from the State Water Resources Control Board to install additional treatment processes at Plant 134, most likely Granular Activated Carbon filters.

**PFAS.** In 2019, the SWRCB’s Division of Drinking Water (the “Division”) lowered the Notification Levels for Perfluoroctanoic acid (“PFOA”) and Perfluorooctanesulfonic acid (“PFOS”) to 5.1 and 6.5 parts per trillion (“PPT”), respectively. Notification Levels 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 for PFOA and PFOS from 70 PPT, combined, to 10 to 40 PPT, each. Response Levels are non-regulatory, precautionary health-based measures that are set at higher levels than Notification Levels and represent thresholds at which the Division recommends that water systems 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 referred to 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. The District understands that
recent technological advances have enabled water agencies to detect PFAS compounds at very low concentrations.

[Confirmed-no detects] The District has not detected PFOA or PFOS to date in the District’s groundwater sources in the Basin or in the water produced at Plant 134. The District has tested the water within its distribution system served to customers for PFAS under the UCMR3 (Unregulated Contaminant Monitoring Rule), resulting in a “non-detect” determination.

The District does not anticipate that implementation of the lowered PFAS Response Level by the Division will have a material adverse effect on the operation of the Water System or the costs thereof. The projected operating results which are set forth under the caption “FINANCIAL INFORMATION OF THE DISTRICT—Projected Operating Results and Debt Service Coverage” do not assume significant increases in water treatment costs to meet State regulations relating to PFAS.

Water Supply

The District currently has three sources of water: (i) groundwater extracted from [15] District-owned wells in the Basin; (ii) Santa Ana River flows; and (iii) SWP water purchased from SBVMWD. Each of such sources is discussed below.

See the captions “—Historical Water Production” and “—Projected Water Production” for historical and projected information with respect to the District’s sources of water supply.

**Groundwater.** In Fiscal Year 2020, groundwater extracted from the Basin comprised approximately \[ \text{[__] \%} \] of the District’s total water supply. The District’s groundwater supply is obtained from [15] active deep groundwater wells in the Basin. The District also owns [__] additional wells in the Basin which are currently offline for [maintenance]. The District’s wells provide a combined capacity of approximately 36 mgd of water. Average daily production from the District wells was approximately \[ \text{[__] mgd} \] in Fiscal Year 2020. The natural safe yield of the Basin, which was determined by court order in the 1969 Stipulations discussed below based on a 40-year hydrologic cycle, is 232,100 acre feet per year (or over 207 mgd). Water extracted from the District’s wells is of high quality and does not require extensive treatment prior to delivery to customers. See the caption “—Water Quality—General.”

Water used for agricultural and domestic use within the present boundaries of the District was historically derived exclusively from the Santa Ana River watershed, an area embracing approximately 2,000 square miles in the Counties of Orange, Riverside and San Bernardino. The Santa Ana River originates in the San Bernardino Mountains northeast of the District and flows to the southwest through the County to Riverside County and Orange County. Except during periods of storm flows, the Santa Ana River flows underground for most of its length.

In 1941, the United States Army Corps of Engineers (the “Corps”) constructed a flood control dam on the Santa Ana River just north of the river’s entrance into Santa Ana Canyon (“Prado Dam”), near the Orange County/Riverside County boundary. Since Prado Dam was completed, the Corps has operated it primarily as a flood control facility, with certain incidental water conservation activities.

Prior to 1969, Santa Ana River water users above Prado Dam in the Counties of Riverside and San Bernardino (the “Upper Basin”) and in the Orange County groundwater basin came increasingly into conflict over water flows in the Santa Ana River. These conflicts led to a series of lawsuits between various Upper Basin and Orange County groundwater basin water users. SBVMWD, on behalf of many Upper Basin water users, including the District, became involved in these lawsuits.

Litigation between Upper Basin and Orange County groundwater basin water users culminated in two stipulated judgments, one entered by the Superior Court for the County of Orange and the other entered by the
Superior Court for the County of Riverside in 1969 (the “1969 Stipulations”), affirming a negotiated settlement of Santa Ana River water rights disputes between the Upper Basin and the Orange County groundwater basin, involving over 4,000 parties.

The 1969 Stipulations by their terms superseded a number of previous water rights determinations relating to the Santa Ana River and created a watermaster for the Santa Ana River (the “Watermaster”). The Watermaster is a committee of five court-appointed members, one each nominated by SBVMWD, Inland Empire Utilities Agency and Western Municipal Water District and two nominated by Orange County Water District. The Watermaster is charged with administration and reporting with respect to the 1969 Stipulations. If the Watermaster, which can act only upon the unanimous vote of its five members, fails to or is unable to make necessary findings or determinations, such questions must be certified by the Watermaster to the Superior Court for the County of Orange for determination.

The 1969 Stipulations did not adjudicate the water rights of individual water users within the Orange County groundwater basin or the Upper Basin. Accordingly, there are no limitations on the amount of groundwater that the District may extract from the Basin, nor is the District required to obtain a permit for groundwater production. The 1969 Stipulations also did not affect the District’s rights to take Santa Ana River surface water pursuant to the District’s ownership of a majority of the stock of North Fork. See the subcaption “—Santa Ana River Flows.”

The parties to the 1969 Stipulations have been operating in accordance with the 1969 Stipulations since they were approved. As an adjudicated groundwater basin within the Upper Basin, the Basin (from which the District extracts groundwater) is not subject to the provisions of the Sustainable Groundwater Management Act, a Statewide effort to management groundwater.

**Santa Ana River Flows.** In Fiscal Year 2020, Santa Ana River flows comprised approximately [__]% of the District’s total water supply. The District diverts surface water from four tributaries of the Santa Ana River through the North Fork Canal east of the Seven Oaks Dam in the City of Highland. The District’s Santa Ana River water rights arise from its ownership of approximately 92% of the outstanding stock in North Fork and its ownership of stock in City Creek. The District currently has Santa Ana River surface water rights of 4 mgd per year (or approximately 4,500 acre feet per year); such rights can be increased to over 6.5 mgd per year upon the conversion of remaining agricultural properties to urbanized development, which causes North Fork to transfer the shares of stock associated with such properties to the District. Santa Ana River flows are conveyed to Plant 134 for treatment. See the caption “—Water Treatment Plant.”

On April 22, 2020, the Board voted to condemn the remaining 8% (44 shares) of outstanding stock in North Fork that are not currently owned by the District. There can be no assurance as to the ultimate outcome of the condemnation proceeding, or the timing thereof.

**SWP Water.** During dry hydrological years, the District also has the option of obtaining supplemental SWP water from SBVMWD when available. Such purchases enable the District to preserve water in the Basin rather than extracting it. In Fiscal Year 2020, SWP purchases comprised approximately [__]% of the District’s total water supply.

SBVMWD makes untreated SWP water available at wholesale to the District and other retail water purveyors. Such sales are not made pursuant to water service contracts and SBVMWD is not obligated to make such water available, nor is the District obligated to purchase any quantities of such water when available. Supplemental water from SBVMWD is treated at Plant 134 prior to delivery to customers. See the caption “—Water Treatment Plant.” Supplemental water is currently delivered to the District [via the North Fork Canal and] through a turnout feeder line that was constructed in 2014.

SBVMWD and DWR, which operates the SWP, face various challenges in the continued supply of water to the District. A description of these challenges as well as a variety of other operating information with
respect to SBVMWD and DWR is included in certain disclosure documents prepared by SBVMWD and DWR, respectively. SBVMWD and DWR have prepared certain publicly available documents and have entered into certain continuing disclosure agreements pursuant to which they are contractually obligated for the benefit of owners of certain of their outstanding obligations to file annual reports, notices of enumerated events as defined under Rule 15c2-12 and annual audited financial statements with EMMA. None of such 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. NEITHER SBVMWD NOR DWR HAVE ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH THE DISTRICT, THE TRUSTEE OR THE OWNERS OF THE 2020 BONDS TO PROVIDE ANY INFORMATION TO THE DISTRICT OR THE OWNERS OF THE 2020 BONDS.

NEITHER SBVMWD NOR DWR HAVE REVIEWED THIS OFFICIAL STATEMENT OR MADE REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED OR INCORPORATED HEREIN, INCLUDING INFORMATION WITH REGARD TO SBVMWD OR DWR, RESPECTIVELY. NEITHER SBVMWD NOR DWR IS CONTRACTUALLY OBLIGATED, AND NEITHER SBVMWD NOR DWR HAVE UNDERTAKEN, TO UPDATE SUCH INFORMATION FOR THE BENEFIT OF THE DISTRICT, OR THE OWNERS OF THE 2020 BONDS UNDER RULE 15c2-12.

**Basin Recharge Activities.** During wet years, when there is excess SWP water available, the District works with the San Bernardino Valley Water Conservation District to transport surplus water to man-made spreading grounds, areas with porous soil where surface water can easily percolate into the Basin and be stored for future use.

In addition, the construction of the SNRC, which is described under the caption “THE WASTEWATER SYSTEM—Sterling Natural Resource Center,” will increase the District’s ability to recharge the Basin. The SNRC, which is expected to commence operations in 20[__], will treat wastewater from customers of the District’s Wastewater System to recycled water standards. Treated wastewater flow will be recharged into the Basin for later extraction, treatment to potable water standards and delivery to Water System customers. When completed, the District expects the SNRC to produce up to 6 mgd of treated wastewater flow for recharge into the Basin. Future phases could increase production capacity to up to 10 mgd. Such recharged water constitutes a drought-proof means of ensuring the long-term viability of the Basin while providing a locally controlled water supply and reducing the District’s dependence on more costly imported water.

**Recent Drought**

**State Actions.** On January 17, 2014, after several years of below-average precipitation in the State, the State Governor declared a drought state of emergency (the “Declaration”) with immediate effect. The Declaration encouraged local urban water suppliers, including the District, to implement their local water shortage contingency plans; the District’s plan is discussed under the caption “—Water Shortage Contingency Plan.” The Declaration also required DWR and the SWRCB to craft and enforce numerous emergency regulations that were designed to reduce water usage and increase water supplies.

For instance, a May 2015 SWRCB regulation required the District to effect a [%] reduction from its 2013 potable water usage. On May 18, 2016, the SWRCB adopted a revised regulation that gave water agencies the ability to establish their own conservation standards based on a “stress test” of supply reliability. By June 22, 2016, water agencies were required to submit self-certifications to the SWRCB demonstrating that they had sufficient supplies to withstand three additional years of severe drought. Any identified percentage gap between supplies and demands became the water agency’s updated mandatory conservation target.

[CONFIRM] The District’s self-certification demonstrated that it had sufficient supplies to meet its projected demands, even if the State were to have endured three more years of drought. Consequently, the District’s mandatory conservation target was eliminated retroactive to June 1, 2016.
On April 7, 2017, after significant improvement in water supply conditions across the State, the Governor issued Executive Order B-40-17, which rescinded mandatory conservation measures for most California counties (including the County).

In 2018, the California Governor signed Senate Bill 606 and Assembly Bill 1668 into law. These bills relate to water conservation and drought planning and empower DWR and the SWRCB to adopt long-term standards on water use. The District is unable to predict the substance, timing of adoption or effect on the Water System of the implementation of Senate Bill 606 and Assembly Bill 1668 or any future legislation with respect to water conservation. District staff is actively participating in all applicable working groups in order to ensure the effective implementation of Senate Bill 606 and Assembly Bill 1668.

To improve water conservation and drought planning, the California Legislature adopted and the Governor signed Senate Bill 606 (Hertzberg) and Assembly Bill 1668 (Friedman) into law in 2018. This legislation lays out a new long-term water conservation framework for the State and mandates that DWR and the SWRCB develop new standards for indoor residential water use, outdoor residential water use, commercial, industrial and institutional water use for landscape irrigation and water loss.

The indoor water use standard has been defined as 55 gallons per person per day (“GPCD”) until January 2025; the standard will decrease over time to 50 GPCD in January 2030. Standards for outdoor residential water use, commercial, industrial and institutional water use for landscape irrigation are still being developed. Urban water suppliers will be required to stay within annual water budgets, based on these standards, for their service areas.

[CONFIRM/EDIT] The District is monitoring regulations promulgated pursuant to Senate Bill 606 and Assembly Bill 1668. The District has a tiered rate structure, where water budgets for Tier 1 (lowest price) are based on usage of 60 GPCD. The Tier 1 budget calculation will be adjusted downward to 55 GPCD on January 1, 2021. See the caption “—Water System Rates and Charges—Adopted Rates and Charges.” Accordingly, the District does not believe the implementation of the new conservation standards will have a significant effect on the District’s ability to generate sufficient Net Revenues to pay the 2020 Bonds when due.

**Water Shortage Contingency Plan.** The District’s water shortage contingency plan is set forth in Ordinance 397, Section 15 adopted by the Board. Under the District’s plan, the District responds to a water shortage in stages as follows:

- **Stage 1 (Normal Conditions; Voluntary Conservation Measures)** applies during normal supply conditions and is intended to foster responsible water use. Under Stage 1, irrigation times are between the hours of 6:00 p.m. and 6:00 a.m., irrigation is prohibited for 2 days after measurable rainfall, vehicle washing is to be done with an automatic shut-off nozzle and washing down of hard surfaces is prohibited.

- **Stage 2 (Threatened Water Supply Shortage)** can be declared by the Board when a water supply shortage is threatened. Under Stage 2, exterior landscape plans for new commercial and industrial development must provide for timed irrigation and consider the use of drought-resistant flora, the District may request and commercial and industrial customers prepare a water conservation plan, swimming pools must be covered when not in use and restaurants may not provide drinking water except upon request.

- **Stage 3 (Water Shortage Emergency; Mandatory Conservation Measures)** can be declared by the Board when the District may not be able to meet customer demands for water. Under Stage 3, watering of parks, school grounds, golf courses, lawns and landscaping, washing of vehicles at a commercial car wash, filling or adding water to swimming pools or ornamental pools are all prohibited with potable water, the District will not issue any new construction meters and commercial nurseries must discontinue watering.

The District is empowered to enforce its water shortage contingency plan with successively increasing fines and water shutoffs.
The projected Water System operating results that are set forth under the caption “FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage” reflect continued normal supply conditions. The District does not currently expect that the implementation of its water shortage contingency plan in the future will have a material adverse effect on its ability to pay the 2020 Bonds from Net Revenues. As discussed under the caption “—Water System Rates and Charges,” the District’s rate structure consists of variable and fixed rate components. Decreased water consumption is partially offset by a decrease in related variable costs, while fixed water charges largely cover the District’s fixed operating and maintenance costs. In addition, the District has covenanted to set Water System rates and charges in amounts that it expects to be sufficient to pay the portion of the 2020 Bonds which are attributable to the Water System from Net Water System Revenues. See the caption “SECURITY FOR THE 2020 BONDS—Rate Covenant.”

If a water shortage should arise again in the future, legal issues exist as to whether different California Water Code provisions or State regulations will be invoked to manage the allocation of water. Any curtailment pursuant to State orders could necessitate an increase in the District’s water rates to Water System customers. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218” for a discussion of certain restrictions on the District’s ability to raise water rates.

Historical Water Production

The following table shows historical water production of the District for the five most recent Fiscal Years:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Groundwater and Surface Water</th>
<th>% Increase/ (Decrease)</th>
<th>SBVMWD Purchases</th>
<th>% Increase/ (Decrease)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>16,614</td>
<td>N/A%</td>
<td>562</td>
<td>N/A%</td>
<td>17,176</td>
</tr>
<tr>
<td>2017</td>
<td>17,922</td>
<td>7.9</td>
<td>848</td>
<td>51.1</td>
<td>18,770</td>
</tr>
<tr>
<td>2018</td>
<td>18,997</td>
<td>6.0</td>
<td>1,033</td>
<td>21.8</td>
<td>20,030</td>
</tr>
<tr>
<td>2019</td>
<td>17,397</td>
<td>(8.4)</td>
<td>2,934</td>
<td>183.9</td>
<td>20,331</td>
</tr>
<tr>
<td>2020</td>
<td>17,596</td>
<td>1.1</td>
<td>800</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: District.
Historical Water Sales

The following table shows historical water sales of the District for the five most recent Fiscal Years.

**EAST VALLEY WATER DISTRICT**  
**Historical Water Sales in Acre Feet**(1)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Water Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>14,999</td>
</tr>
<tr>
<td>2017</td>
<td>16,223</td>
</tr>
<tr>
<td>2018</td>
<td>18,361</td>
</tr>
<tr>
<td>2019</td>
<td>16,167</td>
</tr>
<tr>
<td>2020</td>
<td></td>
</tr>
</tbody>
</table>

(1) Differences between water sales and water production set forth under the caption “—Historical Water Production” reflect Water System losses, evaporation, internal water use for District purposes, fire hydrant testing and fire hydrant use in emergencies.

Source: District.

Historical Water System Connections

The following table shows historical billed connections to the Water System for the five most recent Fiscal Years:

**EAST VALLEY WATER DISTRICT**  
**Historical Water System Connections**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Single Family Residential</th>
<th>Multi-Family Residential</th>
<th>Commercial(2)</th>
<th>Irrigation</th>
<th>Fire Services</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>19,780</td>
<td>463</td>
<td>669</td>
<td>305</td>
<td>1,330</td>
<td>22,547</td>
</tr>
<tr>
<td>2017</td>
<td>19,826</td>
<td>466</td>
<td>672</td>
<td>315</td>
<td>1,339</td>
<td>22,618</td>
</tr>
<tr>
<td>2018**(1)**</td>
<td>19,856</td>
<td>469</td>
<td>675</td>
<td>318</td>
<td>251</td>
<td>21,569</td>
</tr>
<tr>
<td>2019**(1)**</td>
<td>19,883</td>
<td>474</td>
<td>688</td>
<td>322</td>
<td>252</td>
<td>21,619</td>
</tr>
<tr>
<td>2020</td>
<td>19,898</td>
<td>475</td>
<td>694</td>
<td>330</td>
<td>258</td>
<td>21,655</td>
</tr>
</tbody>
</table>

(1) Fluctuations in Fiscal Years 2018 and 2019 reflect change in District policy to not bill monthly charges for residential fire services.

(2) Excludes industrial and governmental accounts, of which there were approximately 30 in Fiscal Year 2020.

Source: District.
Historical Water Sales Revenues

The following table shows historical sales revenues of the Water System for the five most recent Fiscal Years:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Water Sales Revenues</th>
<th>% Increase/ (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$19,990,600</td>
<td>N/A%</td>
</tr>
<tr>
<td>2017</td>
<td>23,500,991</td>
<td>17.6%</td>
</tr>
<tr>
<td>2018</td>
<td>26,063,647</td>
<td>10.9%</td>
</tr>
<tr>
<td>2019</td>
<td>24,756,535</td>
<td>(5.0)%</td>
</tr>
<tr>
<td>2020(1)</td>
<td>[]</td>
<td></td>
</tr>
</tbody>
</table>

(1) Includes water sales revenues and meter charges for all water connections. The above numbers differ from the historic Water System operating revenues set forth under the caption “—Historical Water System Operating Results and Debt Service Coverage” because the above numbers do not include penalties and other revenues treated as operating revenues by the Auditor.

(2) Reflects estimated actual Fiscal Year 2020 results. Unaudited and subject to change.

Source: District.

Largest Water System Customers

The following table sets forth the ten largest customers of the Water System of the District as of June 30, [2019], as determined by the amount of their respective payments:

<table>
<thead>
<tr>
<th>Customer</th>
<th>Water Sales Revenues</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Bernardino City USD</td>
<td>$ 720,441</td>
<td>%</td>
</tr>
<tr>
<td>Patton State Hospital</td>
<td>429,417</td>
<td></td>
</tr>
<tr>
<td>City of Highland</td>
<td>370,556</td>
<td></td>
</tr>
<tr>
<td>East Highlands Ranch</td>
<td>357,833</td>
<td></td>
</tr>
<tr>
<td>San Manuel Mission Indians</td>
<td>318,035</td>
<td></td>
</tr>
<tr>
<td>Village Lakes HOA</td>
<td>187,383</td>
<td></td>
</tr>
<tr>
<td>San Manuel Indian/Bingo Casino</td>
<td>184,887</td>
<td></td>
</tr>
<tr>
<td>Tuscany Apartments</td>
<td>175,834</td>
<td></td>
</tr>
<tr>
<td>Stubblefield Construction Company</td>
<td>128,522</td>
<td></td>
</tr>
<tr>
<td>Woodman Realty Inc</td>
<td>125,095</td>
<td></td>
</tr>
<tr>
<td><strong>TOP TEN TOTAL</strong></td>
<td><strong>$ 2,998,003</strong></td>
<td>%</td>
</tr>
<tr>
<td><strong>TOTAL SYSTEM</strong></td>
<td><strong>$</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Source: District.

These ten customers accounted for approximately 12.2% of total Water System Revenues from water sales to customers for Fiscal Year 2019. See the caption “THE WASTEWATER SYSTEM OF THE DISTRICT—Largest Wastewater System Customers” for information with respect to the largest Wastewater System customers of the District.
Water System Rates and Charges

General. The Board has rate setting authority as provided under the State Water Code and the District’s rates are not subject to review or approval by the California Public Utilities Commission or any other agency. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES” for certain limitations of the rate setting authority of the Board. The District annually determines the adequacy of the Water System rate structure after full consideration of expected operations, maintenance and capital costs. 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 Board is expected to consider a comprehensive rate plan for the Water System and the Wastewater System (the “Rate Plan”), including Water System rate increases effective April 1, 2021 (4%), January 1, 2022 (3%), and January 1, 2023 (3%). As these rate increases will not be considered at a public hearing until March of 2021, a more conservative approach of 1% revenue growth per year was used for developing projected operating results which are set forth under the caption “FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage”. There can be no assurance that Water System rates will be increased in accordance with the Rate Plan, but in the event the Board does adopt such rate increases as proposed, Water System operating results could be significantly different from the projections in this Official Statement.

The District is subject to certain covenants with respect to the 2020 Bonds which require that, to the fullest extent permitted by law, the District will fix and prescribe, at the commencement of each Fiscal Year, rates and charges for the Water Service provided by the Water System which will be at least sufficient to yield during each Fiscal Year Net Water System Revenues equal to 120% of Debt Service for such Fiscal Year allocable to the Water System. See the caption “SECURITY FOR THE 2020 BONDS—Rate Covenant.”

Adopted Rates and Charges. Water System Revenues of the District are derived from three sources: (a) water sales (consumption charges); (b) system charges (meter availability charges); and (c) connection fees.

(a) Consumption Charges. The District imposes consumption charges based on individualized water budgets for each customer. A “water budget” refers to the allocation of a reasonable amount of water for a customer’s monthly water usage based on such customer’s needs. Water budgets are appropriate for most classes of customers because irrigable area can be measured and an appropriate allocation can be determined.

Water rates for single family residential customers include an indoor and an outdoor water budget. Indoor water budgets are based on: (1) the number of persons in a household (assumed to be 4 persons, with variances available for larger households); (2) a standard consumption rate of 55 GPCD in accordance with recent State legislation that is discussed under the caption “—Recent Drought—State Actions;” and (3) the number of days in the billing cycle (generally between 28 and 31 days). The outdoor water budget is calculated based on: (1) the size of the irrigable landscape area per parcel; and (2) an adjusted evapotranspiration factor.

Customers are billed on a tiered basis per hundred cubic feet of water (“HCF”) used in each billing cycle. Tiers 1 (55 GPCD for indoor use) and 2 (outdoor use) reflect indoor and outdoor use within the water budget, while Tier 3 reflects inefficient, wasteful and unsustainable use and is subject to a higher rate. Current consumption charges are set forth below.

The standard consumption rate of 55 GPCD was temporarily raised to 75 GPCD through June 30, 2020 in light of the COVID-19 outbreak and related stay-at-home orders. See the caption “THE DISTRICT—COVID-19 Outbreak.”

EAST VALLEY WATER DISTRICT
Consumption Charges per HCF of Water Used
(b) System Charges. The District imposes the following fixed monthly water service charges based on water meter size:

<table>
<thead>
<tr>
<th>Meter Size</th>
<th>Current Rate</th>
<th>Projected Rate as of April 1, 2021(1)</th>
<th>Projected Rate as of January 1, 2022(1)</th>
<th>Projected Rate as of January 1, 2023(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/8&quot;</td>
<td>$23.06</td>
<td>$23.95</td>
<td>$24.91</td>
<td>$25.66</td>
</tr>
<tr>
<td>3/4&quot;</td>
<td>29.27</td>
<td>30.44</td>
<td>31.66</td>
<td>32.61</td>
</tr>
<tr>
<td>1&quot;</td>
<td>41.71</td>
<td>43.41</td>
<td>45.15</td>
<td>46.51</td>
</tr>
<tr>
<td>1½&quot;</td>
<td>72.81</td>
<td>75.83</td>
<td>78.87</td>
<td>81.24</td>
</tr>
<tr>
<td>2&quot;</td>
<td>110.13</td>
<td>114.74</td>
<td>119.33</td>
<td>122.91</td>
</tr>
<tr>
<td>3&quot;</td>
<td>228.30</td>
<td>237.96</td>
<td>247.48</td>
<td>254.91</td>
</tr>
<tr>
<td>4&quot;</td>
<td>402.44</td>
<td>419.54</td>
<td>436.32</td>
<td>449.41</td>
</tr>
<tr>
<td>6&quot;</td>
<td>819.14</td>
<td>854.03</td>
<td>888.20</td>
<td>914.85</td>
</tr>
<tr>
<td>8&quot;</td>
<td>1,503.28</td>
<td>1,826.78</td>
<td>1,899.86</td>
<td>1,956.86</td>
</tr>
</tbody>
</table>

(1) The above-described rates are set forth in the Rate Plan and are scheduled to be considered by the Board in March 2021. Although the projected operating results that are set forth herein do not assume the adoption of the above-described rates, there can be no assurance that the Board will approve such rates.

Source: District.
EAST VALLEY WATER DISTRICT
Water System Connection Fees

[DISTRICT TO UPDATE]

<table>
<thead>
<tr>
<th>Meter Size</th>
<th>Installation Charge(1)</th>
<th>Capacity Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/8”</td>
<td>$</td>
<td>$4,819</td>
</tr>
<tr>
<td>3/4</td>
<td></td>
<td>7,228</td>
</tr>
<tr>
<td>1”</td>
<td></td>
<td>12,047</td>
</tr>
<tr>
<td>1/1/2”</td>
<td></td>
<td>24,094</td>
</tr>
<tr>
<td>2”</td>
<td></td>
<td>38,550</td>
</tr>
<tr>
<td>3”</td>
<td></td>
<td>77,100</td>
</tr>
<tr>
<td>4”</td>
<td></td>
<td>120,469</td>
</tr>
<tr>
<td>6”</td>
<td></td>
<td>240,939</td>
</tr>
<tr>
<td>8”</td>
<td></td>
<td>674,629</td>
</tr>
</tbody>
</table>

(1) Installation charges are estimated based on site specific construction conditions and requirements.

Source: District Schedule of Rates and Charges.

The District currently expects that Water System connection fee revenues will continue at a modest rate due to infill development. Two large projects being discussed with developers are not likely to complete construction on new homes until 2025. See the captions “—Projected Water System Connections” and “—Projected Water System Operating Results and Debt Service Coverage.”

Comparative Water Rates. Set forth below is a schedule of comparative water rates for the District and water service providers located near the District. Information for agencies other than the District and Western Municipal Water District is as of calendar year 2019, while information for the District and Western Municipal Water District is as of the date of this Official Statement.

EAST VALLEY WATER DISTRICT
Comparative Water Rates

<table>
<thead>
<tr>
<th>Water Service Provider</th>
<th>1” Meter Monthly Fixed Charge</th>
<th>Rate per HCF</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Norco</td>
<td>$64.26</td>
<td>$2.44</td>
</tr>
<tr>
<td>Western Municipal Water District</td>
<td>62.99</td>
<td>1.313(1)</td>
</tr>
<tr>
<td>Elsinore Valley Municipal Water District</td>
<td>46.08</td>
<td>2.34(2)</td>
</tr>
<tr>
<td><strong>East Valley Water District</strong></td>
<td><strong>41.71</strong></td>
<td><strong>1.83(1)</strong></td>
</tr>
<tr>
<td>City of Corona</td>
<td>36.09</td>
<td>2.10(2)</td>
</tr>
<tr>
<td>City of Riverside</td>
<td>28.69</td>
<td>1.19(3)</td>
</tr>
</tbody>
</table>

(1) Tier 1 rate.
(2) Block 1 indoor use rate.
(3) Summer rate in Tier 1 for first 9 units.
Source: District.

Collection Procedures

All charges for Water Service and Wastewater Service are billed on a consolidated basis each month. If payment is not received 20 days after billing, a late charge of 1.5% of the unpaid balance will be assessed each month until the unpaid balance has been paid in full. A shut-off notice is mailed out after 75 days for unpaid balances that exceed $25.00. If payment is not received within 15 days of the mailed shut-off notice, service is
normally shut off as of the date specified on the notice, and service is not restored until all charges, including a restoration charge, have been paid in full. The District notifies the County of unpaid amounts for inclusion on property tax assessment rolls.

Write-offs for monthly Water Service and Wastewater Service occur once a year. As of June 30, 2020, write-offs totaled approximately $5,213, reflecting both water and wastewater charges.

See the caption “THE DISTRICT—COVID-19 Outbreak” for a discussion of the suspension of water shutoffs for the duration of the State-declared public health emergency.

Future Water System Improvements

The District projects capital improvements to the Water System of approximately $36,490,000 over the current and next four Fiscal Years, including approximately $3,500,000 on Plant 134 treatment process improvements and approximately $18,175,000 on a new surface water treatment plant at the east end of the District. Applications for grants and low-interest financing from the State Revolving Fund are being prepared for both of these projects. Other capital improvements are expected to be financed by Water System Revenues remaining after payment of Parity Bonds and Contracts.

Projected Water Production

The following table shows water production of the District for the current and next four Fiscal Years, as projected by the District.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Groundwater and Surface Water</th>
<th>% Increase/Decrease</th>
<th>SBVMWD</th>
<th>% Increase/Decrease</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>16,539</td>
<td></td>
<td>800</td>
<td></td>
<td>17,339</td>
</tr>
<tr>
<td>2022</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2023</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2024</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2025</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: District.
Projected Water Sales

The following table shows water sales of the District for the current and next four Fiscal Years, as projected by the District.

EAST VALLEY WATER DISTRICT
Projected Water Sales in Acre Feet (1)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Water Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td></td>
</tr>
<tr>
<td>2023</td>
<td></td>
</tr>
<tr>
<td>2024</td>
<td></td>
</tr>
<tr>
<td>2025</td>
<td></td>
</tr>
</tbody>
</table>

(1) Differences between projected water sales and projected water production set forth under the caption “—Projected Water Production” reflect projected Water System losses, evaporation, internal water use for District purposes, fire hydrant testing and fire hydrant use in emergencies.

Source: District.

Projected Water System Connections

The following table shows billed connections to the Water System for the current and next four Fiscal Years as projected by the District.

EAST VALLEY WATER DISTRICT
Projected Water System Connections

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Single Family Residential</th>
<th>Multi-Family Residential</th>
<th>Commercial</th>
<th>Irrigation</th>
<th>Fire Services</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>19,905</td>
<td>475</td>
<td>696</td>
<td>332</td>
<td>258</td>
<td>21,666</td>
</tr>
<tr>
<td>2022</td>
<td>19,912</td>
<td>476</td>
<td>698</td>
<td>334</td>
<td>259</td>
<td>21,679</td>
</tr>
<tr>
<td>2023</td>
<td>19,919</td>
<td>476</td>
<td>700</td>
<td>336</td>
<td>259</td>
<td>21,690</td>
</tr>
<tr>
<td>2024</td>
<td>19,926</td>
<td>477</td>
<td>702</td>
<td>338</td>
<td>260</td>
<td>21,703</td>
</tr>
<tr>
<td>2025</td>
<td>19,933</td>
<td>477</td>
<td>704</td>
<td>340</td>
<td>260</td>
<td>21,714</td>
</tr>
</tbody>
</table>

Source: District.

Projected increases in connections reflect infill development activity within the District’s service area, including the projected construction of new housing. In June 2020 the District completed the formation of a community facilities district in connection with Highland Hills, a proposed 586 residential unit development. The District does not project the completion of any of the Highland Hills units until 2025.
Projected Water Sales Revenues

The following table shows water sales and meter charge revenues of the Water System for the current and next four Fiscal Years, as projected by the District.

**EAST VALLEY WATER DISTRICT**

**Projected Water Sales Revenues**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Water Sales Revenues</th>
<th>% Increase/ (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>$26,139,000</td>
<td>2.3%</td>
</tr>
<tr>
<td>2022</td>
<td>26,942,000</td>
<td>3.1</td>
</tr>
<tr>
<td>2023</td>
<td>27,460,000</td>
<td>1.9</td>
</tr>
<tr>
<td>2024</td>
<td>27,627,000</td>
<td>0.6</td>
</tr>
<tr>
<td>2025</td>
<td>27,797,000</td>
<td>0.6</td>
</tr>
</tbody>
</table>

Source: District.

Projected water sales revenues assume average precipitation, projected development activity within the District’s service area, including the projected construction of new housing, the projected Water System connections set forth under the caption “—Projected Water System Connections” and adoption of a projected rate increase in calendar year 2024 as described under the caption “—Water System Rates and Charges—General.” See the caption “CERTAIN RISKS TO BONDHOLDERS—Accuracy of Assumptions.”

**Historical Water System Operating Results and Debt Service Coverage**

The following table is a summary of operating results of the Water System of the District for the last five Fiscal Years. These results have been derived from the Financial Statements and audited financial statements of the District for prior Fiscal Years but exclude certain non-cash items and include certain other adjustments. The table has not been reviewed or audited by the Auditor.
**EAST VALLEY WATER DISTRICT**

**Historical Water System Operating Results and Debt Service Coverage**

**Fiscal Year Ended June 30**

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020(6)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING REVENUES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water department(1)</td>
<td>$21,426,136</td>
<td>$24,514,461</td>
<td>$26,872,033</td>
<td>$25,549,956</td>
<td></td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water department</td>
<td>15,048,582</td>
<td>14,717,219</td>
<td>16,134,461</td>
<td>16,614,399</td>
<td></td>
</tr>
<tr>
<td><strong>OPERATING INCOME:</strong></td>
<td>$ 6,377,554</td>
<td>$ 9,797,242</td>
<td>$10,737,572</td>
<td>$ 8,935,557</td>
<td></td>
</tr>
<tr>
<td><strong>NON-OPERATING REVENUES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Income</td>
<td>$106,755</td>
<td>$115,944</td>
<td>$220,093</td>
<td>$446,734</td>
<td></td>
</tr>
<tr>
<td>Capacity Charges(2)</td>
<td>184,387</td>
<td>302,874</td>
<td>241,043</td>
<td>310,946</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous(3)</td>
<td>825,829</td>
<td>2,340,013</td>
<td>245,462</td>
<td>763,446</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL NON-OPERATING REVENUES:</strong></td>
<td>$1,116,971</td>
<td>$2,758,831</td>
<td>$706,598</td>
<td>$1,521,126</td>
<td></td>
</tr>
<tr>
<td><strong>NET REVENUES:</strong></td>
<td>$ 7,494,525</td>
<td>$12,556,073</td>
<td>$11,444,170</td>
<td>$10,456,683</td>
<td></td>
</tr>
<tr>
<td><strong>DEBT SERVICE:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010 Installment Purchase Agreement(4)</td>
<td>$2,473,238</td>
<td>$2,476,913</td>
<td>$2,472,713</td>
<td>$2,464,213</td>
<td></td>
</tr>
<tr>
<td>2010 State Contract(5)</td>
<td>253,400</td>
<td>273,177</td>
<td>253,399</td>
<td>253,177</td>
<td></td>
</tr>
<tr>
<td>2013 Installment Purchase Agreement(4)</td>
<td>384,800</td>
<td>384,800</td>
<td>384,800</td>
<td>384,800</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL DEBT SERVICE:</strong></td>
<td>$3,111,438</td>
<td>$3,134,890</td>
<td>$3,110,912</td>
<td>$3,102,190</td>
<td></td>
</tr>
<tr>
<td><strong>NET REVENUES AVAILABLE AFTER DEBT SERVICE:</strong></td>
<td>$4,383,087</td>
<td>$9,421,184</td>
<td>$8,333,258</td>
<td>$7,354,493</td>
<td></td>
</tr>
<tr>
<td><strong>COVERAGE:</strong></td>
<td>2.41</td>
<td>4.01</td>
<td>3.68</td>
<td>3.37</td>
<td></td>
</tr>
</tbody>
</table>

(1) These numbers differ from the historical water sales revenues set forth under the caption “—Historical Water Sales Revenues” because the above numbers include penalties and other revenues treated as operating revenues by the Auditor.

(2) Includes connection fees.

(3) Includes income from sale of assets, grants, settlement moneys and other miscellaneous revenues. Fiscal Year 2017 amount reflects [___].

(4) Reflects payments on portion of obligation that is attributable to the Water System.

(5) Also includes debt service on other contracts with the SWRCB which matured prior to the date of this Official Statement.

(6) Reflects estimated actual Fiscal Year 2020 results. Unaudited and subject to change.

Source: District.

**Projected Water System Operating Results and Debt Service Coverage**

The estimated projected operating results of 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 estimate of projected financial results of the District based upon its judgment of the most probable occurrence of certain future events. The projections of Water System Revenues reflect District estimates of development within the District and the water rate increases set forth under the caption “—Water System Rates and Charges—General.” All rate increases are subject to the notice, hearing and protest provisions of Proposition 218 described under the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.” There can be no assurance that the Board will adopt additional rate increases as currently projected.

The assumptions set forth herein, including in the footnotes to the chart below, are material in the development of the financial projections of the District, 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. See the caption “CERTAIN RISKS TO BONDHOLDERS—Accuracy of Assumptions.”
### EAST VALLEY WATER DISTRICT

**Projected Water System Operating Results and Debt Service Coverage**  
**Fiscal Year Ending June 30**

<table>
<thead>
<tr>
<th></th>
<th>2021 (^{(1)})</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING REVENUES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water department (^{(2)})</td>
<td>$26,139,000</td>
<td>$26,942,000</td>
<td>$27,460,000</td>
<td>$27,627,000</td>
<td>$27,797,000</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water department (^{(3)})</td>
<td>$18,067,000</td>
<td>$18,455,000</td>
<td>$18,674,000</td>
<td>$18,802,000</td>
<td>$18,931,000</td>
</tr>
<tr>
<td><strong>OPERATING INCOME:</strong></td>
<td>$8,0720,000</td>
<td>$8,487,000</td>
<td>$8,786,000</td>
<td>$8,825,000</td>
<td>$8,866,000</td>
</tr>
<tr>
<td><strong>NON-OPERATING REVENUES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Income (^{(4)})</td>
<td>$225,000</td>
<td>$211,997</td>
<td>$226,797</td>
<td>$243,435</td>
<td>$258,210</td>
</tr>
<tr>
<td>Capacity Charges (^{(5)})</td>
<td>34,000</td>
<td>50,000</td>
<td>50,000</td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Miscellaneous (^{(6)})</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL NON-OPERATING REVENUES:</strong></td>
<td>$259,000</td>
<td>$261,997</td>
<td>$276,797</td>
<td>$293,435</td>
<td>$308,210</td>
</tr>
<tr>
<td><strong>NET REVENUES:</strong></td>
<td>$8,331,000</td>
<td>$8,748,997</td>
<td>$9,062,797</td>
<td>$9,118,435</td>
<td>$9,174,210</td>
</tr>
<tr>
<td><strong>DEBT SERVICE:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010 Installment Purchase Agreement (^{(7)})</td>
<td>$2,073,831</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>2010 State Contract</td>
<td>233,400</td>
<td>233,400</td>
<td>233,400</td>
<td>233,400</td>
<td>233,400</td>
</tr>
<tr>
<td>2013 Installment Purchase Agreement (^{(8)})</td>
<td>192,400</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018 State Contract (^{(9)})</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020A Bonds (^{(9)*})</td>
<td>32,280</td>
<td>1,553,261</td>
<td>1,557,133</td>
<td>1,556,368</td>
<td>1,550,154</td>
</tr>
<tr>
<td>2020B Bonds (^{(9)*})</td>
<td>9,455</td>
<td>370,415</td>
<td>369,463</td>
<td>368,353</td>
<td>370,332</td>
</tr>
<tr>
<td><strong>TOTAL DEBT SERVICE</strong> (^{*})</td>
<td>$2,541,366</td>
<td>$2,157,076</td>
<td>$2,159,995</td>
<td>$2,158,121</td>
<td>$2,153,866</td>
</tr>
<tr>
<td><strong>NET REVENUES AVAILABLE AFTER DEBT SERVICE</strong> (^{*})</td>
<td>$5,789,634</td>
<td>$6,591,921</td>
<td>$6,902,802</td>
<td>$6,960,314</td>
<td>$7,020,324</td>
</tr>
<tr>
<td><strong>COVERAGE</strong> (^{*})</td>
<td>3.28</td>
<td>4.06</td>
<td>4.20</td>
<td>4.23</td>
<td>4.26</td>
</tr>
</tbody>
</table>

\(^{(1)}\) Reflects Fiscal Year 2021 adopted budget. See the caption “THE DISTRICT—Budget Process.”

\(^{(2)}\) Reflects District estimates of development within the District and adopted and projected water rate increases described under the caption “—Water System Rates and Charges—General.” All water rate increases are subject to the notice, hearing and protest provisions of Proposition 218 described under the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.” There can be no assurance that the Board will adopt additional rate increases as currently projected.

\(^{(3)}\) Projected to increase by approximately \([__\%]\) per annum.

\(^{(4)}\) Reflects projected earnings of 1.0% per annum on District investments.

\(^{(5)}\) Does not include capacity charges, development impact fees and connection fees. Reflects District projections of development within the District. See the caption “—Projected Water System Connections.”

\(^{(6)}\) No projected to increase.

\(^{(7)}\) This obligation is expected to be refunded from proceeds of the 2020A Bonds. See the caption “PLAN OF FINANCE—The Refunding Plan—2010 Bonds.”

\(^{(8)}\) This obligation is expected to be refunded from proceeds of the 2020B Bonds. See the caption “PLAN OF FINANCE—The Refunding Plan—2013 Bonds.”

\(^{(9)}\) Reflects payments on portion of obligation that is attributable to the Water System.

Source: District.

* Preliminary; subject to change.
THE WASTEWATER SYSTEM OF THE DISTRICT

The following is a description of the Wastewater System of the District. The District expects that approximately 4.4% of the payments on the 2020 Bonds will be attributable to the Wastewater System and payable from Net Wastewater System Revenues, unless Parity Bonds or Contracts are issued or delivered, as applicable. The District does not anticipate that Net Wastewater System Revenues will serve as a significant source of moneys used to pay the 2020 Bonds beyond the allocated percentage described in the preceding sentence.

General

In Fiscal Year 2020, the District provided Wastewater Service to approximately 18,598 residential connections, 465 multi-family residential connections and 616 non-residential connections within the District’s service area. The District’s Wastewater System consists of approximately 214 miles of sewer mains. Since commencing wastewater services in 1964, the District has operated a wastewater collection and transmission system but has not owned or operated a wastewater treatment plant. Instead, the District’s Wastewater System is served by a network of gravity mains that collect raw sewage and deliver it to main lines leading to the San Bernardino Regional Wastewater Treatment Plant (the “Regional Plant”), which is located in the City of San Bernardino. See the caption “—Wastewater Treatment Facilities.”

The District is currently constructing the SNRC, a District-owned wastewater treatment plant that is expected to commence operations in November 2021. When completed, the SNRC will enable the District to treat wastewater from the District’s Wastewater System customers without reliance on the City’s Regional Plant. See the caption “—Sterling Natural Resource Center.”

Wastewater Treatment Facilities

The Regional Plant is operated by the City of San Bernardino Municipal Water Department (“SBMWD”). SBMWD was created as a municipal utility by Article 9 of the City Charter on January 6, 1905. SBMWD is governed by a Board of Water Commissioners that is separate from the City Council of the City and appointed by the Mayor, subject to confirmation by the City Council of the City. SBMWD maintains separate accounts from the City.

Wastewater collected by the District is treated at the Regional Plant pursuant to the agreement that is described under the caption “—JPA Agreement.”

The Regional Plant, at which primary and secondary wastewater treatment is undertaken, has a capacity of 33 mgd and is operated pursuant to the terms of a National Pollutant Discharge Elimination System (“NPDES”) permit issued by the State Department of Environmental Protection, Santa Ana Regional Water Quality Control Board (the “Regional Board”). The Regional Board administers NPDES regulations promulgated by the United States Environmental Protection Agency and Division 7 of the State Water Code and regulations thereunder. The City’s present NPDES permit for the Regional Plant, Waste Discharge Order No. R8-2017-0049 and NPDES Permit No. CA 0105392, became effective on December 15, 2017 and expires on December 31, 2022.

In Fiscal Year 2020 the District delivered an average of 5.73 mgd of wastewater to the Regional Plant for treatment and disposal.

SBMWD and the City face various challenges in the continued treatment of wastewater. A description of these challenges as well as a variety of other operating information with respect to SBMWD and the City is included in certain disclosure documents prepared by the City. The City has prepared certain publicly available documents and entered into certain continuing disclosure agreements pursuant to which it is contractually obligated for the benefit of owners of certain of its outstanding obligations to file annual reports, notices of
enumerated events as defined under Rule 15c2-12 and annual audited financial statements with EMMA. None of such 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. NEITHER SBMWD NOR THE CITY HAVE ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH THE DISTRICT, THE TRUSTEE OR THE OWNERS OF THE 2020 BONDS TO PROVIDE ANY INFORMATION TO THE DISTRICT OR THE OWNERS OF THE 2020 BONDS.

NEITHER SBMWD NOR THE CITY HAVE REVIEWED THIS OFFICIAL STATEMENT OR MADE REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED OR INCORPORATED HEREIN, INCLUDING INFORMATION WITH REGARD TO SBMWD OR THE CITY. NEITHER SBMWD NOR THE CITY IS CONTRACTUALLY OBLIGATED, AND NEITHER SBMWD NOR DWR HAVE UNDERTAKEN, TO UPDATE SUCH INFORMATION FOR THE BENEFIT OF THE DISTRICT, OR THE OWNERS OF THE 2020 BONDS UNDER RULE 15c2-12.

Wastewater System Revenues consist of system charges and treatment charges. The Wastewater System Revenues collected by the District which are attributable to wastewater treatment are generally offset by payments made by the District to SBMWD for treating wastewater produced by the District’s customers. See the caption “—Wastewater System Rates and Charges—Collection Procedures.” The District’s practice has been to cause any changes in SBMWD’s wastewater treatment rates to the District to be passed through to District’s customers, although the timing and amount of rate changes by the two entities may vary. The District is required to comply with the notice, hearing and majority protest provisions of Proposition 218 of the State Constitution in raising Wastewater System rates and charges. At the District’s most recent hearing to consider wastewater rates, the District adopted a pass-through provision with respect to City treatment rates, whereby the District can automatically adopt City rates without having to hold a public hearing. See the captions “—Wastewater System Rates and Charges” and “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.”

JPA Agreement

In January 1958, the District, the City, and the City of Loma Linda entered into a Joint Powers Agreement (as amended, the “JPA Agreement”) for the operation and expansion of the Regional Plant and other facilities. Under the JPA Agreement, SBMWD is responsible for setting wastewater treatment rates at levels that are sufficient to operate and maintain the Regional Plant and the District agrees to adopt specified rates and collection fees charged to District customers in amounts that are sufficient to discharge District obligations to the City under the JPA Agreement. See the caption “—Wastewater System Rates and Charges—General” for a discussion of the District’s pass-through to customers of fees charged by SBMWD under the JPA Agreement.

The District will continue to make monthly payments to SBMWD under the JPA Agreement until the Sterling Natural Resource Center is completed. Payments to SBMWD are currently made on a monthly basis and constitute Operation and Maintenance Costs of the Wastewater System.

Sterling Natural Resource Center

The District is currently constructing the SNRC, a tertiary wastewater treatment plant that is expected to commence operations in November 2021. The SNRC will be located on North Del Rosa Drive between East 5th Street and East 6th Street in the City of Highland near the San Bernardino International Airport. When completed, the SNRC will enable the District to treat up to 6 mgd of wastewater from the District’s Wastewater System customers without reliance on the Regional Plant. Future phases of the project are expected to increase the treatment capacity of the SNRC to up to 10 mgd, which can accommodate anticipated future development within the District’s service area. Expansion of the SNRC will occur when necessitated by large development projects and Capacity Fees are available to pay for the expansion.
The SNRC includes new interceptor mains to divert wastewater flows, tertiary wastewater treatment facilities (including advanced membrane bio-reactor technology), administration facilities, anaerobic solid waste digesters and a recycled water pipeline to deliver treated effluent. Treated wastewater flow which meets recycled water standards under Title 22 of the California Code of Regulations will be recharged into existing recharge ponds overlying the Basin pursuant to agreements between the District and the owners of the recharge ponds. Water that is recharged into the Basin can later be extracted from District wells, and, after treatment to potable water standards, delivered to Water System customers, a procedure known as indirect potable reuse.

The District currently estimates that the total construction cost of the SNRC (not including future phases) will be approximately $181 million. The SNRC is primarily being funded from proceeds of the 2018 State Contract. See the caption “THE DISTRICT—Outstanding Parity Obligations—2018 State Contract.” Other funding sources include a contribution from the Watermaster (as described under the caption “THE WATER SYSTEM OF THE DISTRICT—Water Supply—Groundwater”) toward the costs of the recycled water pipeline that is described in the prior paragraph, certain sales tax exclusions and rebates from the District’s electric service provider and District contributions of development impact fees and reserves.

As discussed under the caption “THE WATER SYSTEM OF THE DISTRICT—Water Supply—Basin Recharge Activities,” the SNRC’s recharge process constitutes a drought-proof means of ensuring the long-term viability of the Basin while providing a locally controlled water supply and reducing the District’s dependence on more costly imported water.

In addition, the District believes that the SNRC will provide a long-term benefit to the Wastewater System by reducing (and eventually eliminating) the District’s reliance on the Regional Plant. In particular, the District believes that the costs of continuing to pay SBMWD to treat all Wastewater System flows would exceed the costs of operating the SNRC. According to an October 2014 feasibility study related to the SNRC, SBMWD’s costs of operating the Regional Plant is expected to increase by approximately 24% over the 20 years following 2014, while the District’s costs of operating the SNRC are expected to increase by approximately 7% over such period.

[FOR JEAN C – DISCUSSION OF SNRC LITIGATION NEEDED REMOVE]

[Language is fine] [The projections of Wastewater System Operation and Maintenance Costs set forth under the caption “—Projected Wastewater System Operating Results and Debt Service Coverage” reflect the commencement of operations at the SNRC and a reduction in payments to SBMWD for wastewater treatment costs beginning in Fiscal Year 2022.]
Historical Wastewater System Connections

The following table shows historical billed connections to the Wastewater System for the five most recent Fiscal Years:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Single Family Residential</th>
<th>Multi-Family Residential</th>
<th>Commercial</th>
<th>Total</th>
<th>% Increase/ (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>18,480</td>
<td>453</td>
<td>591</td>
<td>19,524</td>
<td>N/A%</td>
</tr>
<tr>
<td>2017</td>
<td>18,526</td>
<td>456</td>
<td>594</td>
<td>19,576</td>
<td>(0.2)</td>
</tr>
<tr>
<td>2018</td>
<td>18,556</td>
<td>459</td>
<td>597</td>
<td>19,612</td>
<td>0.0</td>
</tr>
<tr>
<td>2019</td>
<td>18,583</td>
<td>464</td>
<td>610</td>
<td>19,657</td>
<td>0.0</td>
</tr>
<tr>
<td>2020</td>
<td>18,598</td>
<td>465</td>
<td>616</td>
<td>19,679</td>
<td>0.0</td>
</tr>
</tbody>
</table>

Source: District.

Historical Wastewater System Daily Average Flow

The following table shows the District’s historical share of the volume of wastewater treated by SBMWD for the five most recent Fiscal Years:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Daily Average Flow (mgd)</th>
<th>% Increase/(Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>5.94</td>
<td>N/A%</td>
</tr>
<tr>
<td>2017</td>
<td>5.96</td>
<td>0.3</td>
</tr>
<tr>
<td>2018</td>
<td>5.89</td>
<td>(1.2)</td>
</tr>
<tr>
<td>2019</td>
<td>5.73</td>
<td>(2.7)</td>
</tr>
<tr>
<td>2020</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: District.

Wastewater System usage is affected by a number of factors, including but not limited to the number of connections to the Wastewater System and water conservation efforts.

Historical Wastewater System Service Charge Revenues

The following table shows historical service charge revenues of the Wastewater System for the five most recent Fiscal Years.
EAST VALLEY WATER DISTRICT
Historical Wastewater System Service Charge Revenues\(^{(1)}\)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Wastewater System Service Charge Revenues</th>
<th>% Increase/ (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$11,452,249</td>
<td>N/A%</td>
</tr>
<tr>
<td>2017</td>
<td>12,831,469</td>
<td>12.0%</td>
</tr>
<tr>
<td>2018</td>
<td>13,366,594</td>
<td>4.2%</td>
</tr>
<tr>
<td>2019</td>
<td>13,236,682</td>
<td>(1.0)%</td>
</tr>
<tr>
<td>2020(^{(2)})</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(^{(1)}\) The amounts in the table differ from historical operating revenues set forth under the caption “—Historical Wastewater System Operating Results and Debt Service Coverage” because the above amounts exclude gain on disposal of assets, miscellaneous revenues and other operating revenues.

\(^{(2)}\) Reflects estimated actual Fiscal Year 2020 results. Unaudited and subject to change.

Source: District.

Largest Wastewater System Customers

The following table sets forth the ten largest customers of the Wastewater System of the District as of June 30, 2020, as determined by the amount of their respective payments.

EAST VALLEY WATER DISTRICT
Largest Wastewater System Customers

<table>
<thead>
<tr>
<th>Customer</th>
<th>Wastewater Service Charge Revenues</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Manuel Indian/Bingo Casino</td>
<td>$352,130</td>
<td>%</td>
</tr>
<tr>
<td>Patton State Hospital</td>
<td>335,045</td>
<td></td>
</tr>
<tr>
<td>San Bernardino City USD</td>
<td>236,774</td>
<td></td>
</tr>
<tr>
<td>Village Lakes HOA</td>
<td>146,810</td>
<td></td>
</tr>
<tr>
<td>Tuscany Apartments</td>
<td>131,693</td>
<td></td>
</tr>
<tr>
<td>Woodman Realty Inc.</td>
<td>97,262</td>
<td></td>
</tr>
<tr>
<td>Victoria Village Apartments</td>
<td>88,895</td>
<td></td>
</tr>
<tr>
<td>Safety Investment</td>
<td>76,488</td>
<td></td>
</tr>
<tr>
<td>Highland Palms HOA</td>
<td>67,950</td>
<td></td>
</tr>
<tr>
<td>Valencia Lea MHP</td>
<td>67,071</td>
<td></td>
</tr>
<tr>
<td>TOP TEN TOTAL</td>
<td>$1,600,118</td>
<td>%</td>
</tr>
</tbody>
</table>

TOTAL SYSTEM $100.0%

Source: District.

These customers accounted for approximately 12.6% of Wastewater System Revenues from wastewater service charges for Fiscal Year 2020. See the caption “THE WATER SYSTEM OF THE DISTRICT—Largest Water System Customers” for information with respect to the largest Water System customers of the District.

Wastewater System Rates and Charges

General. The Board has rate setting authority as provided under the State Water Code and the District’s rates are not subject to review or approval by the California Public Utilities Commission or any other agency. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES” for certain
limitations of the rate setting authority of the Board. The District annually determines the adequacy of the Wastewater System rate structure after full consideration of expected operations, maintenance and capital costs.

Prior to 1981, the District paid SBMWD an amount equal to 92% of SBMWD’s established wastewater service rate for treatment of the District’s wastewater flows. In 1981, the JPA Agreement was amended to provide that the District and SBMWD will adopt a uniform regional wastewater service rate. Pursuant to State Government Code Section 53756, since December 2012, the District may automatically pass through to District customers increases in wastewater service charges imposed by SBMWD. The Board has adopted a policy with respect to such pass-throughs under which the pass-throughs can be adopted without further public hearings. See the caption “—JPA Agreement.”

The Board is expected to consider the Rate Plan, including Wastewater System rate increases effective February 1, 2021, in January 2021. The projected operating results which are set forth under the caption “FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage” assume Wastewater System rate increases of approximately [___]% above adopted calendar year 2020 rates in accordance with the Rate Plan, and additional rate increases of approximately [___]% per annum in 2022 through 2025, which have not yet been adopted by the Board. There can be no assurance that Wastewater System rates will be increased as projected herein. In the event that the Board does not adopt such rate increases as currently contemplated, Wastewater System operating results could be materially different from the projections in this Official Statement.

The District is subject to certain covenants with respect to the 2020 Bonds which require that, to the fullest extent permitted by law, the District will fix and prescribe, at the commencement of each Fiscal Year, rates and charges for the Wastewater Service provided by the Wastewater System which will be at least sufficient to yield during each Fiscal Year Net Wastewater System Revenues equal to 120% of Debt Service for such Fiscal Year allocable to the Wastewater System. See the caption “SECURITY FOR THE 2020 BONDS—Rate Covenant.”

**Adopted Rates and Charges.** Wastewater System Revenues of the District are derived from three sources: (a) wastewater service charges (consumption charges), which are applicable to commercial and multi-family residential customers only; (b) system charges (fixed charges); and (c) connection fees.

(a) **Consumption Charges.** Current consumption charges are set forth below. Single family residential customers do not pay consumption charges.
## EAST VALLEY WATER DISTRICT
### Volumetric Charges Per Hundred Cubic Feet of Water Usage

<table>
<thead>
<tr>
<th>Customer Type</th>
<th>Current Rate</th>
<th>Projected Rate as of April 1, 2021&lt;sup&gt;(1)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multi-Family Residential</td>
<td>$2.08</td>
<td>$2.14</td>
</tr>
<tr>
<td>Commercial/Retail</td>
<td>3.10</td>
<td>3.16</td>
</tr>
<tr>
<td>Restaurants/Lounges</td>
<td>3.83</td>
<td>3.89</td>
</tr>
<tr>
<td>Laundromats</td>
<td>2.38</td>
<td>2.44</td>
</tr>
<tr>
<td>Dry Cleaners</td>
<td>3.10</td>
<td>3.16</td>
</tr>
<tr>
<td>Schools/Churches</td>
<td>1.88</td>
<td>1.94</td>
</tr>
<tr>
<td>Governments/Municipal</td>
<td>2.38</td>
<td>2.44</td>
</tr>
<tr>
<td>Convalescent Homes</td>
<td>2.18</td>
<td>2.24</td>
</tr>
<tr>
<td>Hotels</td>
<td>3.83</td>
<td>3.89</td>
</tr>
<tr>
<td>Office Buildings/Motels</td>
<td>2.38</td>
<td>2.44</td>
</tr>
<tr>
<td>Auto Repair/Service Station</td>
<td>2.13</td>
<td>2.19</td>
</tr>
<tr>
<td>Car Wash</td>
<td>2.13</td>
<td>2.19</td>
</tr>
</tbody>
</table>

<sup>(1)</sup> The above-described rates are set forth in the Rate Plan and are scheduled to be considered by the Board in March 2021. The projected operating results that are set forth herein do not assume the adoption of the above-described rates. Though likely, there can be no assurance that the Board will approve such rates.

Source: District.

### System Charges
The District imposes the following fixed monthly wastewater service charges based on customer type.

<table>
<thead>
<tr>
<th>Customer Type</th>
<th>Current Rate</th>
<th>Projected Rate as of April 1, 2021&lt;sup&gt;(2)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Family Residential</td>
<td>$36.91&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>$38.45</td>
</tr>
<tr>
<td>Multi-Family Residential</td>
<td>5.87</td>
<td>6.26</td>
</tr>
<tr>
<td>Commercial</td>
<td>7.42</td>
<td>7.81</td>
</tr>
</tbody>
</table>

<sup>(1)</sup> Rate is per Equivalent Dwelling Unit, an approximation of wastewater flow for each single family residence.

<sup>(2)</sup> The above-described rates are set forth in the Rate Plan and are scheduled to be considered by the Board in March 2021. The projected operating results that are set forth herein do not assume the adoption of the above-described rates. Though likely, there can be no assurance that the Board will approve such rates.

Source: District.

### Connection Fees
Since the activation of the District’s Wastewater treatment authority by the Local Agency Formation Commission (LAFCO) in June 2018, new Wastewater System customers no longer are required to pay separate connection fees to the District (collection system) and SBMWD (treatment). Instead, new customers now pay combined connection fees for both wastewater collection and treatment services to the District. Set forth below is a table of connection fees payable to the District.
EAST VALLEY WATER DISTRICT
Wastewater System Connection Fees

[DISTRICT TO UPDATE] - DONE

<table>
<thead>
<tr>
<th>Fee Type</th>
<th>Description</th>
<th>Fee per Equivalent Dwelling Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permit Fee</td>
<td>Cost to review, approve and process connection requests</td>
<td>25</td>
</tr>
<tr>
<td>Inspection Fee</td>
<td>Cost to inspect construction of lateral pipeline and connection to system</td>
<td>100</td>
</tr>
<tr>
<td>Sewer Capacity Fee</td>
<td>Cost of connection to system and incremental portion of capacity that will be used by the new connection</td>
<td>7,560</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>7,685</td>
</tr>
</tbody>
</table>

Source: District.

The District currently expects that Wastewater System connection fee revenues will increase as a result of projected development within the District. See the captions “—Projected Wastewater System Connections” and “—Projected Wastewater System Operating Results and Debt Service Coverage.”

**Comparative Wastewater Rates.** Set forth below is a schedule of comparative wastewater service rates for a single family residential customer of the District and water service providers located near the District. Information for agencies other than the District and Western Municipal Water District is as of calendar year 2019, while information for the District and Western Municipal Water District is as of the date of this Official Statement.

**EAST VALLEY WATER DISTRICT**
Comparative Wastewater Rates

<table>
<thead>
<tr>
<th>Wastewater Service Provider</th>
<th>Average Monthly Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Municipal Water District</td>
<td>$71.03(^{(1)})</td>
</tr>
<tr>
<td>City of Norco</td>
<td>51.00</td>
</tr>
<tr>
<td>Western Municipal Water District</td>
<td>50.40(^{(2)})</td>
</tr>
<tr>
<td>City of Lake Elsinore</td>
<td>45.87(^{(3)})</td>
</tr>
<tr>
<td>City of Corona</td>
<td>45.60</td>
</tr>
<tr>
<td>Western Municipal Water District</td>
<td>42.58(^{(4)})</td>
</tr>
<tr>
<td><strong>East Valley Water District</strong></td>
<td><strong>36.91</strong></td>
</tr>
<tr>
<td>City of Perris</td>
<td>34.50(^{(5)})</td>
</tr>
</tbody>
</table>

\(^{(1)}\) March Air Reserve Base area.  
\(^{(2)}\) La Sierra area.  
\(^{(3)}\) Estimated based on $1.15 daily rate.  
\(^{(4)}\) Murrieta area.  
\(^{(5)}\) Estimated based on $1.15 daily rate.  
Source: City.

**Collection Procedures**

See the caption “THE WATER SYSTEM OF THE DISTRICT—Collection Procedures” for a description of consolidated Water System and Wastewater System billing and collection procedures.
A portion of the wastewater charges collected by the District is attributable to the costs of wastewater treatment at the Regional Plant owned by SBMWD (the “SBMWD Portion”). The District remits the SBMWD portion to SBMWD monthly. The SBMWD Portion is reflected in Wastewater System Revenues set forth in this Official Statement both as an operating revenue and as an operating expense in equal amounts.

See the caption “THE DISTRICT—COVID-19 Outbreak” for a discussion of the suspension of wastewater service shutoffs for the duration of the State-declared public health emergency.

Future Wastewater System Improvements

The District projects capital improvements to the Wastewater System of approximately $[___] over the current and next four Fiscal Year, excluding the SNRC (as described under the caption “—Sterling Natural Resource Center”) and [___]. The District currently projects funding such capital improvements through a combination of grants and Revenues remaining after payment of debt service on District obligations. [The District does not anticipate entering into any additional Parity Bonds or Contracts in the current or next four Fiscal Years to finance such capital improvements.]

Projected Wastewater System Connections

The following table shows billed connections to the Wastewater System for the current and next four Fiscal Years, as projected by the District.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Residential</th>
<th>Commercial</th>
<th>Total</th>
<th>% Increase/ (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2023</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2024</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2025</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: District.

Projected increases in connections reflect development activity within the District’s service area, including the projected construction of new housing.

Projected Wastewater System Daily Average Flow

The following table shows the District’s projected share of the volume of wastewater treated by SBMWD [and, beginning in Fiscal Year 2022, the projected volume of wastewater treated at the SNRC] for the current and next four Fiscal Years.
EAST VALLEY WATER DISTRICT
Projected Wastewater System Usage

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Daily Average Flow (mgd)</th>
<th>% Increase/(Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>5.76</td>
<td>0.1%</td>
</tr>
<tr>
<td>2022</td>
<td>5.77</td>
<td>0.1</td>
</tr>
<tr>
<td>2023</td>
<td>5.78</td>
<td>0.1</td>
</tr>
<tr>
<td>2024</td>
<td>5.79</td>
<td>0.1</td>
</tr>
<tr>
<td>2025</td>
<td>5.80</td>
<td>0.1</td>
</tr>
</tbody>
</table>

Source: District.

Wastewater System usage will be affected by a number of factors, including connections to the Wastewater System and water conservation efforts by Wastewater System customers. See the caption “—Projected Wastewater System Connections.”

Projected Wastewater System Service Charge Revenues

The following table shows service charge revenues, i.e., charges to customers, of the Wastewater System for the current and next four Fiscal Years, as projected by the District. These amounts do not include other new operating revenue streams that will be collected from outside agencies and/or companies when the SNRC is brought online in November 2021. Those additional revenue streams are discussed under “Projected Wastewater System Operating Results and Debt Service Coverage”.

EAST VALLEY WATER DISTRICT
Projected Wastewater System Service Charge Revenues

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Wastewater System Service Charge Revenues</th>
<th>% Increase/(Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>$13,467,000</td>
<td>-0.7%</td>
</tr>
<tr>
<td>2022</td>
<td>13,684,000</td>
<td>1.6</td>
</tr>
<tr>
<td>2023</td>
<td>14,266,000</td>
<td>4.3</td>
</tr>
<tr>
<td>2024</td>
<td>14,355,000</td>
<td>0.6</td>
</tr>
<tr>
<td>2025</td>
<td>14,459,000</td>
<td>0.7</td>
</tr>
</tbody>
</table>

Source: District.

Wastewater System service charge revenues are affected by a number of factors, including projected development activity within the District’s service area, including the projected construction of new housing, the projected connections to the Wastewater System set forth under the caption “—Projected Wastewater System Connections” and adoption of projected rate increases in calendar year 2022 through 2024 as described under the caption “—Wastewater System Rates and Charges—General.” See the caption “CERTAIN RISKS TO BONDHOLDERS—Accuracy of Assumptions.”

Historical Wastewater System Operating Results and Debt Service Coverage

The following table is a summary of operating results of the Wastewater System of the District for the last five Fiscal Years. These results have been derived from the Financial Statements and audited financial statements of the District for prior Fiscal Years but exclude certain non-cash items and include certain other adjustments. The table has not been reviewed or audited by the Auditor.
SBMWD’s charges to the District for the treatment of wastewater at the Regional Plant have typically accounted for between [60% and 68]% of the Wastewater System’s Operation and Maintenance Costs. See the caption “CERTAIN RISKS TO BONDHOLDERS—System Expenses.”

### EAST VALLEY WATER DISTRICT

**Historical Wastewater System Operating Results and Debt Service Coverage**

**Fiscal Year Ended June 30**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$11,597,946</td>
<td>$10,463,081</td>
<td>$1,134,865</td>
<td>$497,426</td>
<td>$1,632,291</td>
<td>$115,450</td>
<td>$1,316,516</td>
<td>5.17</td>
</tr>
<tr>
<td>2017</td>
<td>$12,934,088</td>
<td>$11,064,894</td>
<td>$1,869,194</td>
<td>$224,520</td>
<td>$2,093,714</td>
<td>$116,300</td>
<td>$1,777,089</td>
<td>6.61</td>
</tr>
<tr>
<td>2018</td>
<td>$13,419,092</td>
<td>$12,817,762</td>
<td>$601,330</td>
<td>$339,884</td>
<td>$941,214</td>
<td>$283,961</td>
<td>$628,864</td>
<td>3.01</td>
</tr>
<tr>
<td>2019</td>
<td>$13,759,342</td>
<td>$12,603,440</td>
<td>$1,155,902</td>
<td>$294,846</td>
<td>$1,830,530</td>
<td>$300,727</td>
<td>$1,518,055</td>
<td>5.86</td>
</tr>
<tr>
<td>2020</td>
<td>$13,565,000</td>
<td>$0</td>
<td>0</td>
<td>0</td>
<td>$1,518,055</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

(1) The above amounts differ from historical Wastewater System service charge revenues set forth under the caption “—Historical Wastewater System Service Charge Revenues” because the above amounts include gain on disposal of assets, miscellaneous revenues and other operating revenues.

(2) Includes connection fees.

(3) Includes income from sale of assets, grants, settlement moneys and other miscellaneous revenues.

(4) Reflects payments on portion of obligation that is attributable to the Wastewater System.

(5) Reflects estimated actual Fiscal Year 2020 results. Unaudited and subject to change.

Source: District.

### Projected Wastewater System Operating Results and Debt Service Coverage

The estimated projected operating results for the Wastewater System for the current and next four Fiscal Years are set forth below, reflecting certain significant assumptions concerning future events and circumstances, in particular the commencement of operations of the SNRC in fiscal year 2022. The financial forecast represents the estimate of projected financial results of the District based upon its judgment of the most probable occurrence of certain important future events. The projections of Wastewater System Revenues reflect District estimates of development within the District, the wastewater service charge increases set forth under the caption “—Wastewater System Rates and Charges—General”, and new revenue streams that will become available to the District with the SNRC’s anaerobic digestors and their capacity for power generation. The new revenue streams included in the projections beginning with the first full year of SNRC operations include:

- Local Resource Investment Program – the sale of recycled water to the groundwater basin watermaster at $173 per acre foot - $1,038,000 annually
• Tipping Fees – charged to food waste haulers for discharging waste into SNRC digesters – 33.8 million gallons at $.08 per gallon for $2,704,000 annually

• SB 1122 Power Sales – after using power generated by SNRC digesters to power all operations at the SNRC, the District anticipates being able to sell 750 kwh back to the Edison grid at $.127 per kwh for annual revenue of $834,390. A two-way interconnection with Edison is being installed for this purpose.

Rate increases mentioned above are subject to the notice, hearing and protest provisions of Proposition 218 described under the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.” There can be no assurance that the Board will adopt additional rate increases as currently projected.

The assumptions set forth herein, including in the footnotes to the chart below, are material in the development of the financial projections of the District, 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. See the caption “CERTAIN RISKS TO BONDHOLDERS—Accuracy of Assumptions.”

### EAST VALLEY WATER DISTRICT
Projected Wastewater System Operating Results and Debt Service Coverage
Fiscal Year Ending June 30

<table>
<thead>
<tr>
<th>OPERATING REVENUES:</th>
<th>2021(1)</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wastewater department(2)</td>
<td>$13,437,000</td>
<td>$15,829,000</td>
<td>$21,831,000</td>
<td>$21,935,000</td>
<td>$21,959,000</td>
</tr>
</tbody>
</table>

| OPERATING EXPENSES: | |
|---------------------|------|------|------|------|------|
| Wastewater department(3) | 12,324,000 | 11,524,000 | 12,338,000 | 12,509,700 | 12,688,000 |

| OPERATING INCOME: | $1,113,000 | $4,305,000 | $9,493,000 | $9,425,300 | $9,271,000 |

| NON-OPERATING REVENUES: | |
|------------------------|------|------|------|------|------|
| Interest Income(4) | $30,000 | $61,389 | $167,543 | $184,719 | $219,653 |
| Capacity Charges(5) | 0 | 0 | 0 | 0 | 0 |
| Miscellaneous(6) | 0 | 0 | 0 | 0 | 0 |

| TOTAL NON-OPERATING REVENUES | $30,000 | $61,389 | $167,543 | $184,719 | $219,653 |

| NET REVENUES: | $1,143,000 | $4,366,389 | $9,660,543 | $9,610,019 | $9,490,653 |

| DEBT SERVICE: | |
|--------------|------|------|------|------|------|
| 2010 Installment Purchase Agreement(7) | $56,100 | $ | $ | $ | $ |
| 2013 Installment Purchase Agreement(8) | 100,163 | | | | |
| 2018 State Contract(9) | 0 | $6,819,000 | $6,819,000 |
| 2020A Bonds(9)* | 1,486 | 71,489 | 71,667 | 71,632 | 71,346 |

| TOTAL DEBT SERVICE*: | $162,684 | $264,872 | $264,553 | $7,082,938 | $7,083,685 |

| NET REVENUES AVAILABLE AFTER DEBT SERVICE*: | $980,316 | $4,101,517 | $9,395,990 | $2,527,081 | $2,406,968 |

| COVERAGE*: | 7.03 | 16.48 | 36.52 | 1.36 | 1.34 |

---

(1) Reflects Fiscal Year 2021 adopted budget. See the caption “THE DISTRICT—Budget Process.”
(2) Reflects District estimates of development within the District and adopted and projected wastewater service rate increases described under the caption “—Wastewater System Rates and Charges—General.” All wastewater service rate increases are subject to the notice, hearing and protest provisions of Proposition 218 described under the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.”

* Preliminary; subject to change.
LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.” There can be no assurance that the Board will adopt additional rate increases as currently projected.

(3) Reflects commencement of operations at the SNRC in Fiscal Year 20[22]. See the caption “—Sterling Natural Resource Center.”

(4) Reflects projected earnings of 1.0% per annum on District investments.

(5) Includes capacity charges, development impact fees and connection fees. Reflects District projections of development within the District. See the caption “—Projected Wastewater System Connections.”

(6) Projected to increase approximately [___]% per annum.

(7) This obligation is expected to be refunded from proceeds of the 2020A Bonds. See the caption “PLAN OF FINANCE—The Refunding Plan—2010 Bonds.”

(8) This obligation is expected to be refunded from proceeds of the 2020B Bonds. See the caption “PLAN OF FINANCE—The Refunding Plan—2013 Bonds.”

(9) Reflects payments on portion of obligation that is attributable to the Wastewater System.

Source: District.

FINANCIAL INFORMATION OF THE DISTRICT

Historical Operating Results and Debt Service Coverage

The following table is a summary of operating results of the District for the last five Fiscal Years. These results have been derived from the Financial Statements and audited financial statements of the District for prior Fiscal Years but exclude certain non-cash items and include certain other adjustments. The table has not been reviewed or audited by the Auditor.
## EAST VALLEY WATER DISTRICT

**Historical Operating Results and Debt Service Coverage**

**Fiscal Year Ended June 30**

### OPERATING REVENUES:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020 <em>(5)</em></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Water department</strong></td>
<td>$21,426,136</td>
<td>$24,514,461</td>
<td>$26,872,033</td>
<td>$25,549,956</td>
<td></td>
</tr>
<tr>
<td><strong>Wastewater department</strong></td>
<td>11,597,946</td>
<td>12,934,088</td>
<td>13,419,092</td>
<td>13,759,342</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL OPERATING REVENUES</strong></td>
<td>$33,024,082</td>
<td>$37,448,549</td>
<td>$40,291,125</td>
<td>$39,309,298</td>
<td></td>
</tr>
</tbody>
</table>

### OPERATING EXPENSES:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020 <em>(5)</em></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Water department</strong></td>
<td>$15,048,582</td>
<td>$14,717,219</td>
<td>$16,134,461</td>
<td>$16,614,399</td>
<td></td>
</tr>
<tr>
<td><strong>Wastewater department</strong></td>
<td>10,463,081</td>
<td>11,064,894</td>
<td>12,817,762</td>
<td>12,603,440</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL OPERATING EXPENSES</strong></td>
<td>$25,511,663</td>
<td>$25,782,113</td>
<td>$28,952,223</td>
<td>$29,217,839</td>
<td></td>
</tr>
</tbody>
</table>

### OPERATING INCOME:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020 <em>(5)</em></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$7,512,419</strong></td>
<td>$11,666,436</td>
<td>$11,338,902</td>
<td>$10,091,459</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### NON-OPERATING REVENUES:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020 <em>(5)</em></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Water department</strong></td>
<td>$1,116,971</td>
<td>$2,758,831</td>
<td>$706,598</td>
<td>$1,521,126</td>
<td></td>
</tr>
<tr>
<td><strong>Wastewater department</strong></td>
<td>497,426</td>
<td>224,520</td>
<td>339,884</td>
<td>674,628</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL NON-OPERATING REVENUES</strong></td>
<td>$1,614,397</td>
<td>$2,983,351</td>
<td>$1,046,482</td>
<td>$2,195,754</td>
<td></td>
</tr>
</tbody>
</table>

### NET REVENUES:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020 <em>(5)</em></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$9,126,816</strong></td>
<td>$14,649,787</td>
<td>$12,385,384</td>
<td>$12,287,213</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### DEBT SERVICE:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020 <em>(5)</em></th>
</tr>
</thead>
<tbody>
<tr>
<td>2010 Installment Purchase Agreement</td>
<td>$2,588,688</td>
<td>$2,593,213</td>
<td>$2,584,738</td>
<td>$2,576,363</td>
<td></td>
</tr>
<tr>
<td>2010 State Contract <em>(4)</em></td>
<td>253,400</td>
<td>273,177</td>
<td>253,399</td>
<td>253,177</td>
<td></td>
</tr>
<tr>
<td>2013 Installment Purchase Agreement</td>
<td>585,125</td>
<td>585,125</td>
<td>585,125</td>
<td>585,125</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL DEBT SERVICE</strong></td>
<td>$3,427,213</td>
<td>$3,451,515</td>
<td>$3,423,262</td>
<td>$3,414,665</td>
<td></td>
</tr>
</tbody>
</table>

### NET REVENUES AVAILABLE AFTER DEBT SERVICE:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020 <em>(5)</em></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$5,699,603</strong></td>
<td>$11,198,272</td>
<td>$8,962,122</td>
<td>$8,872,548</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### COVERAGE:

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>2.66</td>
<td>4.24</td>
<td>3.62</td>
<td>3.60</td>
<td></td>
</tr>
</tbody>
</table>

---

*(1)* These numbers differ from the historical water sales revenues set forth under the caption “THE WATER SYSTEM OF THE DISTRICT—Historical Water Sales Revenues” because the above numbers include penalties and other revenues treated as operating revenues by the Auditor.

*(2)* The above amounts differ from historical Wastewater System service charge revenues set forth under the caption “THE WASTEWATER SYSTEM OF THE DISTRICT—Historical Wastewater System Service Charge Revenues” because the above amounts include gain on disposal of assets, miscellaneous revenues and other operating revenues.

*(3)* Includes connection fees, income from sale of assets, grants, settlement moneys and other miscellaneous revenues. Fiscal Year 2017 amount reflects [___].

*(4)* Also includes debt service on other contracts with the SWRCB which matured prior to the date of this Official Statement.

*(5)* Reflects estimated actual Fiscal Year 2020 results. Unaudited and subject to change.

Source: District.

### Projected Operating Results and Debt Service Coverage

The estimated projected operating results for the District for 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 on a variety of assumptions, including the assumptions set forth in the footnotes to the chart set forth below. See the captions “THE WATER SYSTEM OF THE DISTRICT—Projected Water System Operating Results and Debt Service Coverage” and “THE WASTEWATER SYSTEM OF THE DISTRICT—Projected Wastewater System Operating Results and Debt Service Coverage.” 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.
results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material. See the caption “CERTAIN RISKS TO BONDHOLDERS—Accuracy of Assumptions.”

### EAST VALLEY WATER DISTRICT

**Projected Operating Results and Debt Service Coverage**

**Fiscal Year Ending June 30**

<table>
<thead>
<tr>
<th></th>
<th>2021(1)</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING REVENUES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water department(2)</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
</tr>
<tr>
<td>Wastewater department(3)</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
</tr>
<tr>
<td><strong>TOTAL OPERATING REVENUES:</strong></td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water department(4)</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
</tr>
<tr>
<td>Wastewater department(5)</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
</tr>
<tr>
<td><strong>TOTAL OPERATING EXPENSES:</strong></td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
</tr>
<tr>
<td><strong>OPERATING INCOME:</strong></td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
</tr>
<tr>
<td><strong>NON-OPERATING REVENUES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water department</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
</tr>
<tr>
<td>Wastewater department</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
</tr>
<tr>
<td><strong>TOTAL NON-OPERATING REVENUES:</strong></td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
</tr>
<tr>
<td><strong>NET REVENUES:</strong></td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
</tr>
<tr>
<td><strong>DEBT SERVICE:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010 Installment Purchase Agreement(6)</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
</tr>
<tr>
<td>2010 State Contract(7)</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
</tr>
<tr>
<td>2013 Installment Purchase Agreement(8)</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
</tr>
<tr>
<td>2018 State Contract(7)</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
</tr>
<tr>
<td>2020A Bonds*</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
</tr>
<tr>
<td>2020B Bonds*</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
</tr>
<tr>
<td><strong>TOTAL DEBT SERVICE’:</strong></td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
</tr>
<tr>
<td><strong>NET REVENUES AVAILABLE AFTER DEBT SERVICE’:</strong></td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
</tr>
<tr>
<td><strong>COVERAGE’:</strong></td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
<td>$__</td>
</tr>
</tbody>
</table>

---

(1) Reflects Fiscal Year 2021 [adopted] budget. See the caption “THE DISTRICT—Budget Process.”

(2) Reflects District estimates of development within the District and adopted and projected water rate increases described under the caption “THE WATER SYSTEM OF THE DISTRICT—Water System Rates and Charges—General.” All water rate increases are subject to the notice, hearing and protest provisions of Proposition 218 described under the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.” There can be no assurance that the Board will adopt additional rate increases as currently projected.

(3) Reflects District estimates of development within the District and adopted and projected wastewater service rate increases described under the caption “THE WASTEWATER SYSTEM OF THE DISTRICT—Wastewater System Rates and Charges—General.” All water rate increases are subject to the notice, hearing and protest provisions of Proposition 218 described under the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.” There can be no assurance that the Board will adopt additional rate increases as currently projected.

(4) Projected to increase by approximately [__]% per annum.

(5) Reflects commencement of operations at the SNRC in Fiscal Year 20[22]. See the caption “THE WASTEWATER SYSTEM OF THE DISTRICT—Sterling Natural Resource Center.”

(6) This obligation is expected to be refunded from proceeds of the 2020A Bonds. See the caption “PLAN OF FINANCE—The Refunding Plan—2010 Bonds.”

(7) Reflects scheduled payments. See the caption “THE DISTRICT—Outstanding Parity Obligations.”
(8) This obligation is expected to be refunded from proceeds of the 2020B Bonds. See the caption “PLAN OF FINANCE—The Refunding Plan—2013 Bonds.”
Source: District.
EXHIBIT E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

Upon issuance of the 2020 Bonds, the District proposes to enter into a Continuing Disclosure Certificate in substantially the following form:

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the East Valley Water District (the “District”) in connection with the issuance of its $____ Refunding Revenue Bonds, Series 2020A and Series 2020B (Federally Taxable) (collectively, the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of ____ 1, 2020 (the “Indenture”), by and between MUFG Union Bank, N.A., as trustee, and the District. The District covenants and agrees as follows:

1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

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

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

   Beneficial Owner. The term “Beneficial Owner” means any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Bonds for federal income tax purposes.

   EMMA. The term “EMMA” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at http://emma.msrb.org/.

   Financial Obligation. The term “Financial Obligation” means a: (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B). The term “Financial Obligation” does not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

   Fiscal Year. The term “Fiscal Year” means the one-year period ending on the last day of June of each year.

   Holder. The term “Holder” means a registered owner of the Bonds.

   Listed Events. The term “Listed Events” means any of the events listed in Sections 5(a) and (b) of this Disclosure Certificate.


   Participating Underwriter. The term “Participating Underwriter” means any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

   Rule. The term “Rule” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.
3. **Provision of Annual Reports.**

(a) The District shall provide not later than January 1 following the end of its Fiscal Year (commencing with Fiscal Year 2020) to EMMA an Annual Report relating to the immediately preceding Fiscal Year which is consistent with the requirements of Section 4 of this Disclosure Certificate, which Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the District is unable to provide to EMMA an Annual Report by the date required in subsection (a), the District shall send to EMMA a notice in the manner prescribed by the Municipal Securities Rulemaking Board.

4. **Content of Annual Reports.** The Annual Report shall contain or incorporate by reference the following:

(a) The audited financial statements of the District and the Authority for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they come available.

(b) The principal amount of the Bonds outstanding.

(c) Balance in the reserve fund, if any, and a statement of the reserve requirement with respect thereto.

(d) An update of the information in the following tables under the caption “THE WATER SYSTEM OF THE DISTRICT”:

1. Historical Water Production in Acre Feet;
2. Historical Water Sales Revenues;
3. Largest Water System Customers; and
4. Historical Water System Operating Results and Debt Service Coverage.

(e) An update of the information in the following tables under the caption “THE WASTEWATER SYSTEM OF THE DISTRICT”:

1. Historical Wastewater System Connections;
2. Historical Wastewater System Service Charge Revenues;
3. Largest Wastewater System Customers; and
4. Historical Wastewater System Operating Results and Debt Service Coverage.

Any or all of the items described above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to EMMA; provided, that if any document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board; and provided further, that the District shall clearly identify each such document so included by reference.
5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) Business Days after the event:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;
5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701 TEB);
6. tender offers;
7. defeasances;
8. ratings changes;
9. bankruptcy, insolvency, receivership or similar proceedings;

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person; and

10. default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

(b) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. unless described in Section 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds;
2. modifications to the rights of Bond holders;
3. optional, unscheduled or contingent Bond redemptions;
4. release, substitution or sale of property securing repayment of the Bonds;
5. non-payment related defaults;
6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
7. appointment of a successor or additional trustee or the change of the name of a trustee; and

8. incurrence of a Financial Obligation of the District, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders.

(c) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the District shall file a notice of such occurrence with EMMA in a timely manner not more than ten (10) Business Days after the event.

6. Customarily Prepared and Public Information. Upon request, the District shall provide to any person financial information and operating data regarding the District which is customarily prepared by the District and is publicly available.

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

8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule.

9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall not thereby have any obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holders or Beneficial Owners of at least 50% aggregate principal amount of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

No Holder or Beneficial Owner of the Bonds may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the District satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: _____ __, 2020

EAST VALLEY WATER DISTRICT

By: ________________________________

Its: General Manager
EXHIBIT F

ESCROW AGREEMENT (2010 BONDS)

THIS ESCROW AGREEMENT (2010 BONDS), dated as of _____ 1, 2020 (the “Agreement”), by and among the East Valley Water District (the “District”), the East Valley Water District Financing Authority (the “Authority”) and MUFG Union Bank, N.A., as escrow agent (the “Escrow Agent”) and as 2010 Trustee (as such term is defined herein), is entered into in accordance with a resolution of the District adopted on _____ __, 2020, an Indenture of Trust, dated as of October 1, 2010 (the “2010 Indenture”), by and between the Authority and MUFG Union Bank, N.A., as trustee (the “2010 Trustee”), and an Installment Purchase Agreement, dated as of October 1, 2010 (the “2010 IPA”), by and between the District and the Authority. This Agreement is entered into to refund all of the outstanding East Valley Water District Financing Authority Refunding Revenue Bonds, Series 2010 (the “2010 Bonds”).

RECITALS

A. Pursuant to the 2010 Indenture, the Authority has previously issued the 2010 Bonds in the aggregate principal amount of $33,545,000, of which $21,635,000 is currently outstanding.

B. The 2010 Bonds are payable from installment payments made by the District to the Authority under the 2010 IPA.

C. The District has determined to issue its East Valley Water District Refunding Revenue Bonds, Series 2020A (the “2020A Bonds”), a portion of the proceeds of which will be applied to pay, on October 1, 2020 (the “Redemption Date”), the principal of the outstanding 2010 Bonds maturing on and after the Redemption Date, together with accrued interest thereon, without premium (the “Redemption Price”).

D. The District will irrevocably deposit moneys with the Escrow Agent, which moneys will be used to purchase the securities that are described on Schedule A (the “Federal Securities”) (as permitted by, in the manner prescribed by and all in accordance with the 2010 Indenture). Such Federal Securities satisfy the criteria set forth in Section 10.03 of the 2010 Indenture, and the principal of and interest on such Federal Securities when paid, together with other moneys contributed by the District, will provide funds which will be fully sufficient to pay and discharge the 2010 Bonds on the Redemption Date.

AGREEMENT

SECTION 1. Deposit of Moneys. The District will cause MUFG Union Bank, N.A., as trustee for the 2020A Bonds, to transfer a portion of the proceeds of the 2020A Bonds in the amount of $_____ on the date of issuance of the 2020A Bonds to the Escrow Agent for deposit in the Escrow Fund established hereunder. The Authority instructs the 2010 Trustee to transfer $_____ held in the Revenue Fund relating to the 2010 Bonds to the Escrow Agent for deposit in the below-defined Escrow Fund.

The Escrow Agent will hold such amounts in an irrevocable escrow separate and apart from other funds of the Authority, the District and the Escrow Agent in a fund hereby created and established
to be known as the “Escrow Fund” and to be applied solely as provided in this Agreement. The District represents that the sum of the amounts set forth above are at least equal to an amount that is sufficient to purchase the Federal Securities listed on Schedule A, and to hold $__ uninvested as cash.

SECTION 2. Investment of Moneys. The Escrow Agent acknowledges receipt of the moneys described in Section 1 and agrees immediately to invest $_____ of such moneys in the Federal Securities listed on Schedule A and to deposit such Federal Securities in the Escrow Fund. The Escrow Agent shall be entitled to rely conclusively upon the conclusion of Robert Thomas CPA, LLC, Overland Park, Kansas, that the Federal Securities listed on Schedule A mature and bear interest payable in such amounts and at such times as, together with cash on deposit in the Escrow Fund, will be sufficient to pay on the Redemption Date the Redemption Price of the outstanding 2010 Bonds maturing on and after the Redemption Date.

SECTION 3. Payment of 2010 Bonds.

(a) Payment. From the maturing principal of the Federal Securities and the investment income and other earnings thereon and other moneys on deposit in the Escrow Fund, the Escrow Agent shall pay, on the Redemption Date, the Redemption Price of the 2010 Bonds maturing on and after the Redemption Date, all as indicated on Schedule A.

(b) Irrevocable Instructions to Provide Notice. The notices that are required to be mailed pursuant to Section 4.03 and Article X of the 2010 Indenture are substantially in the forms attached hereto as Exhibits A and B. The District and the Authority hereby irrevocably instruct the 2010 Trustee to mail a notice of redemption and (on the date of issuance of the 2020A Bonds) a notice of defeasance of the 2010 Bonds to the parties that are described in and otherwise in accordance with Section 4.03 and Article X of the 2010 Indenture (and to file such notices with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access website), respectively, as required to provide for the redemption and defeasance of the 2010 Bonds in accordance with this Section 3.

(c) Unclaimed Moneys. Any moneys in the Escrow Fund which remain unclaimed after the Redemption Date shall be repaid by the Escrow Agent to the District.

(d) Priority of Payments. The owners of the 2010 Bonds shall have a first and exclusive lien on all moneys and securities in the Escrow Fund until such moneys and such securities are used and applied as provided in this Agreement.

(e) Termination of Obligation. As provided in the 2010 IPA and the 2010 Indenture, upon the deposit of moneys with the Escrow Agent in the Escrow Fund as set forth in Section 1: (i) interest on the 2010 Bonds shall cease to accrue, the 2010 Bonds shall cease to be entitled to any benefit or security under the 2010 Indenture and the owners of the 2010 Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof; (ii) the 2010 Indenture, the pledge of Authority Revenues and other assets made under the 2010 Indenture and all liability, covenants, agreements and other obligations of the Authority under the 2010 Indenture shall cease, terminate, become void and be completely discharged and satisfied; (iii) the owners of the 2010 Bonds shall thereafter be entitled only to payment out of money or securities deposited with the Escrow Agent; and (iv) the right, title and interest of the Authority in the 2010 IPA and the obligations of the District thereunder shall, with respect to all or such portion of the Installment Payments payable thereunder as have been so provided for, thereupon cease, terminate, become void and be completely discharged and satisfied (except as set forth in the 2010 IPA).
SECTION 4. Application of Certain Terms of the 2010 Indenture. All of the terms of the 2010 Indenture relating to the making of payments of principal of and interest with respect to the 2010 Bonds and relating to the exchange or transfer of the 2010 Bonds are incorporated into this Agreement by reference as if set forth in full herein. The procedures set forth in Article VIII of the 2010 Indenture relating to the resignation and removal and merger of the 2010 Trustee are also incorporated into this Agreement by reference as if set forth in full herein and shall be the procedures to be followed with respect to any resignation or removal of the Escrow Agent hereunder.

SECTION 5. Performance of Duties. The Escrow Agent agrees to perform only the duties that are set forth herein and shall have no responsibility to take any action or omit to take any action that is not set forth herein.

SECTION 6. Escrow Agent’s Authority to Make Investments. Except as provided in Section 2 hereof, the Escrow Agent shall have no power or duty to invest any funds that are held hereunder or to sell, transfer or otherwise dispose of the moneys or securities that are held hereunder.

SECTION 7. Indemnity. The District hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Agent and its respective successors, assigns, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by or asserted against the Escrow Agent at any time (whether or not also indemnified against the same by the District or any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Agreement, the establishment hereunder of the Escrow Fund, the acceptance of the funds and securities deposited therein, the retention of the proceeds thereof and any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this Agreement; provided, however, that the District shall not be required to indemnify the Escrow Agent against the Escrow Agent’s own negligence or willful misconduct. In no event shall the District or the Escrow Agent be liable to any person by reason of the transactions that are contemplated hereby other than to each other as set forth in this Section. The indemnities that are contained in this Section shall survive the termination of this Agreement and the resignation or removal of the Escrow Agent.

SECTION 8. Responsibilities of Escrow Agent. The Escrow Agent and its agents and servants shall not be held to any personal liability whatsoever, in tort, contract or otherwise, in connection with the execution and delivery of this Agreement, the establishment of the Escrow Fund, the acceptance of the moneys or securities deposited therein, the sufficiency of the moneys held in the Escrow Fund to pay the 2010 Bonds or any payment, transfer or other application of moneys or obligations by the Escrow Agent in accordance with the provisions of this Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Agent that is made in good faith in the conduct of its duties. The recitals of fact that are contained herein shall be taken as the statements of the District, and the Escrow Agent assumes no responsibility for the correctness thereof. The Escrow Agent makes no representation as to the sufficiency of the proceeds to accomplish the refunding of the 2010 Bonds or to the validity of this Agreement as to the District or the Authority and, except as otherwise provided herein, the Escrow Agent shall incur no liability in respect thereof. The Escrow Agent shall not be liable in connection with the performance of its duties under this Agreement except for its own negligence or willful misconduct, and the duties and obligations of the Escrow Agent shall be determined by the express provisions of this Agreement. In no event shall the
Escrow Agent be liable for any special, punitive, indirect or consequential damages. The Escrow Agent may consult with counsel of its selection, and in reliance upon the opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an officer of the District.

No provision of this Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers.

The Escrow Agent shall have the right to accept and act upon instructions, including funds transfer instructions (“Instructions”) given pursuant to this Agreement and delivered using Electronic Means (“Electronic Means” shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Escrow Agent, or another method or system specified by the Escrow Agent as available for use in connection with its services hereunder); provided, however, that the District shall provide to the Escrow Agent an incumbency certificate listing officers with the authority to provide such Instructions (“Authorized Officers”) and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the District whenever a person is to be added or deleted from the listing. If the District elects to give the Escrow Agent Instructions using Electronic Means and the Escrow Agent in its reasonable judgment elects to act upon such Instructions, the Escrow Agent’s understanding of such Instructions shall be deemed controlling. The District understands and agrees that the Escrow Agent cannot determine the identity of the actual sender of such Instructions and that the Escrow Agent shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Escrow Agent have been sent by such Authorized Officer. The District shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Escrow Agent and that the District and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the District. The Escrow Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Agent’s reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The District agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Escrow Agent, including without limitation the risk of the Escrow Agent acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that they are fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Escrow Agent and that there may be more secure methods of transmitting Instructions than the method(s) selected by the District; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Escrow Agent in writing immediately upon learning of any compromise or unauthorized use of the security procedures.

The Escrow Agent shall furnish the District with cash transaction statements which include detail for all investment transactions effected by the Escrow Agent or brokers selected by the District, provided that the Escrow Agent is not obligated to provide an accounting for any fund or account that: (a) has a balance of $0.00; and (b) has not had any activity since the last reporting date. Upon the District’s election, such statements will be delivered via the Escrow Agent’s online service and upon
selecting such service, paper statements will be provided only upon request. The District waives the
right to receive brokerage confirmations of security transactions effected by the Escrow Agent as they
occur, to the extent permitted by law. The District further understands that trade confirmations for
securities transactions effected by the Escrow Agent will be available upon request and at no additional
cost and other trade confirmations may be obtained from the applicable broker.

If the Escrow Agent learns that the Department of the Treasury or the Bureau of Public Debt
will not, for any reason, accept a subscription of Federal Securities that is to be submitted pursuant to
this Agreement, the Escrow Agent shall promptly request alternative written investment instructions
from the District with respect to escrowed funds which were to be invested in securities. The Escrow
Agent shall follow such instructions and, upon the maturity of any such alternative investment, the
Escrow Agent shall hold such funds uninvested and without liability for interest until receipt of further
written instructions from the District. In the absence of written investment instructions from the
District, the Escrow Agent shall hold funds uninvested. The Escrow Agent may conclusively rely upon
the District’s selection of an alternative investment as a determination of the alternative investment’s
legality and suitability and shall not be liable for any losses, fees, taxes or other charges related to the
alternative investments, reinvestments or liquidation of investments or for compliance with any yield
restriction applicable thereto.

The Escrow Agent may execute any of the powers hereunder or perform any duties hereunder
either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and
shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney,
custodian or nominee so appointed.

The Escrow Agent may conclusively rely, as to the trust and accuracy of the statements and
correctness of the opinions and the calculations provided to it in connection with this Agreement, and
shall be protected in acting, or refraining from acting, upon any written notice, instruction, request,
certificate, document or opinion furnished to the Escrow Agent in accordance with this Agreement and
reasonably believed by the Escrow Agent to have been signed or presented by the proper party, and it
need not investigate any facts or matter stated in such notice, instruction, request, certificate or opinion.

The liability of the Escrow Agent to make any payments under the Agreement shall be limited
to the funds in the Escrow Fund.

SECTION 9. Amendments. This Agreement is made for the benefit of the District, the
Authority and the owners from time to time of the 2010 Bonds and it shall not be repealed, revoked,
altered or amended without the written consent of all such owners, the Escrow Agent, the Authority
and the District; provided, however, that the District, the Authority and the Escrow Agent may, without
the consent of, or notice to, such owners, amend this Agreement or enter into such agreements
supplemental to this Agreement as shall not adversely affect the rights of such owners and as shall not
be inconsistent with the terms and provisions of this Agreement or the 2010 Indenture, for any one or
more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this
Agreement; (ii) to grant to, or confer upon, the Escrow Agent for the benefit of the owners of the 2010
Bonds any additional rights, remedies, powers or authority that may lawfully be granted to, or
conferred upon, such owners or the Escrow Agent; and (iii) to include under this Agreement additional
funds. The Escrow Agent shall be entitled to rely conclusively upon an unqualified opinion of
Stradling Yocca Carlson & Rauth, a Professional Authority, with respect to compliance with this
Agreement, including the extent, if any, to which any change, modification, addition or elimination
affects the rights of the owners of the various 2010 Bonds or that any instrument that is executed hereunder complies with the conditions and provisions of this Agreement.

SECTION 10. **Notice to Rating Agencies.** In the event that this agreement or any provision thereof is severed, amended or revoked, the Escrow Agent shall provide written notice of such severance, amendment or revocation to the rating agencies then rating the 2010 Bonds. The Escrow Agent makes this covenant as a matter of courtesy and accommodation only and shall not be liable to any person for any failure to comply therewith.

SECTION 11. **Term.** This Agreement shall commence upon its execution and delivery and shall terminate on the later to occur of either: (i) the date upon which the 2010 Bonds have been paid in accordance with this Agreement; or (ii) the date upon which no unclaimed moneys remain on deposit with the Escrow Agent pursuant to Section 3(c) of this Agreement. Funds remaining in the Escrow Fund after payment in full of the 2010 Bonds shall be transferred to the District.

SECTION 12. **Compensation.** The Escrow Agent shall receive its fees and expenses as previously agreed to in writing by the Escrow Agent and the District and any other reasonable fees and expenses of the Escrow Agent (including legal fees and expenses); provided, however, that under no circumstances shall the Escrow Agent be entitled to any lien or assert any lien whatsoever on any moneys or obligations in the Escrow Fund for the payment of fees and expenses for services that are rendered or expenses incurred by the Escrow Agent under this Agreement. The provisions of this Section shall survive the termination of this Agreement and the resignation or removal of the Escrow Agent.

SECTION 13. **Severability.** If any one or more of the covenants or agreements provided in this Agreement on the part of the District, the Authority or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void, shall be deemed separate from the remaining covenants and agreements contained herein and shall in no way affect the validity of the remaining provisions of this Agreement.

SECTION 14. **Counterparts.** This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as an original but all of which shall constitute and be but one and the same instrument. The exchange of copies of this Agreement and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of this Agreement as to the parties hereto and may be used in lieu of the original Agreement and signature pages for all purposes.

SECTION 15. **Governing Law.** THIS AGREEMENT SHALL BE CONSTRUED UNDER THE LAWS OF THE STATE OF CALIFORNIA.

SECTION 16. **Holidays.** If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Agreement, shall be a legal holiday or a day on which banking institutions in the city in which is located the office of the Escrow Agent are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day which is not a legal holiday or a day on which such banking institutions are authorized by law to remain closed, with the same force and effect as if done on the nominal date provided in this Agreement, and no interest shall accrue for the period from and after such nominal date.
SECTION 17. Assignment. This Agreement shall not be assigned by the Escrow Agent or any successor thereto without the prior written consent of the District and the Authority.

SECTION 18. Reorganization of Escrow Agent. Notwithstanding anything to the contrary contained in this Agreement, any company into which the Escrow Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which the Escrow Agent is a party, or any company to which the Escrow Agent may sell or transfer all or substantially all of its corporate trust business, shall be the successor to the Escrow Agent without execution or filing of any paper or any paper or further act, if such company is eligible to serve as Escrow Agent.

SECTION 19. Insufficient Funds. If at any time the Escrow Agent has actual knowledge that the moneys and investments in the Escrow Fund, including the anticipated proceeds thereof and earnings thereon, will not be sufficient to make all payments required by this Agreement, the Escrow Agent shall notify the District in writing of the amount thereof and the reason therefor to the extent known to it. The Escrow Agent shall have no responsibility regarding any such deficiency.

SECTION 20. Notices. Any notice to or demand upon the Escrow Agent may be served or presented, and such demand may be made, at the principal corporate trust office of the Escrow Agent at 445 South Figueroa Street, Suite 401, Los Angeles, California 90071, Attention: Corporate Trust, Reference: East Valley Water District, Series 2010, Fax: 213-972-5694, Email: LACT@unionbank.com. Any notice to or demand upon the District or the Authority shall be deemed to have been sufficiently given or served for all purposes by being sent by facsimile or other electronic transmission, overnight mail or courier or mailed by first class mail, and deposited, postage prepaid, in a post office letter box, addressed to the District or the Authority at 31111 Greenspot Road, Highland, California 92346, email: btompkings@eastvalley.org, Facsimile: (909) 888-6741 (or such other address as may have been filed in writing by the District or the Authority with the Escrow Agent).

SECTION 21. Electronic Signatures. The words “execution,” “signed,” “signature,” “delivery,” and words of like import in or relating to this Agreement or any document to be signed in connection with this Agreement shall be deemed to include electronic signatures, deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, and the parties hereto consent to conduct the transactions contemplated hereunder by electronic means. “Electronic signature” means any electronic sound, symbol or process attached to or logically associated with a record and executed and adopted by a party with the intent to sign such record, including facsimile or email electronic signatures.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the date first above written.

EAST VALLEY WATER DISTRICT

By: ________________________________
    Board President

ATTEST:

______________________________
Secretary, Board of Directors

EAST VALLEY WATER DISTRICT
FINANCING AUTHORITY

By: ________________________________
    Board President

ATTEST:

______________________________
Secretary, Board of Directors

MUFG UNION BANK, N.A.,
as Escrow Agent and 2010 Trustee

By: ________________________________
    Authorized Officer
Moneys deposited in the Escrow Fund shall be invested as follows:

<table>
<thead>
<tr>
<th>Security</th>
<th>Maturity</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>October 1, 2020</td>
<td>$</td>
<td>%</td>
</tr>
</tbody>
</table>

The escrow requirements for the 2010 Bonds are as follows:

<table>
<thead>
<tr>
<th>Period Ending</th>
<th>Principal Paid</th>
<th>Principal Redeemed</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 1, 2020</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>
NOTICE OF FULL OPTIONAL REDEMPTION

EAST VALLEY WATER DISTRICT FINANCING AUTHORITY
REFUNDING REVENUE BONDS, SERIES 2010

BASE CUSIP 275736

NOTICE IS HEREBY GIVEN to the owners of the above-captioned obligations (the “2010 Bonds”), which were issued pursuant to the Indenture of Trust, dated as of October 1, 2010 (the “2010 Indenture”), by and between the East Valley Water District Financing Authority (the “Authority”) and MUFG Union Bank, N.A., as trustee (the “2010 Trustee”), that 2010 Bonds in the amount of $19,985,000 have been called for redemption on October 1, 2020 (the “Redemption Date”). The 2010 Bonds were originally issued on October 28, 2010 and are described in the following table.

<table>
<thead>
<tr>
<th>CUSIP</th>
<th>Maturity (October 1)</th>
<th>Principal Amount</th>
<th>Rate</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>AK2</td>
<td>2020</td>
<td>$1,650,000</td>
<td>4.00%</td>
<td>100%</td>
</tr>
<tr>
<td>AL0</td>
<td>2021</td>
<td>1,030,000</td>
<td>4.00</td>
<td>100</td>
</tr>
<tr>
<td>AM8</td>
<td>2022</td>
<td>1,075,000</td>
<td>4.00</td>
<td>100</td>
</tr>
<tr>
<td>AN6</td>
<td>2023</td>
<td>1,120,000</td>
<td>4.00</td>
<td>100</td>
</tr>
<tr>
<td>AP1</td>
<td>2024</td>
<td>1,155,000</td>
<td>4.50</td>
<td>100</td>
</tr>
<tr>
<td>AU0</td>
<td>2025</td>
<td>700,000</td>
<td>4.00</td>
<td>100</td>
</tr>
<tr>
<td>AQ9</td>
<td>2026</td>
<td>730,000</td>
<td>4.00</td>
<td>100</td>
</tr>
<tr>
<td>AR7</td>
<td>2028</td>
<td>1,550,000</td>
<td>4.00</td>
<td>100</td>
</tr>
<tr>
<td>AS5</td>
<td>2030</td>
<td>1,675,000</td>
<td>4.00</td>
<td>100</td>
</tr>
<tr>
<td>AV8</td>
<td>2033</td>
<td>2,775,000</td>
<td>4.25</td>
<td>100</td>
</tr>
<tr>
<td>AT3</td>
<td>2040</td>
<td>8,175,000</td>
<td>5.00</td>
<td>100</td>
</tr>
</tbody>
</table>

The 2010 Bonds will be payable on the Redemption Date at a redemption price of 100% of the principal amount thereof, plus interest accrued through the Redemption Date, without premium (the “Redemption Price”). The Redemption Price of the 2010 Bonds will become due and payable on the Redemption Date. Interest with respect to the 2010 Bonds will cease to accrue and be payable from and after the Redemption Date, and such 2010 Bonds will be surrendered to the 2010 Trustee.

To receive payment on the Redemption Date, owners of the 2010 Bonds should present and to surrender said 2010 Bonds on the Redemption Date at the address of the 2010 Trustee set forth below:

MUFG Union Bank, N.A.
445 S. Figueroa Street, Suite 401
Los Angeles, CA 90071
Attention: Bond Redemptions

A form W-9 must be submitted with the 2010 Bonds. Failure to provide a completed form W-9 will result in 31% backup withholding pursuant to the Interest and Dividend Tax Compliance Act of 1983. Under the Jobs and Growth Tax Relief Reconciliation Act of 2003, 28% will be withheld if the tax identification number is not properly certified.
If the owner of any 2010 Bond fails to deliver such 2010 Bond to the 2010 Trustee on the Redemption Date, such 2010 Bond shall nevertheless be deemed redeemed on the Redemption Date and the owner of such 2010 Bond shall have no rights in respect thereof except to receive payment of the Redemption Price from funds held by the 2010 Trustee for such payment.

Note: The Authority and the 2010 Trustee shall not be responsible for the selection or use of the CUSIP numbers selected, nor is any representation made as to their correctness in the notice or as printed on any 2010 Bond. They are included solely for the convenience of the holders.

MUFG UNION BANK, N.A., as 2010 Trustee

September 1, 2020
EXHIBIT B

NOTICE OF DEFEASANCE

EAST VALLEY WATER DISTRICT FINANCING AUTHORITY
REFUNDING REVENUE BONDS, SERIES 2010

BASE CUSIP 275736

NOTICE IS HEREBY GIVEN to the owners of the above-captioned obligations (the “2010 Bonds”) which were issued pursuant to the Indenture of Trust, dated as of October 1, 2010 (the “2010 Indenture”), by and between the East Valley Water District Financing Authority (the “Authority”) and MUFG Union Bank, N.A., as trustee (the “2010 Trustee”), that the East Valley Water District (the “District”) has deposited with MUFG Union Bank, N.A., as escrow agent (the “Escrow Agent”), cash and federal securities, the principal of and interest on which when paid will provide moneys sufficient to pay on October 1, 2020 the principal of all outstanding 2010 Bonds maturing on and after such date, plus accrued interest thereon, without premium. The 2010 Bonds were originally issued on October 28, 2010 and are described in the following table.

<table>
<thead>
<tr>
<th>CUSIP</th>
<th>Maturity (October 1)</th>
<th>Principal Amount</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>AK2</td>
<td>2020</td>
<td>$1,650,000</td>
<td>4.00%</td>
</tr>
<tr>
<td>AL0</td>
<td>2021</td>
<td>1,030,000</td>
<td>4.00</td>
</tr>
<tr>
<td>AM8</td>
<td>2022</td>
<td>1,075,000</td>
<td>4.00</td>
</tr>
<tr>
<td>AN6</td>
<td>2023</td>
<td>1,120,000</td>
<td>4.00</td>
</tr>
<tr>
<td>AP1</td>
<td>2024</td>
<td>1,155,000</td>
<td>4.50</td>
</tr>
<tr>
<td>AU0</td>
<td>2025</td>
<td>700,000</td>
<td>4.00</td>
</tr>
<tr>
<td>AQ9</td>
<td>2026</td>
<td>730,000</td>
<td>4.00</td>
</tr>
<tr>
<td>AR7</td>
<td>2028</td>
<td>1,550,000</td>
<td>4.00</td>
</tr>
<tr>
<td>AS5</td>
<td>2030</td>
<td>1,675,000</td>
<td>4.00</td>
</tr>
<tr>
<td>AV8</td>
<td>2033</td>
<td>2,775,000</td>
<td>4.25</td>
</tr>
<tr>
<td>AT3</td>
<td>2040</td>
<td>8,175,000</td>
<td>5.00</td>
</tr>
</tbody>
</table>

In accordance with the 2010 Indenture and the Installment Purchase Agreement, dated as of October 1, 2010 (the “2010 IPA”), by and between the Authority and the District: (i) interest on the 2010 Bonds has ceased to accrue, the 2010 Bonds have ceased to be entitled to any benefit or security under the 2010 Indenture and the owners of the 2010 Bonds have no rights in respect thereof except to receive payment of the redemption price thereof; (ii) the 2010 Indenture, the pledge of Authority Revenues and other assets made under the 2010 Indenture and all liability, covenants, agreements and other obligations of the Authority under the 2010 Indenture have ceased, terminated, become void and been completely discharged and satisfied; (iii) the owners of the 2010 Bonds are entitled only to payment out of money or securities deposited with the Escrow Agent; (iv) the right, title and interest of the Authority in the 2010 IPA and the obligations of the District thereunder have, with respect to all or such portion of the Installment Payments payable thereunder as have been so provided for, thereupon ceased, terminated, become void and been completely discharged and satisfied (except as set forth in the 2010 IPA); and (v) all obligations of the District under the Continuing Disclosure Certificate of the District, dated October 28, 2010, relating to the 2010 Bonds have terminated.
No representation is made as to the correctness of the CUSIP number either as printed on any 2010 Bond or as contained herein and any error in the CUSIP number shall not affect the validity of the proceedings for redemption of the 2010 Bonds.

MUFG UNION BANK, N.A., as 2010 Trustee

______, 2020
EXHIBIT G

ESCROW AGREEMENT (2013A BONDS)

THIS ESCROW AGREEMENT (2013A BONDS), dated as of _____ 1, 2020 (the “Agreement”), by and among the East Valley Water District (the “District”), the East Valley Water District Financing Authority (the “Authority”) and MUFG Union Bank, N.A., as escrow agent (the “Escrow Agent”) and as 2013A Trustee (as such term is defined herein), is entered into in accordance with a resolution of the District adopted on _____, 2020, an Indenture of Trust, dated as of June 1, 2013 (the “2013A Indenture”), by and between the Authority and MUFG Union Bank, N.A., as trustee (the “2013A Trustee”), and an Installment Purchase Agreement, dated as of June 1, 2013 (the “2013A IPA”), by and between the District and the Authority. This Agreement is entered into to refund all of the outstanding East Valley Water District Financing Authority Revenue Bonds, Series 2013A (the “2013A Bonds”).

RECITALS

A. Pursuant to the 2013A Indenture, the Authority has previously issued the 2013A Bonds in the aggregate principal amount of $12,085,000, all of which is currently outstanding.

B. The 2013A Bonds are payable from installment payments made by the District to the Authority under the 2013A IPA.

C. The District has determined to issue its East Valley Water District Refunding Revenue Bonds, Series 2020B (Federally Taxable) (the “2020B Bonds”), a portion of the proceeds of which will be applied to pay: (i) the regularly scheduled payments of principal of and interest on the 2013A Bonds through April 1, 2023 (the “Redemption Date”); and (ii) on the Redemption Date, the principal of the 2013A Bonds maturing after the Redemption Date, together with accrued interest thereon to the Redemption Date, without premium (the “Redemption Price”).

D. The District will irrevocably deposit moneys with the Escrow Agent, which moneys will be used to purchase the securities that are described on Schedule A (the “Federal Securities”) (as permitted by, in the manner prescribed by and all in accordance with the 2013A Indenture). Such Federal Securities satisfy the criteria set forth in Section 10.03 of the 2013A Indenture, and the principal of and interest on such Federal Securities when paid, together with other moneys contributed by the District, will provide funds which will be fully sufficient to pay the principal of and interest on the 2013A Bonds prior to the Redemption Date and to pay and discharge the 2013A Bonds on the Redemption Date.

AGREEMENT

SECTION 1. Deposit of Moneys. The District will cause MUFG Union Bank, N.A., as trustee for the 2020B Bonds, to transfer a portion of the proceeds of the 2020B Bonds in the amount of $_____ on the date of issuance of the 2020B Bonds to the Escrow Agent for deposit in the Escrow Fund established hereunder. The Authority instructs the 2013A Trustee to transfer $_____ held in the Revenue Fund relating to the 2013A Bonds to the Escrow Agent for deposit in the below-defined Escrow Fund.
The Escrow Agent will hold such amounts in an irrevocable escrow separate and apart from other funds of the Authority, the District and the Escrow Agent in a fund hereby created and established to be known as the “Escrow Fund” and to be applied solely as provided in this Agreement. The District represents that the sum of the amounts set forth above are at least equal to an amount that is sufficient to purchase the Federal Securities listed on Schedule A, and to hold $__ uninvested as cash.

SECTION 2. Investment of Moneys. The Escrow Agent acknowledges receipt of the moneys described in Section 1 and agrees immediately to invest $____ of such moneys in the Federal Securities listed on Schedule A and to deposit such Federal Securities in the Escrow Fund. The Escrow Agent shall be entitled to rely conclusively upon the conclusion of Robert Thomas CPA, LLC, Overland Park, Kansas, that the Federal Securities listed on Schedule A mature and bear interest payable in such amounts and at such times as, together with cash on deposit in the Escrow Fund, will be sufficient to pay: (i) the regularly scheduled payments of principal of and interest on the 2013A Bonds through the Redemption Date; and (ii) on the Redemption Date, the Redemption Price of the 2013A Bonds maturing after the Redemption Date.

SECTION 3. Payment of 2013A Bonds.

(a) Payment. From the maturing principal of the Federal Securities and the investment income and other earnings thereon and other moneys on deposit in the Escrow Fund, the Escrow Agent shall pay: (i) the regularly scheduled payments of principal of and interest on the 2013A Bonds through the Redemption Date; and (ii) on the Redemption Date, the Redemption Price of the 2013A Bonds maturing after the Redemption Date, all as indicated on Schedule A.

(b) Irrevocable Instructions to Provide Notice. The notices that are required to be mailed pursuant to Section 4.03 and Article X of the 2013A Indenture are substantially in the forms attached hereto as Exhibits A and B. The District and the Authority hereby irrevocably instruct the 2013A Trustee to mail a notice of redemption and (on the date of issuance of the 2020B Bonds) a notice of defeasance of the 2013A Bonds to the parties that are described in and otherwise in accordance with Section 4.03 and Article X of the 2013A Indenture (and to file such notices with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access website), respectively, as required to provide for the redemption and defeasance of the 2013A Bonds in accordance with this Section 3.

(c) Unclaimed Moneys. Any moneys in the Escrow Fund which remain unclaimed after the Redemption Date shall be repaid by the Escrow Agent to the District.

(d) Priority of Payments. The owners of the 2013A Bonds shall have a first and exclusive lien on all moneys and securities in the Escrow Fund until such moneys and such securities are used and applied as provided in this Agreement.

(e) Termination of Obligation. As provided in the 2013A IPA and the 2013A Indenture, upon the deposit of moneys with the Escrow Agent in the Escrow Fund as set forth in Section 1: (i) the 2013A Bonds shall cease to be entitled to any benefit or security under the 2013A Indenture; (ii) the 2013A Indenture, the pledge of Authority Revenues and other assets made under the 2013A Indenture and all liability, covenants, agreements and other obligations of the Authority under the 2013A Indenture shall cease, terminate, become void and be completely discharged and satisfied; (iii) the owners of the 2013A Bonds shall thereafter be entitled only to payment out of money or securities deposited with the Escrow Agent; and (iv) the right, title and interest of the Authority in the
2013A IPA and the obligations of the District thereunder shall, with respect to all or such portion of
the Installment Payments payable thereunder as have been so provided for, thereupon cease, terminate,
become void and be completely discharged and satisfied (except as set forth in the 2013A IPA).

SECTION 4. Application of Certain Terms of the 2013A Indenture. All of the terms of the
2013A Indenture relating to the making of payments of principal of and interest with respect to the
2013A Bonds and relating to the exchange or transfer of the 2013A Bonds are incorporated into this
Agreement by reference as if set forth in full herein. The procedures set forth in Article VIII of the
2013A Indenture relating to the resignation and removal and merger of the 2013A Trustee are also
incorporated into this Agreement by reference as if set forth in full herein and shall be the procedures
to be followed with respect to any resignation or removal of the Escrow Agent hereunder.

SECTION 5. Performance of Duties. The Escrow Agent agrees to perform only the duties
that are set forth herein and shall have no responsibility to take any action or omit to take any action
that is not set forth herein.

SECTION 6. Escrow Agent’s Authority to Make Investments. Except as provided in
Section 2 hereof, the Escrow Agent shall have no power or duty to invest any funds that are held
hereunder or to sell, transfer or otherwise dispose of the moneys or securities that are held hereunder.

SECTION 7. Indemnity. The District hereby assumes liability for, and hereby agrees
(whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect,
save and keep harmless the Escrow Agent and its respective successors, assigns, agents, employees
and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims,
actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements)
of whatsoever kind and nature which may be imposed on, incurred by or asserted against the Escrow
Agent at any time (whether or not also indemnified against the same by the District or any other person
under any other agreement or instrument, but without double indemnity) in any way relating to or
arising out of the execution, delivery and performance of this Agreement, the establishment hereunder
of the Escrow Fund, the acceptance of the funds and securities deposited therein, the retention of the
proceeds thereof and any payment, transfer or other application of moneys or securities by the Escrow
Agent in accordance with the provisions of this Agreement; provided, however, that the District shall
not be required to indemnify the Escrow Agent against the Escrow Agent’s own negligence or willful
misconduct. In no event shall the District or the Escrow Agent be liable to any person by reason of the
transactions that are contemplated hereby other than to each other as set forth in this Section. The
indemnities that are contained in this Section shall survive the termination of this Agreement and the
resignation or removal of the Escrow Agent.

SECTION 8. Responsibilities of Escrow Agent. The Escrow Agent and its agents and
servants shall not be held to any personal liability whatsoever, in tort, contract or otherwise, in
connection with the execution and delivery of this Agreement, the establishment of the Escrow Fund,
the acceptance of the moneys or securities deposited therein, the sufficiency of the moneys held in the
Escrow Fund to pay the 2013A Bonds or any payment, transfer or other application of moneys or
obligations by the Escrow Agent in accordance with the provisions of this Agreement or by reason of
any non-negligent act, non-negligent omission or non-negligent error of the Escrow Agent that is made
in good faith in the conduct of its duties. The recitals of fact that are contained herein shall be taken
as the statements of the District, and the Escrow Agent assumes no responsibility for the correctness
thereof. The Escrow Agent makes no representation as to the sufficiency of the proceeds to accomplish
the refunding of the 2013A Bonds or to the validity of this Agreement as to the District or the Authority
and, except as otherwise provided herein, the Escrow Agent shall incur no liability in respect thereof. The Escrow Agent shall not be liable in connection with the performance of its duties under this Agreement except for its own negligence or willful misconduct, and the duties and obligations of the Escrow Agent shall be determined by the express provisions of this Agreement. In no event shall the Escrow Agent be liable for any special, punitive, indirect or consequential damages. The Escrow Agent may consult with counsel of its selection, and in reliance upon the opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an officer of the District.

No provision of this Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers.

The Escrow Agent shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Agreement and delivered using Electronic Means ("Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Escrow Agent, or another method or system specified by the Escrow Agent as available for use in connection with its services hereunder); provided, however, that the District shall provide to the Escrow Agent an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the District whenever a person is to be added or deleted from the listing. If the District elects to give the Escrow Agent Instructions using Electronic Means and the Escrow Agent in its reasonable judgment elects to act upon such Instructions, the Escrow Agent’s understanding of such Instructions shall be deemed controlling. The District understands and agrees that the Escrow Agent cannot determine the identity of the actual sender of such Instructions and that the Escrow Agent shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Escrow Agent have been sent by such Authorized Officer. The District shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Escrow Agent and that the District and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the District. The Escrow Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Agent’s reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The District agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Escrow Agent, including without limitation the risk of the Escrow Agent acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that they are fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Escrow Agent and that there may be more secure methods of transmitting Instructions than the method(s) selected by the District; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Escrow Agent in writing immediately upon learning of any compromise or unauthorized use of the security procedures.
The Escrow Agent shall furnish the District with cash transaction statements which include detail for all investment transactions effected by the Escrow Agent or brokers selected by the District, provided that the Escrow Agent is not obligated to provide an accounting for any fund or account that: (a) has a balance of $0.00; and (b) has not had any activity since the last reporting date. Upon the District’s election, such statements will be delivered via the Escrow Agent’s online service and upon electing such service, paper statements will be provided only upon request. The District waives the right to receive brokerage confirmations of security transactions effected by the Escrow Agent as they occur, to the extent permitted by law. The District further understands that trade confirmations for securities transactions effected by the Escrow Agent will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

If the Escrow Agent learns that the Department of the Treasury or the Bureau of Public Debt will not, for any reason, accept a subscription of Federal Securities that is to be submitted pursuant to this Agreement, the Escrow Agent shall promptly request alternative written investment instructions from the District with respect to escrowed funds which were to be invested in securities. The Escrow Agent shall follow such instructions and, upon the maturity of any such alternative investment, the Escrow Agent shall hold such funds uninvested and without liability for interest until receipt of further written instructions from the District. In the absence of written investment instructions from the District, the Escrow Agent shall hold funds uninvested. The Escrow Agent may conclusively rely upon the District’s selection of an alternative investment as a determination of the alternative investment’s legality and suitability and shall not be liable for any losses, fees, taxes or other charges related to the alternative investments, reinvestments or liquidation of investments or for compliance with any yield restriction applicable thereto.

The Escrow Agent may conclusively rely, as to the trust and accuracy of the statements and correctness of the opinions and the calculations provided to it in connection with this Agreement, and shall be protected in acting, or refraining from acting, upon any written notice, instruction, request, certificate, document or opinion furnished to the Escrow Agent in accordance with this Agreement and reasonably believed by the Escrow Agent to have been signed or presented by the proper party, and it need not investigate any facts or matter stated in such notice, instruction, request, certificate or opinion.

The liability of the Escrow Agent to make any payments under the Agreement shall be limited to the funds in the Escrow Fund.

SECTION 9. Amendments. This Agreement is made for the benefit of the District, the Authority and the owners from time to time of the 2013A Bonds and it shall not be repealed, revoked, altered or amended without the written consent of all such owners, the Escrow Agent, the Authority and the District; provided, however, that the District, the Authority and the Escrow Agent may, without the consent of, or notice to, such owners, amend this Agreement or enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such owners and as shall not be inconsistent with the terms and provisions of this Agreement or the 2013A Indenture, for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Agreement; (ii) to grant to, or confer upon, the Escrow Agent for the benefit of the owners of the 2013A Bonds any additional rights, remedies, powers or authority that may lawfully be granted to, or
conferred upon, such owners or the Escrow Agent; and (iii) to include under this Agreement additional funds. The Escrow Agent shall be entitled to rely conclusively upon an unqualified opinion of Stradling Yocca Carlson & Rauth, a Professional Authority, with respect to compliance with this Agreement, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the owners of the various 2013A Bonds or that any instrument that is executed hereunder complies with the conditions and provisions of this Agreement.

SECTION 10. Notice to Rating Agencies. In the event that this agreement or any provision thereof is severed, amended or revoked, the Escrow Agent shall provide written notice of such severance, amendment or revocation to the rating agencies then rating the 2013A Bonds. The Escrow Agent makes this covenant as a matter of courtesy and accommodation only and shall not be liable to any person for any failure to comply therewith.

SECTION 11. Term. This Agreement shall commence upon its execution and delivery and shall terminate on the later to occur of either: (i) the date upon which the 2013A Bonds have been paid in accordance with this Agreement; or (ii) the date upon which no unclaimed moneys remain on deposit with the Escrow Agent pursuant to Section 3(c) of this Agreement. Funds remaining in the Escrow Fund after payment in full of the 2013A Bonds shall be transferred to the District.

SECTION 12. Compensation. The Escrow Agent shall receive its fees and expenses as previously agreed to in writing by the Escrow Agent and the District and any other reasonable fees and expenses of the Escrow Agent (including legal fees and expenses); provided, however, that under no circumstances shall the Escrow Agent be entitled to any lien or assert any lien whatsoever on any moneys or obligations in the Escrow Fund for the payment of fees and expenses for services that are rendered or expenses incurred by the Escrow Agent under this Agreement. The provisions of this Section shall survive the termination of this Agreement and the resignation or removal of the Escrow Agent.

SECTION 13. Severability. If any one or more of the covenants or agreements provided in this Agreement on the part of the District, the Authority or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void, shall be deemed separate from the remaining covenants and agreements contained herein and shall in no way affect the validity of the remaining provisions of this Agreement.

SECTION 14. Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as an original but all of which shall constitute and be but one and the same instrument. The exchange of copies of this Agreement and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of this Agreement as to the parties hereto and may be used in lieu of the original Agreement and signature pages for all purposes.

SECTION 15. Governing Law. THIS AGREEMENT SHALL BE CONSTRUED UNDER THE LAWS OF THE STATE OF CALIFORNIA.

SECTION 16. Holidays. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Agreement, shall be a legal holiday or a day on which banking institutions in the city in which is located the office of the Escrow Agent are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day which is not a legal holiday or a day on which such banking institutions are
authorized by law to remain closed, with the same force and effect as if done on the nominal date provided in this Agreement, and no interest shall accrue for the period from and after such nominal date.

SECTION 17. **Assignment.** This Agreement shall not be assigned by the Escrow Agent or any successor thereto without the prior written consent of the District and the Authority.

SECTION 18. **Reorganization of Escrow Agent.** Notwithstanding anything to the contrary contained in this Agreement, any company into which the Escrow Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which the Escrow Agent is a party, or any company to which the Escrow Agent may sell or transfer all or substantially all of its corporate trust business, shall be the successor to the Escrow Agent without execution or filing of any paper or any paper or further act, if such company is eligible to serve as Escrow Agent.

SECTION 19. **Insufficient Funds.** If at any time the Escrow Agent has actual knowledge that the moneys and investments in the Escrow Fund, including the anticipated proceeds thereof and earnings thereon, will not be sufficient to make all payments required by this Agreement, the Escrow Agent shall notify the District in writing of the amount thereof and the reason therefor to the extent known to it. The Escrow Agent shall have no responsibility regarding any such deficiency.

SECTION 20. **Notices.** Any notice to or demand upon the Escrow Agent may be served or presented, and such demand may be made, at the principal corporate trust office of the Escrow Agent at 445 South Figueroa Street, Suite 401, Los Angeles, California 90071, Attention: Corporate Trust, Reference: East Valley Water District, Series 2013A, Fax: 213-972-5694, Email: LACT@unionbank.com. Any notice to or demand upon the District or the Authority shall be deemed to have been sufficiently given or served for all purposes by being sent by facsimile or other electronic transmission, overnight mail or courier or mailed by first class mail, and deposited, postage prepaid, in a post office letter box, addressed to the District or the Authority at 31111 Greenspot Road, Highland, California 92346, email: btompkins@eastvalley.org, Facsimile: (909) 888-6741 (or such other address as may have been filed in writing by the District or the Authority with the Escrow Agent).

SECTION 21. **Electronic Signatures.** The words “execution,” “signed,” “signature,” “delivery,” and words of like import in or relating to this Agreement or any document to be signed in connection with this Agreement shall be deemed to include electronic signatures, deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, and the parties hereto consent to conduct the transactions contemplated hereunder by electronic means. **Electronic signature** means any electronic sound, symbol or process attached to or logically associated with a record and executed and adopted by a party with the intent to sign such record, including facsimile or email electronic signatures.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the date first above written.

EAST VALLEY WATER DISTRICT

By: ________________________________
    Board President

ATTEST:

______________________________
Secretary, Board of Directors

EAST VALLEY WATER DISTRICT
FINANCING AUTHORITY

By: ________________________________
    Board President

ATTEST:

______________________________
Secretary, Board of Directors

MUFG UNION BANK, N.A.,
as Escrow Agent and 2013 Trustee

By: ________________________________
    Authorized Officer
Moneys deposited in the Escrow Fund shall be invested as follows:

<table>
<thead>
<tr>
<th>Security</th>
<th>Maturity</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>October 1, 2020</td>
<td>$</td>
<td>%</td>
</tr>
<tr>
<td></td>
<td>April 1, 2021</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>October 1, 2021</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>April 1, 2022</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>October 1, 2022</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>April 1, 2023</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The escrow requirements for the 2013A Bonds are as follows:

<table>
<thead>
<tr>
<th>Period Ending</th>
<th>Principal Paid</th>
<th>Principal Redeemed</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 1, 2020</td>
<td>$</td>
<td>$</td>
<td></td>
<td>$</td>
</tr>
<tr>
<td>April 1, 2021</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>October 1, 2021</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>April 1, 2022</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>October 1, 2022</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>April 1, 2023</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
EXHIBIT A

NOTICE OF FULL OPTIONAL REDEMPTION

EAST VALLEY WATER DISTRICT FINANCING AUTHORITY
REVENUE BONDS, SERIES 2013A

BASE CUSIP 275736

NOTICE IS HEREBY GIVEN to the owners of the above-captioned obligations (the “2013A Bonds”), which were issued pursuant to the Indenture of Trust, dated as of June 1, 2013 (the “2013A Indenture”), by and between the East Valley Water District Financing Authority (the “Authority”) and MUFG Union Bank, N.A., as trustee (the “2013A Trustee”), that 2013A Bonds in the amount of $11,870,000 have been called for redemption on April 1, 2023 (the “Redemption Date”). The 2013A Bonds were originally issued on June 19, 2013 and are described in the following table.

<table>
<thead>
<tr>
<th>CUSIP</th>
<th>Maturity (October 1)</th>
<th>Principal Amount</th>
<th>Rate</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>AY2</td>
<td>2023</td>
<td>115,000</td>
<td>5.00%</td>
<td>100%</td>
</tr>
<tr>
<td>AZ9</td>
<td>2024</td>
<td>120,000</td>
<td>5.00%</td>
<td>100</td>
</tr>
<tr>
<td>BA3</td>
<td>2025</td>
<td>225,000</td>
<td>5.00%</td>
<td>100</td>
</tr>
<tr>
<td>BB1</td>
<td>2026</td>
<td>240,000</td>
<td>5.00%</td>
<td>100</td>
</tr>
<tr>
<td>BC9</td>
<td>2027</td>
<td>250,000</td>
<td>5.00%</td>
<td>100</td>
</tr>
<tr>
<td>BD7</td>
<td>2028</td>
<td>260,000</td>
<td>5.00%</td>
<td>100</td>
</tr>
<tr>
<td>BE5</td>
<td>2029</td>
<td>275,000</td>
<td>5.00%</td>
<td>100</td>
</tr>
<tr>
<td>BH8</td>
<td>2033</td>
<td>1,230,000</td>
<td>4.00%</td>
<td>100</td>
</tr>
<tr>
<td>BF2</td>
<td>2038</td>
<td>1,035,000</td>
<td>5.00%</td>
<td>100</td>
</tr>
<tr>
<td>BJ4</td>
<td>2038</td>
<td>910,000</td>
<td>4.25%</td>
<td>100</td>
</tr>
<tr>
<td>BG0</td>
<td>2043</td>
<td>7,210,000</td>
<td>5.00%</td>
<td>100</td>
</tr>
</tbody>
</table>

The 2013A Bonds will be payable on the Redemption Date at a redemption price of 100% of the principal amount thereof, plus interest accrued through the Redemption Date, without premium (the “Redemption Price”). The Redemption Price of the 2013A Bonds will become due and payable on the Redemption Date. Interest with respect to the 2013A Bonds will cease to accrue and be payable from and after the Redemption Date, and such 2013A Bonds will be surrendered to the 2013A Trustee.

To receive payment on the Redemption Date, owners of the 2013A Bonds should present and to surrender said 2013A Bonds on the Redemption Date at the address of the 2013A Trustee set forth below:

MUFG Union Bank, N.A.
445 S. Figueroa Street, Suite 401
Los Angeles, CA 90071
Attention: Bond Redemptions

A form W-9 must be submitted with the 2013A Bonds. Failure to provide a completed form W-9 will result in 31% backup withholding pursuant to the Interest and Dividend Tax Compliance Act of 1983. Under the Jobs and Growth Tax Relief Reconciliation Act of 2003, 28% will be withheld if the tax identification number is not properly certified.

Exhibit A-1
If the owner of any 2013A Bond fails to deliver such 2013A Bond to the 2013A Trustee on the Redemption Date, such 2013A Bond shall nevertheless be deemed redeemed on the Redemption Date and the owner of such 2013A Bond shall have no rights in respect thereof except to receive payment of the Redemption Price from funds held by the 2013A Trustee for such payment.

Note: The Authority and the 2013A Trustee shall not be responsible for the selection or use of the CUSIP numbers selected, nor is any representation made as to their correctness in the notice or as printed on any 2013A Bond. They are included solely for the convenience of the holders.

MUFG UNION BANK, N.A., as 2013A Trustee

March 1, 2023
EXHIBIT B
NOTICE OF DEFEASANCE

EAST VALLEY WATER DISTRICT FINANCING AUTHORITY
REVENUE BONDS, SERIES 2013A
BASE CUSIP 275736

NOTICE IS HEREBY GIVEN to the owners of the above-captioned obligations (the “2013A Bonds”) which were issued pursuant to the Indenture of Trust, dated as of June 1, 2013 (the “2013A Indenture”), by and between the East Valley Water District Financing Authority (the “Authority”) and MUFG Union Bank, N.A., as trustee (the “2013A Trustee”), that the East Valley Water District (the “District”) has deposited with MUFG Union Bank, N.A., as escrow agent (the “Escrow Agent”), cash and federal securities, the principal of and interest on which when paid will provide moneys sufficient to pay: (i) the regularly scheduled payments of principal of and interest on the 2013A Bonds through April 1, 2023 (the “Redemption Date”); and (ii) on the Redemption Date, the principal of the 2013A Bonds maturing after the Redemption Date, plus accrued interest thereon to the Redemption Date, without premium. The 2013A Bonds were originally issued on June 19, 2013 and are described in the following table.

<table>
<thead>
<tr>
<th>CUSIP</th>
<th>Maturity (October 1)</th>
<th>Principal Amount</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>AW6</td>
<td>2021</td>
<td>$105,000</td>
<td>5.000%</td>
</tr>
<tr>
<td>AX4</td>
<td>2022</td>
<td>110,000</td>
<td>5.000</td>
</tr>
<tr>
<td>AY2</td>
<td>2023</td>
<td>115,000</td>
<td>5.000</td>
</tr>
<tr>
<td>AZ9</td>
<td>2024</td>
<td>120,000</td>
<td>5.000</td>
</tr>
<tr>
<td>BA3</td>
<td>2025</td>
<td>225,000</td>
<td>5.000</td>
</tr>
<tr>
<td>BB1</td>
<td>2026</td>
<td>240,000</td>
<td>5.000</td>
</tr>
<tr>
<td>BC9</td>
<td>2027</td>
<td>250,000</td>
<td>5.000</td>
</tr>
<tr>
<td>BD7</td>
<td>2028</td>
<td>260,000</td>
<td>5.000</td>
</tr>
<tr>
<td>BE5</td>
<td>2029</td>
<td>275,000</td>
<td>5.000</td>
</tr>
<tr>
<td>BH8</td>
<td>2033</td>
<td>1,230,000</td>
<td>4.000</td>
</tr>
<tr>
<td>BF2</td>
<td>2038</td>
<td>1,035,000</td>
<td>5.000</td>
</tr>
<tr>
<td>BJ4</td>
<td>2038</td>
<td>910,000</td>
<td>4.250</td>
</tr>
<tr>
<td>BG0</td>
<td>2043</td>
<td>7,210,000</td>
<td>5.000</td>
</tr>
</tbody>
</table>

In accordance with the 2013A Indenture and the Installment Purchase Agreement, dated as of June 1, 2013 (the “2013A IPA”), by and between the Authority and the District: (i) the 2013A Bonds have ceased to be entitled to any benefit or security under the 2013A Indenture; (ii) the 2013A Indenture, the pledge of Authority Revenues and other assets made under the 2013A Indenture and all liability, covenants, agreements and other obligations of the Authority under the 2013A Indenture have ceased, terminated, become void and been completely discharged and satisfied; (iii) the owners of the 2013A Bonds are entitled only to payment out of money or securities deposited with the Escrow Agent; (iv) the right, title and interest of the Authority in the 2013A IPA and the obligations of the District thereunder have, with respect to all or such portion of the Installment Payments payable thereunder as have been so provided for, thereupon ceased, terminated, become void and been completely discharged and satisfied (except as set forth in the 2013A IPA); and (v) all obligations of the District under the Continuing Disclosure Certificate of the District, dated June 19, 2013, relating to the 2013A Bonds have terminated.

Exhibit B-1
No representation is made as to the correctness of the CUSIP number either as printed on any 2013A Bond or as contained herein and any error in the CUSIP number shall not affect the validity of the proceedings for redemption of the 2013A Bonds.

MUFG UNION BANK, N.A., as 2013A Trustee

___ __, 2020
STAFF REPORT

Agenda Item #4.
Meeting Date: August 11, 2020
Discussion Item

To: FINANCE AND HUMAN RESOURCES COMMITTEE
From: Chief Financial Officer

Subject: Review EVWD Financing Authority Resolution 2020.01 Authorizing and Approving Refunding of the 2010 and 2013 Revenue Bonds

RECOMMENDATION:

Staff recommends that the Finance and Human Resources Committee (Committee) review the East Valley Water District Financing Authority (Authority or EVWDFA) Resolution 2020.01 Authorizing and Approving the Refunding of the 2010 and 2013 Revenue Bonds.

BACKGROUND / ANALYSIS:

For many years, East Valley Water District has been making timely Installment Payments on the 2010 and 2013 Revenue Bonds issued by the EVWD Financing Authority in accordance with agreed-upon amortization schedules. This year, as explained in a presentation made by Fieldman, Rolapp & Associates, the District has the opportunity to realize significant interest savings by issuing Refunding Revenue Bonds to pay off the Authority’s bonds.

October 1, 2020 will mark the end of the 10 year no-call provision on the 2010 bonds, so those bonds can easily be refinanced in a Current Refunding transaction. The 2013 bonds will only have matured for seven years as of October 1st, and therefore still have three years left on their 10 year no-call provision. Even so, the 2013 bonds can still be refinanced and removed from the District’s books through an Advance Refunding transaction, explained below.

A 2020 Refunding Revenue bond issue will have two series – Series A and B. The proceeds from the 2020 Series A bonds will be placed into an escrow account for the 2010 bonds until October 1, 2020, at which time the trustee for the account will use the proceeds to call all of the outstanding 2010 bonds. The proceeds from the 2020 Series B bonds will be placed into an escrow account for the 2013 bonds, where they will be invested, and will be used to continue making semi-annual payments on the bonds for three more years until the no-call provision expires on October 1, 2023. On that date, the funds remaining in the escrow account will be used to call all of the 2013 bonds outstanding.

The Authority can facilitate the refunding transactions by approving Escrow Agreements between the East Valley Water District, the East Valley Water District Financing Authority, and MUFG Union Bank. MUFG Union Bank, which currently serves as trustee for the 2010 and 2013 bonds, will serve as the Escrow Agent.
responsible for managing the funds in the escrow account. Adoption of EVWDFA Resolution 2020.01, approves the Escrow Agreements and designates MUFG Union Bank as Escrow Agent to call and pay off the 2010 and 2013 bonds.

**AGENCY GOALS AND OBJECTIVES:**

Goal and Objectives IV - Promote Planning, Maintenance and Preservation of District Resources

b) Enhance Planning Efforts that Respond to Future Demands

**REVIEW BY OTHERS:**

This agenda item has been reviewed by the District’s Financial Advisors, Bond Counsel, and the District’s General Counsel.

**FISCAL IMPACT**

Refunding of the Financing Authority’s bonds will end all transactions currently flowing through the Authority, causing the Authority to go dormant, except for standard recordkeeping and state filing obligations, until such time as it is used for a future bond issue, or it is dissolved/terminated.

**ATTACHMENTS:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Res 2020.01</td>
<td>Resolution Letter</td>
</tr>
<tr>
<td>Exh B - Escrow Agreement (2013A Bonds)</td>
<td>Exhibit</td>
</tr>
</tbody>
</table>
RESOLUTION NO. 2020.01

A RESOLUTION OF THE EAST VALLEY WATER DISTRICT FINANCING AUTHORITY AUTHORIZING AND APPROVING ESCROW AGREEMENTS IN CONNECTION WITH THE ISSUANCE OF REFUNDING REVENUE BONDS; AND AUTHORIZING CERTAIN OTHER MATTERS RELATING THERETO

WHEREAS, the East Valley Water District Financing Authority (the “Authority”), a public entity 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 and wastewater facilities on behalf of its members;

WHEREAS, the East Valley Water District (the “District”), a county water district duly organized and existing under and by virtue of the laws of the State, is a member of the Authority;

WHEREAS, the District and the Authority have previously entered into an Installment Purchase Agreement, dated as of October 1, 2010 (the “2010 IPA”), to finance and refinance certain water and wastewater facilities of the District;

WHEREAS, the District’s payments to the Authority under the 2010 IPA support the payment of debt service on the Authority’s Refunding Revenue Bonds, Series 2010 (the “2010 Bonds”);

WHEREAS, the District and the Authority have previously entered into an Installment Purchase Agreement, dated as of June 1, 2013 (the “2013 IPA”), to finance certain water and wastewater facilities of the District;

WHEREAS, the District’s payments to the Authority under the 2013 IPA support the payment of debt service on the Authority’s Revenue Bonds, Series 2013A (the “2013 Bonds”);

WHEREAS, the District is authorized by Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with Section 53570) of the Government Code of the State of California to issue bonds to refund outstanding indebtedness of the District;

WHEREAS, the District desires to provide for the issuance of refunding revenue bonds in one or more series, on a taxable or tax-exempt basis, for the purpose, among others, of prepaying the 2010 IPA and refunding the 2010 Bonds and prepaying the 2013 IPA and refunding the 2013 Bonds;

WHEREAS, in connection with the prepayment of the 2010 IPA and the refunding of the 2010 Bonds, the Authority desires to enter into an Escrow Agreement (2010 Bonds) with the District and the trustee for the 2010 Bonds, as escrow agent (such Escrow Agreement (2010 Bonds), in the form attached hereto as Exhibit A with such changes, insertions and deletions as are made pursuant to this Resolution, being referred to herein as the “2010 Escrow Agreement”); and

WHEREAS, in connection with the prepayment of the 2013 IPA and the refunding of the 2013 Bonds, the Authority desires to enter into an Escrow Agreement (2013A Bonds) with the District and the trustee for the 2013 Bonds, as escrow agent (such Escrow Agreement (2013A Bonds), in the form attached hereto as Exhibit A with such changes, insertions and deletions as are made pursuant to this Resolution, being referred to herein as the “2013 Escrow Agreement”); and
NOW, THEREFORE, BE IT RESOLVED AND ORDERED:

SECTION 1. Findings and Definitions. The Board hereby specifically finds and declares that each of the statements, findings and determinations of the Authority set forth in the above recitals and in the preambles of the documents approved herein are true and correct.

SECTION 2. 2010 Escrow Agreement. The 2010 Escrow Agreement, in substantially the form attached hereto as Exhibit A, and made a part hereof as though set forth in full herein, be and the same is hereby approved. Each of the President or Vice President of the Board or the Executive Director or Director of Finance of the Authority or the designee thereof (each an “Authorized Officer”), acting singly, is hereby authorized to execute and deliver the 2010 Escrow Agreement, in the name of and on behalf of the Authority, in substantially the form attached hereto with such changes, insertions and deletions as may be approved by the Authorized Officer executing the 2010 Escrow Agreement, said execution being conclusive evidence of such approval, and the Secretary is hereby authorized to attest thereto.

SECTION 3. 2013 Escrow Agreement. The 2013 Escrow Agreement, in substantially the form attached hereto as Exhibit B, and made a part hereof as though set forth in full herein, be and the same is hereby approved. Each Authorized Officer, acting singly, is hereby authorized to execute and deliver the 2013 Escrow Agreement, in the name of and on behalf of the Authority, in substantially the form attached hereto with such changes, insertions and deletions as may be approved by the Authorized Officer executing the 2013 Escrow Agreement, said execution being conclusive evidence of such approval, and the Secretary is hereby authorized to attest thereto.

SECTION 4. Other Actions. The Authorized Officers, the Secretary, the Authority’s General Counsel and any other proper official, officer or employee of the Authority, acting singly, be and each of them hereby is authorized 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 convenient in carrying out the actions authorized by this Resolution and the transactions contemplated by the documents and instruments approved or authorized by this Resolution, including, without limitation, the preparation, execution and delivery of escrow or redemption instructions and the authorization, execution, delivery of, and the performance by the Authority of its obligations under, the documents and instruments approved or authorized by this Resolution.

SECTION 5. Ratification of Prior Actions. All actions heretofore taken by any committee of the Board, or any official, officer, employee, representative or agent of the Authority, in connection with the authorization, execution, delivery, or performance of the Authority’s obligations under the documents and instruments that are approved or authorized by this Resolution, and the other actions contemplated by this Resolution, are hereby ratified, approved and confirmed.

SECTION 6. Effect. This Resolution shall take effect immediately.
Passed and adopted by the East Valley Water District Financing Authority Board of Directors on August 26, 2020, by the following vote:

**ROLL CALL:**
Ayes:
Noes:
Abstain:
Absent:

David E. Smith
Board President

ATTEST:

_____________________________
John Mura
Secretary, Board of Directors

August 26, 2020

**I HEREBY CERTIFY** that the foregoing is a full, true and correct copy of Resolution 2020.01 adopted by the Board of Directors of East Valley Water District Financing Authority at its Regular Meeting held August 26, 2020.

_____________________________
John Mura
Secretary, Board of Directors
EXHIBIT A

ESCROW AGREEMENT (2010 BONDS)

THIS ESCROW AGREEMENT (2010 BONDS), dated as of _____ 1, 2020 (the “Agreement”), by and among the East Valley Water District (the “District”), the East Valley Water District Financing Authority (the “Authority”) and MUFG Union Bank, N.A., as escrow agent (the “Escrow Agent”) and as 2010 Trustee (as such term is defined herein), is entered into in accordance with a resolution of the District adopted on _____ __, 2020, an Indenture of Trust, dated as of October 1, 2010 (the “2010 Indenture”), by and between the Authority and MUFG Union Bank, N.A., as trustee (the “2010 Trustee”), and an Installment Purchase Agreement, dated as of October 1, 2010 (the “2010 IPA”), by and between the District and the Authority. This Agreement is entered into to refund all of the outstanding East Valley Water District Financing Authority Refunding Revenue Bonds, Series 2010 (the “2010 Bonds”).

RECITALS

A. Pursuant to the 2010 Indenture, the Authority has previously issued the 2010 Bonds in the aggregate principal amount of $33,545,000, of which $21,635,000 is currently outstanding.

B. The 2010 Bonds are payable from installment payments made by the District to the Authority under the 2010 IPA.

C. The District has determined to issue its East Valley Water District Refunding Revenue Bonds, Series 2020A (the “2020A Bonds”), a portion of the proceeds of which will be applied to pay, on October 1, 2020 (the “Redemption Date”), the principal of the outstanding 2010 Bonds maturing on and after the Redemption Date, together with accrued interest thereon, without premium (the “Redemption Price”).

D. The District will irrevocably deposit moneys with the Escrow Agent, which moneys will be used to purchase the securities that are described on Schedule A (the “Federal Securities”) (as permitted by, in the manner prescribed by and all in accordance with the 2010 Indenture). Such Federal Securities satisfy the criteria set forth in Section 10.03 of the 2010 Indenture, and the principal of and interest on such Federal Securities when paid, together with other moneys contributed by the District, will provide funds which will be fully sufficient to pay and discharge the 2010 Bonds on the Redemption Date.

AGREEMENT

SECTION 1. Deposit of Moneys. The District will cause MUFG Union Bank, N.A., as trustee for the 2020A Bonds, to transfer a portion of the proceeds of the 2020A Bonds in the amount of $____ on the date of issuance of the 2020A Bonds to the Escrow Agent for deposit in the Escrow Fund established hereunder. The Authority instructs the 2010 Trustee to transfer $____ held in the Revenue Fund relating to the 2010 Bonds to the Escrow Agent for deposit in the below-defined Escrow Fund.

The Escrow Agent will hold such amounts in an irrevocable escrow separate and apart from other funds of the Authority, the District and the Escrow Agent in a fund hereby created and
established to be known as the “Escrow Fund” and to be applied solely as provided in this Agreement. The District represents that the sum of the amounts set forth above are at least equal to an amount that is sufficient to purchase the Federal Securities listed on Schedule A, and to hold $__ uninvested as cash.

SECTION 2. Investment of Moneys. The Escrow Agent acknowledges receipt of the moneys described in Section 1 and agrees immediately to invest $_____ of such moneys in the Federal Securities listed on Schedule A and to deposit such Federal Securities in the Escrow Fund. The Escrow Agent shall be entitled to rely conclusively upon the conclusion of Robert Thomas CPA, LLC, Overland Park, Kansas, that the Federal Securities listed on Schedule A mature and bear interest payable in such amounts and at such times as, together with cash on deposit in the Escrow Fund, will be sufficient to pay on the Redemption Date the Redemption Price of the outstanding 2010 Bonds maturing on and after the Redemption Date.

SECTION 3. Payment of 2010 Bonds.

(a) Payment. From the maturing principal of the Federal Securities and the investment income and other earnings thereon and other moneys on deposit in the Escrow Fund, the Escrow Agent shall pay, on the Redemption Date, the Redemption Price of the 2010 Bonds maturing on and after the Redemption Date, all as indicated on Schedule A.

(b) Irrevocable Instructions to Provide Notice. The notices that are required to be mailed pursuant to Section 4.03 and Article X of the 2010 Indenture are substantially in the forms attached hereto as Exhibits A and B. The District and the Authority hereby irrevocably instruct the 2010 Trustee to mail a notice of redemption and (on the date of issuance of the 2020A Bonds) a notice of defeasance of the 2010 Bonds to the parties that are described in and otherwise in accordance with Section 4.03 and Article X of the 2010 Indenture (and to file such notices with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access website), respectively, as required to provide for the redemption and defeasance of the 2010 Bonds in accordance with this Section 3.

(c) Unclaimed Moneys. Any moneys in the Escrow Fund which remain unclaimed after the Redemption Date shall be repaid by the Escrow Agent to the District.

(d) Priority of Payments. The owners of the 2010 Bonds shall have a first and exclusive lien on all moneys and securities in the Escrow Fund until such moneys and such securities are used and applied as provided in this Agreement.

(e) Termination of Obligation. As provided in the 2010 IPA and the 2010 Indenture, upon the deposit of moneys with the Escrow Agent in the Escrow Fund as set forth in Section 1: (i) interest on the 2010 Bonds shall cease to accrue, the 2010 Bonds shall cease to be entitled to any benefit or security under the 2010 Indenture and the owners of the 2010 Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof; (ii) the 2010 Indenture, the pledge of Authority Revenues and other assets made under the 2010 Indenture and all liability, covenants, agreements and other obligations of the Authority under the 2010 Indenture shall cease, terminate, become void and be completely discharged and satisfied; (iii) the owners of the 2010 Bonds shall thereafter be entitled only to payment out of money or securities deposited with the Escrow Agent; and (iv) the right, title and interest of the Authority in the 2010 IPA and the obligations of the District thereunder shall, with respect to all or such portion of the
Installment Payments payable thereunder as have been so provided for, thereupon cease, terminate, become void and be completely discharged and satisfied (except as set forth in the 2010 IPA).

SECTION 4. **Application of Certain Terms of the 2010 Indenture.** All of the terms of the 2010 Indenture relating to the making of payments of principal of and interest with respect to the 2010 Bonds and relating to the exchange or transfer of the 2010 Bonds are incorporated into this Agreement by reference as if set forth in full herein. The procedures set forth in Article VIII of the 2010 Indenture relating to the resignation and removal and merger of the 2010 Trustee are also incorporated into this Agreement by reference as if set forth in full herein and shall be the procedures to be followed with respect to any resignation or removal of the Escrow Agent hereunder.

SECTION 5. **Performance of Duties.** The Escrow Agent agrees to perform only the duties that are set forth herein and shall have no responsibility to take any action or omit to take any action that is not set forth herein.

SECTION 6. **Escrow Agent’s Authority to Make Investments.** Except as provided in Section 2 hereof, the Escrow Agent shall have no power or duty to invest any funds that are held hereunder or to sell, transfer or otherwise dispose of the moneys or securities that are held hereunder.

SECTION 7. **Indemnity.** The District hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Agent and its respective successors, assigns, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by or asserted against the Escrow Agent at any time (whether or not also indemnified against the same by the District or any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Agreement, the establishment hereunder of the Escrow Fund, the acceptance of the funds and securities deposited therein, the retention of the proceeds thereof and any payment, transfer or other application of moneys or obligations by the Escrow Agent in accordance with the provisions of this Agreement; provided, however, that the District shall not be required to indemnify the Escrow Agent against the Escrow Agent’s own negligence or willful misconduct. In no event shall the District or the Escrow Agent be liable to any person by reason of the transactions that are contemplated hereby other than to each other as set forth in this Section. The indemnities that are contained in this Section shall survive the termination of this Agreement and the resignation or removal of the Escrow Agent.

SECTION 8. **Responsibilities of Escrow Agent.** The Escrow Agent and its agents and servants shall not be held to any personal liability whatsoever, in tort, contract or otherwise, in connection with the execution and delivery of this Agreement, the establishment of the Escrow Fund, the acceptance of the moneys or securities deposited therein, the sufficiency of the moneys held in the Escrow Fund to pay the 2010 Bonds or any payment, transfer or other application of moneys or obligations by the Escrow Agent in accordance with the provisions of this Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Agent that is made in good faith in the conduct of its duties. The recitals of fact that are contained herein shall be taken as the statements of the District, and the Escrow Agent assumes no responsibility for the correctness thereof. The Escrow Agent makes no representation as to the sufficiency of the proceeds to accomplish the refunding of the 2010 Bonds or to the validity of this Agreement as to the District or the Authority and, except as otherwise provided herein, the Escrow Agent shall incur no liability.
in respect thereof. The Escrow Agent shall not be liable in connection with the performance of its duties under this Agreement except for its own negligence or willful misconduct, and the duties and obligations of the Escrow Agent shall be determined by the express provisions of this Agreement. In no event shall the Escrow Agent be liable for any special, punitive, indirect or consequential damages. The Escrow Agent may consult with counsel of its selection, and in reliance upon the opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an officer of the District.

No provision of this Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers.

The Escrow Agent shall have the right to accept and act upon instructions, including funds transfer instructions (“Instructions”) given pursuant to this Agreement and delivered using Electronic Means (“Electronic Means” shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Escrow Agent, or another method or system specified by the Escrow Agent as available for use in connection with its services hereunder); provided, however, that the District shall provide to the Escrow Agent an incumbency certificate listing officers with the authority to provide such Instructions (“Authorized Officers”) and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the District whenever a person is to be added or deleted from the listing. If the District elects to give the Escrow Agent Instructions using Electronic Means and the Escrow Agent in its reasonable judgment elects to act upon such Instructions, the Escrow Agent’s understanding of such Instructions shall be deemed controlling. The District understands and agrees that the Escrow Agent cannot determine the identity of the actual sender of such Instructions and that the Escrow Agent shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Escrow Agent have been sent by such Authorized Officer. The District shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Escrow Agent and that the District and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the District. The Escrow Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Agent’s reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The District agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Escrow Agent, including without limitation the risk of the Escrow Agent acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that they are fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Escrow Agent and that there may be more secure methods of transmitting Instructions than the method(s) selected by the District; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Escrow Agent in writing immediately upon learning of any compromise or unauthorized use of the security procedures.
The Escrow Agent shall furnish the District with cash transaction statements which include detail for all investment transactions effected by the Escrow Agent or brokers selected by the District, provided that the Escrow Agent is not obligated to provide an accounting for any fund or account that: (a) has a balance of $0.00; and (b) has not had any activity since the last reporting date. Upon the District’s election, such statements will be delivered via the Escrow Agent’s online service and upon electing such service, paper statements will be provided only upon request. The District waives the right to receive brokerage confirmations of security transactions effected by the Escrow Agent as they occur, to the extent permitted by law. The District further understands that trade confirmations for securities transactions effected by the Escrow Agent will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

If the Escrow Agent learns that the Department of the Treasury or the Bureau of Public Debt will not, for any reason, accept a subscription of Federal Securities that is to be submitted pursuant to this Agreement, the Escrow Agent shall promptly request alternative written investment instructions from the District with respect to escrowed funds which were to be invested in securities. The Escrow Agent shall follow such instructions and, upon the maturity of any such alternative investment, the Escrow Agent shall hold such funds uninvested and without liability for interest until receipt of further written instructions from the District. In the absence of written investment instructions from the District, the Escrow Agent shall hold funds uninvested. The Escrow Agent may conclusively rely upon the District’s selection of an alternative investment as a determination of the alternative investment’s legality and suitability and shall not be liable for any losses, fees, taxes or other charges related to the alternative investments, reinvestments or liquidation of investments or for compliance with any yield restriction applicable thereto.

The Escrow Agent may execute any of the powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed.

The Escrow Agent may conclusively rely, as to the trust and accuracy of the statements and correctness of the opinions and the calculations provided to it in connection with this Agreement, and shall be protected in acting, or refraining from acting, upon any written notice, instruction, request, certificate, document or opinion furnished to the Escrow Agent in accordance with this Agreement and reasonably believed by the Escrow Agent to have been signed or presented by the proper party, and it need not investigate any facts or matter stated in such notice, instruction, request, certificate or opinion.

The liability of the Escrow Agent to make any payments under the Agreement shall be limited to the funds in the Escrow Fund.

SECTION 9. Amendments. This Agreement is made for the benefit of the District, the Authority and the owners from time to time of the 2010 Bonds and it shall not be repealed, revoked, altered or amended without the written consent of all such owners, the Escrow Agent, the Authority and the District; provided, however, that the District, the Authority and the Escrow Agent may, without the consent of, or notice to, such owners, amend this Agreement or enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such owners and as shall not be inconsistent with the terms and provisions of this Agreement or the 2010 Indenture, for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Agreement; (ii) to grant to, or confer upon, the Escrow Agent for the benefit of
the owners of the 2010 Bonds any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such owners or the Escrow Agent; and (iii) to include under this Agreement additional funds. The Escrow Agent shall be entitled to rely conclusively upon an unqualified opinion of Stradling Yocca Carlson & Rauth, a Professional Authority, with respect to compliance with this Agreement, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the owners of the various 2010 Bonds or that any instrument that is executed hereunder complies with the conditions and provisions of this Agreement.

SECTION 10. Notice to Rating Agencies. In the event that this agreement or any provision thereof is severed, amended or revoked, the Escrow Agent shall provide written notice of such severance, amendment or revocation to the rating agencies then rating the 2010 Bonds. The Escrow Agent makes this covenant as a matter of courtesy and accommodation only and shall not be liable to any person for any failure to comply therewith.

SECTION 11. Term. This Agreement shall commence upon its execution and delivery and shall terminate on the later to occur of either: (i) the date upon which the 2010 Bonds have been paid in accordance with this Agreement; or (ii) the date upon which no unclaimed moneys remain on deposit with the Escrow Agent pursuant to Section 3(c) of this Agreement. Funds remaining in the Escrow Fund after payment in full of the 2010 Bonds shall be transferred to the District.

SECTION 12. Compensation. The Escrow Agent shall receive its fees and expenses as previously agreed to in writing by the Escrow Agent and the District and any other reasonable fees and expenses of the Escrow Agent (including legal fees and expenses); provided, however, that under no circumstances shall the Escrow Agent be entitled to any lien or assert any lien whatsoever on any moneys or obligations in the Escrow Fund for the payment of fees and expenses for services that are rendered or expenses incurred by the Escrow Agent under this Agreement. The provisions of this Section shall survive the termination of this Agreement and the resignation or removal of the Escrow Agent.

SECTION 13. Severability. If any one or more of the covenants or agreements provided in this Agreement on the part of the District, the Authority or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void, shall be deemed separate from the remaining covenants and agreements contained herein and shall in no way affect the validity of the remaining provisions of this Agreement.

SECTION 14. Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as an original but all of which shall constitute and be but one and the same instrument. The exchange of copies of this Agreement and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of this Agreement as to the parties hereto and may be used in lieu of the original Agreement and signature pages for all purposes.

SECTION 15. Governing Law. THIS AGREEMENT SHALL BE CONSTRUED UNDER THE LAWS OF THE STATE OF CALIFORNIA.

SECTION 16. Holidays. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Agreement, shall be a legal holiday or a day on which banking institutions in the city in which is located the office of the Escrow Agent are
authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day which is not a legal holiday or a day on which such banking institutions are authorized by law to remain closed, with the same force and effect as if done on the nominal date provided in this Agreement, and no interest shall accrue for the period from and after such nominal date.

SECTION 17. Assignment. This Agreement shall not be assigned by the Escrow Agent or any successor thereto without the prior written consent of the District and the Authority.

SECTION 18. Reorganization of Escrow Agent. Notwithstanding anything to the contrary contained in this Agreement, any company into which the Escrow Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which the Escrow Agent is a party, or any company to which the Escrow Agent may sell or transfer all or substantially all of its corporate trust business, shall be the successor to the Escrow Agent without execution or filing of any paper or any paper or further act, if such company is eligible to serve as Escrow Agent.

SECTION 19. Insufficient Funds. If at any time the Escrow Agent has actual knowledge that the moneys and investments in the Escrow Fund, including the anticipated proceeds thereof and earnings thereon, will not be sufficient to make all payments required by this Agreement, the Escrow Agent shall notify the District in writing of the amount thereof and the reason therefor to the extent known to it. The Escrow Agent shall have no responsibility regarding any such deficiency.

SECTION 20. Notices. Any notice to or demand upon the Escrow Agent may be served or presented, and such demand may be made, at the principal corporate trust office of the Escrow Agent at 445 South Figueroa Street, Suite 401, Los Angeles, California 90071, Attention: Corporate Trust, Reference: East Valley Water District, Series 2010, Fax: 213-972-5694, Email: LACT@unionbank.com. Any notice to or demand upon the District or the Authority shall be deemed to have been sufficiently given or served for all purposes by being sent by facsimile or other electronic transmission, overnight mail or courier or mailed by first class mail, and deposited, postage prepaid, in a post office letter box, addressed to the District or the Authority at 31111 Greenspot Road, Highland, California 92346, email: btompkins@eastvalley.org, Facsimile: (909) 888-6741 (or such other address as may have been filed in writing by the District or the Authority with the Escrow Agent).

SECTION 21. Electronic Signatures. The words “execution,” “signed,” “signature,” “delivery,” and words of like import in or relating to this Agreement or any document to be signed in connection with this Agreement shall be deemed to include electronic signatures, deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, and the parties hereto consent to conduct the transactions contemplated hereunder by electronic means. “Electronic signature” means any electronic sound, symbol or process attached to or logically associated with a record and executed and adopted by a party with the intent to sign such record, including facsimile or email electronic signatures.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the date first above written.

EAST VALLEY WATER DISTRICT

By: ______________________________
    Board President

ATTEST:

_______________________________
Secretary, Board of Directors

EAST VALLEY WATER DISTRICT
FINANCING AUTHORITY

By: ______________________________
    Board President

ATTEST:

_______________________________
Secretary, Board of Directors

MUFG UNION BANK, N.A.,
as Escrow Agent and 2010 Trustee

By: ______________________________
    Authorized Officer
SCHEDULE A

ESCROW REQUIREMENTS

Moneys deposited in the Escrow Fund shall be invested as follows:

<table>
<thead>
<tr>
<th>Security</th>
<th>Maturity</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>October 1, 2020</td>
<td>$</td>
<td>%</td>
</tr>
</tbody>
</table>

The escrow requirements for the 2010 Bonds are as follows:

<table>
<thead>
<tr>
<th>Period Ending</th>
<th>Principal Paid</th>
<th>Principal Redeemed</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 1, 2020</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

Schedule A-1
EXHIBIT A

NOTICE OF FULL OPTIONAL REDEMPTION

EAST VALLEY WATER DISTRICT FINANCING AUTHORITY
REFUNDING REVENUE BONDS, SERIES 2010

BASE CUSIP 275736

NOTICE IS HEREBY GIVEN to the owners of the above-captioned obligations (the “2010 Bonds”), which were issued pursuant to the Indenture of Trust, dated as of October 1, 2010 (the “2010 Indenture”), by and between the East Valley Water District Financing Authority (the “Authority”) and MUFG Union Bank, N.A., as trustee (the “2010 Trustee”), that 2010 Bonds in the amount of $19,985,000 have been called for redemption on October 1, 2020 (the “Redemption Date”). The 2010 Bonds were originally issued on October 28, 2010 and are described in the following table.

<table>
<thead>
<tr>
<th>CUSIP</th>
<th>Maturity (October 1)</th>
<th>Principal Amount</th>
<th>Rate</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>AK2</td>
<td>2020</td>
<td>$1,650,000</td>
<td>4.00</td>
<td>100%</td>
</tr>
<tr>
<td>AL0</td>
<td>2021</td>
<td>1,030,000</td>
<td>4.00</td>
<td>100</td>
</tr>
<tr>
<td>AM8</td>
<td>2022</td>
<td>1,075,000</td>
<td>4.00</td>
<td>100</td>
</tr>
<tr>
<td>AN6</td>
<td>2023</td>
<td>1,120,000</td>
<td>4.00</td>
<td>100</td>
</tr>
<tr>
<td>AP1</td>
<td>2024</td>
<td>1,155,000</td>
<td>4.50</td>
<td>100</td>
</tr>
<tr>
<td>AU0</td>
<td>2025</td>
<td>700,000</td>
<td>4.00</td>
<td>100</td>
</tr>
<tr>
<td>AQ9</td>
<td>2026</td>
<td>730,000</td>
<td>4.00</td>
<td>100</td>
</tr>
<tr>
<td>AR7</td>
<td>2028</td>
<td>1,550,000</td>
<td>4.00</td>
<td>100</td>
</tr>
<tr>
<td>AS5</td>
<td>2030</td>
<td>1,675,000</td>
<td>4.00</td>
<td>100</td>
</tr>
<tr>
<td>AV8</td>
<td>2033</td>
<td>2,775,000</td>
<td>4.25</td>
<td>100</td>
</tr>
<tr>
<td>AT3</td>
<td>2040</td>
<td>8,175,000</td>
<td>5.00</td>
<td>100</td>
</tr>
</tbody>
</table>

The 2010 Bonds will be payable on the Redemption Date at a redemption price of 100% of the principal amount thereof, plus interest accrued through the Redemption Date, without premium (the “Redemption Price”). The Redemption Price of the 2010 Bonds will become due and payable on the Redemption Date. Interest with respect to the 2010 Bonds will cease to accrue and be payable from and after the Redemption Date, and such 2010 Bonds will be surrendered to the 2010 Trustee.

To receive payment on the Redemption Date, owners of the 2010 Bonds should present and surrender said 2010 Bonds on the Redemption Date at the address of the 2010 Trustee set forth below:

MUFG Union Bank, N.A.
445 S. Figueroa Street, Suite 401
Los Angeles, CA 90071
Attention: Bond Redemptions

A form W-9 must be submitted with the 2010 Bonds. Failure to provide a completed form W-9 will result in 31% backup withholding pursuant to the Interest and Dividend Tax Compliance Act of 1983. Under the Jobs and Growth Tax Relief Reconciliation Act of 2003, 28% will be withheld if the tax identification number is not properly certified.

Exhibit A-1
If the owner of any 2010 Bond fails to deliver such 2010 Bond to the 2010 Trustee on the Redemption Date, such 2010 Bond shall nevertheless be deemed redeemed on the Redemption Date and the owner of such 2010 Bond shall have no rights in respect thereof except to receive payment of the Redemption Price from funds held by the 2010 Trustee for such payment.

Note: The Authority and the 2010 Trustee shall not be responsible for the selection or use of the CUSIP numbers selected, nor is any representation made as to their correctness in the notice or as printed on any 2010 Bond. They are included solely for the convenience of the holders.

MUFG UNION BANK, N.A., as 2010 Trustee

September 1, 2020
EXHIBIT B

NOTICE OF DEFEASANCE

EAST VALLEY WATER DISTRICT FINANCING AUTHORITY
REFUNDING REVENUE BONDS, SERIES 2010

BASE CUSIP 275736

NOTICE IS HEREBY GIVEN to the owners of the above-captioned obligations (the “2010 Bonds”) which were issued pursuant to the Indenture of Trust, dated as of October 1, 2010 (the “2010 Indenture”), by and between the East Valley Water District Financing Authority (the “Authority”) and MUFG Union Bank, N.A., as trustee (the “2010 Trustee”), that the East Valley Water District (the “District”) has deposited with MUFG Union Bank, N.A., as escrow agent (the “Escrow Agent”), cash and federal securities, the principal of and interest on which when paid will provide moneys sufficient to pay on October 1, 2020 the principal of all outstanding 2010 Bonds maturing on and after such date, plus accrued interest thereon, without premium. The 2010 Bonds were originally issued on October 28, 2010 and are described in the following table.

<table>
<thead>
<tr>
<th>CUSIP</th>
<th>Maturity (October 1)</th>
<th>Principal Amount</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>AK2</td>
<td>2020</td>
<td>$1,650,000</td>
<td>4.00%</td>
</tr>
<tr>
<td>AL0</td>
<td>2021</td>
<td>1,030,000</td>
<td>4.00</td>
</tr>
<tr>
<td>AM8</td>
<td>2022</td>
<td>1,075,000</td>
<td>4.00</td>
</tr>
<tr>
<td>AN6</td>
<td>2023</td>
<td>1,120,000</td>
<td>4.00</td>
</tr>
<tr>
<td>AP1</td>
<td>2024</td>
<td>1,155,000</td>
<td>4.50</td>
</tr>
<tr>
<td>AU0</td>
<td>2025</td>
<td>700,000</td>
<td>4.00</td>
</tr>
<tr>
<td>AQ9</td>
<td>2026</td>
<td>730,000</td>
<td>4.00</td>
</tr>
<tr>
<td>AR7</td>
<td>2028</td>
<td>1,550,000</td>
<td>4.00</td>
</tr>
<tr>
<td>AS5</td>
<td>2030</td>
<td>1,675,000</td>
<td>4.00</td>
</tr>
<tr>
<td>AV8</td>
<td>2033</td>
<td>2,775,000</td>
<td>4.25</td>
</tr>
<tr>
<td>AT3</td>
<td>2040</td>
<td>8,175,000</td>
<td>5.00</td>
</tr>
</tbody>
</table>

In accordance with the 2010 Indenture and the Installment Purchase Agreement, dated as of October 1, 2010 (the “2010 IPA”), by and between the Authority and the District: (i) interest on the 2010 Bonds has ceased to accrue, the 2010 Bonds have ceased to be entitled to any benefit or security under the 2010 Indenture and the owners of the 2010 Bonds have no rights in respect thereof except to receive payment of the redemption price thereof; (ii) the 2010 Indenture, the pledge of Authority Revenues and other assets made under the 2010 Indenture and all liability, covenants, agreements and other obligations of the Authority under the 2010 Indenture have ceased, terminated, become void and been completely discharged and satisfied; (iii) the owners of the 2010 Bonds are entitled only to payment out of money or securities deposited with the Escrow Agent; (iv) the right, title and interest of the Authority in the 2010 IPA and the obligations of the District thereunder have, with respect to all or such portion of the Installment Payments payable thereunder as have been so provided for, thereupon ceased, terminated, become void and been completely discharged and satisfied (except as set forth in the 2010 IPA); and (v) all obligations of the District under the Continuing Disclosure Certificate of the District, dated October 28, 2010, relating to the 2010 Bonds have terminated.
No representation is made as to the correctness of the CUSIP number either as printed on any 2010 Bond or as contained herein and any error in the CUSIP number shall not affect the validity of the proceedings for redemption of the 2010 Bonds.

MUFG UNION BANK, N.A., as 2010 Trustee

______, 2020
EXHIBIT B

ESCROW AGREEMENT (2013A BONDS)

THIS ESCROW AGREEMENT (2013A BONDS), dated as of _____ 1, 2020 (the “Agreement”), by and among the East Valley Water District (the “District”), the East Valley Water District Financing Authority (the “Authority”) and MUFG Union Bank, N.A., as escrow agent (the “Escrow Agent”) and as 2013A Trustee (as such term is defined herein), is entered into in accordance with a resolution of the District adopted on _____, 2020, an Indenture of Trust, dated as of June 1, 2013 (the “2013A Indenture”), by and between the Authority and MUFG Union Bank, N.A., as trustee (the “2013A Trustee”), and an Installment Purchase Agreement, dated as of June 1, 2013 (the “2013A IPA”), by and between the District and the Authority. This Agreement is entered into to refund all of the outstanding East Valley Water District Financing Authority Revenue Bonds, Series 2013A (the “2013A Bonds”).

RECITALS

A. Pursuant to the 2013A Indenture, the Authority has previously issued the 2013A Bonds in the aggregate principal amount of $12,085,000, all of which is currently outstanding.

B. The 2013A Bonds are payable from installment payments made by the District to the Authority under the 2013A IPA.

C. The District has determined to issue its East Valley Water District Refunding Revenue Bonds, Series 2020B (Federally Taxable) (the “2020B Bonds”), a portion of the proceeds of which will be applied to pay: (i) the regularly scheduled payments of principal of and interest on the 2013A Bonds through April 1, 2023 (the “Redemption Date”); and (ii) on the Redemption Date, the principal of the 2013A Bonds maturing after the Redemption Date, together with accrued interest thereon to the Redemption Date, without premium (the “Redemption Price”).

D. The District will irrevocably deposit moneys with the Escrow Agent, which moneys will be used to purchase the securities that are described on Schedule A (the “Federal Securities”) (as permitted by, in the manner prescribed by and all in accordance with the 2013A Indenture). Such Federal Securities satisfy the criteria set forth in Section 10.03 of the 2013A Indenture, and the principal of and interest on such Federal Securities when paid, together with other moneys contributed by the District, will provide funds which will be fully sufficient to pay the principal of and interest on the 2013A Bonds prior to the Redemption Date and to pay and discharge the 2013A Bonds on the Redemption Date.

AGREEMENT

SECTION 1. Deposit of Moneys. The District will cause MUFG Union Bank, N.A., as trustee for the 2020B Bonds, to transfer a portion of the proceeds of the 2020B Bonds in the amount of $_____ on the date of issuance of the 2020B Bonds to the Escrow Agent for deposit in the Escrow Fund established hereunder. The Authority instructs the 2013A Trustee to transfer $_____ held in the Revenue Fund relating to the 2013A Bonds to the Escrow Agent for deposit in the below-defined Escrow Fund.
The Escrow Agent will hold such amounts in an irrevocable escrow separate and apart from other funds of the Authority, the District and the Escrow Agent in a fund hereby created and established to be known as the “Escrow Fund” and to be applied solely as provided in this Agreement. The District represents that the sum of the amounts set forth above are at least equal to an amount that is sufficient to purchase the Federal Securities listed on Schedule A, and to hold $__ uninvested as cash.

SECTION 2. Investment of Moneys. The Escrow Agent acknowledges receipt of the moneys described in Section 1 and agrees immediately to invest $_____ of such moneys in the Federal Securities listed on Schedule A and to deposit such Federal Securities in the Escrow Fund. The Escrow Agent shall be entitled to rely conclusively upon the conclusion of Robert Thomas CPA, LLC, Overland Park, Kansas, that the Federal Securities listed on Schedule A mature and bear interest payable in such amounts and at such times as, together with cash on deposit in the Escrow Fund, will be sufficient to pay: (i) the regularly scheduled payments of principal of and interest on the 2013A Bonds through the Redemption Date; and (ii) on the Redemption Date, the Redemption Price of the 2013A Bonds maturing after the Redemption Date.

SECTION 3. Payment of 2013A Bonds.

(a) Payment. From the maturing principal of the Federal Securities and the investment income and other earnings thereon and other moneys on deposit in the Escrow Fund, the Escrow Agent shall pay: (i) the regularly scheduled payments of principal of and interest on the 2013A Bonds through the Redemption Date; and (ii) on the Redemption Date, the Redemption Price of the 2013A Bonds maturing after the Redemption Date, all as indicated on Schedule A.

(b) Irrevocable Instructions to Provide Notice. The notices that are required to be mailed pursuant to Section 4.03 and Article X of the 2013A Indenture are substantially in the forms attached hereto as Exhibits A and B. The District and the Authority hereby irrevocably instruct the 2013A Trustee to mail a notice of redemption and (on the date of issuance of the 2020B Bonds) a notice of defeasance of the 2013A Bonds to the parties that are described in and otherwise in accordance with Section 4.03 and Article X of the 2013A Indenture (and to file such notices with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access website), respectively, as required to provide for the redemption and defeasance of the 2013A Bonds in accordance with this Section 3.

(c) Unclaimed Moneys. Any moneys in the Escrow Fund which remain unclaimed after the Redemption Date shall be repaid by the Escrow Agent to the District.

(d) Priority of Payments. The owners of the 2013A Bonds shall have a first and exclusive lien on all moneys and securities in the Escrow Fund until such moneys and such securities are used and applied as provided in this Agreement.

(e) Termination of Obligation. As provided in the 2013A IPA and the 2013A Indenture, upon the deposit of moneys with the Escrow Agent in the Escrow Fund as set forth in Section 1: (i) the 2013A Bonds shall cease to be entitled to any benefit or security under the 2013A Indenture; (ii) the 2013A Indenture, the pledge of Authority Revenues and other assets made under the 2013A Indenture and all liability, covenants, agreements and other obligations of the Authority under the 2013A Indenture shall cease, terminate, become void and be completely discharged and satisfied; (iii) the owners of the 2013A Bonds shall thereafter be entitled only to payment out of
money or securities deposited with the Escrow Agent; and (iv) the right, title and interest of the Authority in the 2013A IPA and the obligations of the District thereunder shall, with respect to all or such portion of the Installment Payments payable thereunder as have been so provided for, thereupon cease, terminate, become void and be completely discharged and satisfied (except as set forth in the 2013A IPA).

SECTION 4. Application of Certain Terms of the 2013A Indenture. All of the terms of the 2013A Indenture relating to the making of payments of principal of and interest with respect to the 2013A Bonds and relating to the exchange or transfer of the 2013A Bonds are incorporated into this Agreement by reference as if set forth in full herein. The procedures set forth in Article VIII of the 2013A Indenture relating to the resignation and removal and merger of the 2013A Trustee are also incorporated into this Agreement by reference as if set forth in full herein and shall be the procedures to be followed with respect to any resignation or removal of the Escrow Agent hereunder.

SECTION 5. Performance of Duties. The Escrow Agent agrees to perform only the duties that are set forth herein and shall have no responsibility to take any action or omit to take any action that is not set forth herein.

SECTION 6. Escrow Agent’s Authority to Make Investments. Except as provided in Section 2 hereof, the Escrow Agent shall have no power or duty to invest any funds that are held hereunder or to sell, transfer or otherwise dispose of the moneys or securities that are held hereunder.

SECTION 7. Indemnity. The District hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Agent and its respective successors, assigns, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by or asserted against the Escrow Agent at any time (whether or not also indemnified against the same by the District or any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Agreement, the establishment hereunder of the Escrow Fund, the acceptance of the moneys or securities deposited therein, the sufficiency of the moneys held in the Escrow Fund to pay the 2013A Bonds or any payment, transfer or other application of moneys or obligations by the Escrow Agent in accordance with the provisions of this Agreement; provided, however, that the District shall not be required to indemnify the Escrow Agent against the Escrow Agent’s own negligence or willful misconduct. In no event shall the District or the Escrow Agent be liable to any person by reason of the transactions that are contemplated hereby other than to each other as set forth in this Section. The indemnities that are contained in this Section shall survive the termination of this Agreement and the resignation or removal of the Escrow Agent.

SECTION 8. Responsibilities of Escrow Agent. The Escrow Agent and its agents and servants shall not be held to any personal liability whatsoever, in tort, contract or otherwise, in connection with the execution and delivery of this Agreement, the establishment of the Escrow Fund, the acceptance of the moneys or securities deposited therein, the sufficiency of the moneys held in the Escrow Fund to pay the 2013A Bonds or any payment, transfer or other application of moneys or obligations by the Escrow Agent in accordance with the provisions of this Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Agent that is made in good faith in the conduct of its duties. The recitals of fact that are contained herein shall be taken as the statements of the District, and the Escrow Agent assumes no responsibility for the
correctness thereof. The Escrow Agent makes no representation as to the sufficiency of the proceeds to accomplish the refunding of the 2013A Bonds or to the validity of this Agreement as to the District or the Authority and, except as otherwise provided herein, the Escrow Agent shall incur no liability in respect thereof. The Escrow Agent shall not be liable in connection with the performance of its duties under this Agreement except for its own negligence or willful misconduct, and the duties and obligations of the Escrow Agent shall be determined by the express provisions of this Agreement. In no event shall the Escrow Agent be liable for any special, punitive, indirect or consequential damages. The Escrow Agent may consult with counsel of its selection, and in reliance upon the opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an officer of the District.

No provision of this Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers.

The Escrow Agent shall have the right to accept and act upon instructions, including funds transfer instructions (“Instructions”) given pursuant to this Agreement and delivered using Electronic Means (“Electronic Means” shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Escrow Agent, or another method or system specified by the Escrow Agent as available for use in connection with its services hereunder); provided, however, that the District shall provide to the Escrow Agent an incumbency certificate listing officers with the authority to provide such Instructions (“Authorized Officers”) and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the District whenever a person is to be added or deleted from the listing. If the District elects to give the Escrow Agent Instructions using Electronic Means and the Escrow Agent in its reasonable judgment elects to act upon such Instructions, the Escrow Agent’s understanding of such Instructions shall be deemed controlling. The District understands and agrees that the Escrow Agent cannot determine the identity of the actual sender of such Instructions and that the Escrow Agent shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Escrow Agent have been sent by such Authorized Officer. The District shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Escrow Agent and that the District and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the District. The Escrow Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Agent’s reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The District agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Escrow Agent, including without limitation the risk of the Escrow Agent acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that they are fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Escrow Agent and that there may be more secure methods of transmitting Instructions than the method(s) selected by the District; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular
needs and circumstances; and (iv) to notify the Escrow Agent in writing immediately upon learning of any compromise or unauthorized use of the security procedures.

The Escrow Agent shall furnish the District with cash transaction statements which include detail for all investment transactions effected by the Escrow Agent or brokers selected by the District, provided that the Escrow Agent is not obligated to provide an accounting for any fund or account that: (a) has a balance of $0.00; and (b) has not had any activity since the last reporting date. Upon the District’s election, such statements will be delivered via the Escrow Agent’s online service and upon electing such service, paper statements will be provided only upon request. The District waives the right to receive brokerage confirmations of security transactions effected by the Escrow Agent as they occur, to the extent permitted by law. The District further understands that trade confirmations for securities transactions effected by the Escrow Agent will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

If the Escrow Agent learns that the Department of the Treasury or the Bureau of Public Debt will not, for any reason, accept a subscription of Federal Securities that is to be submitted pursuant to this Agreement, the Escrow Agent shall promptly request alternative written investment instructions from the District with respect to escrowed funds which were to be invested in securities. The Escrow Agent shall follow such instructions and, upon the maturity of any such alternative investment, the Escrow Agent shall hold such funds uninvested and without liability for interest until receipt of further written instructions from the District. In the absence of written investment instructions from the District, the Escrow Agent shall hold funds uninvested. The Escrow Agent may conclusively rely upon the District’s selection of an alternative investment as a determination of the alternative investment’s legality and suitability and shall not be liable for any losses, fees, taxes or other charges related to the alternative investments, reinvestments or liquidation of investments or for compliance with any yield restriction applicable thereto.

The Escrow Agent may execute any of the powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed.

The Escrow Agent may conclusively rely, as to the trust and accuracy of the statements and correctness of the opinions and the calculations provided to it in connection with this Agreement, and shall be protected in acting, or refraining from acting, upon any written notice, instruction, request, certificate, document or opinion furnished to the Escrow Agent in accordance with this Agreement and reasonably believed by the Escrow Agent to have been signed or presented by the proper party, and it need not investigate any facts or matter stated in such notice, instruction, request, certificate or opinion.

The liability of the Escrow Agent to make any payments under the Agreement shall be limited to the funds in the Escrow Fund.

SECTION 9. Amendments. This Agreement is made for the benefit of the District, the Authority and the owners from time to time of the 2013A Bonds and it shall not be repealed, revoked, altered or amended without the written consent of all such owners, the Escrow Agent, the Authority and the District; provided, however, that the District, the Authority and the Escrow Agent may, without the consent of, or notice to, such owners, amend this Agreement or enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such owners
and as shall not be inconsistent with the terms and provisions of this Agreement or the 2013A Indenture, for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Agreement; (ii) to grant to, or confer upon, the Escrow Agent for the benefit of the owners of the 2013A Bonds any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such owners or the Escrow Agent; and (iii) to include under this Agreement additional funds. The Escrow Agent shall be entitled to rely conclusively upon an unqualified opinion of Stradling Yocca Carlson & Rauth, a Professional Authority, with respect to compliance with this Agreement, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the owners of the various 2013A Bonds or that any instrument that is executed hereunder complies with the conditions and provisions of this Agreement.

SECTION 10. Notice to Rating Agencies. In the event that this agreement or any provision thereof is severed, amended or revoked, the Escrow Agent shall provide written notice of such severance, amendment or revocation to the rating agencies then rating the 2013A Bonds. The Escrow Agent makes this covenant as a matter of courtesy and accommodation only and shall not be liable to any person for any failure to comply therewith.

SECTION 11. Term. This Agreement shall commence upon its execution and delivery and shall terminate on the later to occur of either: (i) the date upon which the 2013A Bonds have been paid in accordance with this Agreement; or (ii) the date upon which no unclaimed moneys remain on deposit with the Escrow Agent pursuant to Section 3(c) of this Agreement. Funds remaining in the Escrow Fund after payment in full of the 2013A Bonds shall be transferred to the District.

SECTION 12. Compensation. The Escrow Agent shall receive its fees and expenses as previously agreed to in writing by the Escrow Agent and the District and any other reasonable fees and expenses of the Escrow Agent (including legal fees and expenses); provided, however, that under no circumstances shall the Escrow Agent be entitled to any lien or assert any lien whatsoever on any moneys or obligations in the Escrow Fund for the payment of fees and expenses for services that are rendered or expenses incurred by the Escrow Agent under this Agreement. The provisions of this Section shall survive the termination of this Agreement and the resignation or removal of the Escrow Agent.

SECTION 13. Severability. If any one or more of the covenants or agreements provided in this Agreement on the part of the District, the Authority or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void, shall be deemed separate from the remaining covenants and agreements contained herein and shall in no way affect the validity of the remaining provisions of this Agreement.

SECTION 14. Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as an original but all of which shall constitute and be but one and the same instrument. The exchange of copies of this Agreement and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of this Agreement as to the parties hereto and may be used in lieu of the original Agreement and signature pages for all purposes.

SECTION 15. Governing Law. THIS AGREEMENT SHALL BE CONSTRUED UNDER THE LAWS OF THE STATE OF CALIFORNIA.
SECTION 16. Holidays. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Agreement, shall be a legal holiday or a day on which banking institutions in the city in which is located the office of the Escrow Agent are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day which is not a legal holiday or a day on which such banking institutions are authorized by law to remain closed, with the same force and effect as if done on the nominal date provided in this Agreement, and no interest shall accrue for the period from and after such nominal date.

SECTION 17. Assignment. This Agreement shall not be assigned by the Escrow Agent or any successor thereto without the prior written consent of the District and the Authority.

SECTION 18. Reorganization of Escrow Agent. Notwithstanding anything to the contrary contained in this Agreement, any company into which the Escrow Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which the Escrow Agent is a party, or any company to which the Escrow Agent may sell or transfer all or substantially all of its corporate trust business, shall be the successor to the Escrow Agent without execution or filing of any paper or any further act, if such company is eligible to serve as Escrow Agent.

SECTION 19. Insufficient Funds. If at any time the Escrow Agent has actual knowledge that the moneys and investments in the Escrow Fund, including the anticipated proceeds thereof and earnings thereon, will not be sufficient to make all payments required by this Agreement, the Escrow Agent shall notify the District in writing of the amount thereof and the reason therefor to the extent known to it. The Escrow Agent shall have no responsibility regarding any such deficiency.

SECTION 20. Notices. Any notice to or demand upon the Escrow Agent may be served or presented, and such demand may be made, at the principal corporate trust office of the Escrow Agent at 445 South Figueroa Street, Suite 401, Los Angeles, California 90071, Attention: Corporate Trust, Reference: East Valley Water District, Series 2013A, Fax: 213-972-5694, Email: LACT@unionbank.com. Any notice to or demand upon the District or the Authority shall be deemed to have been sufficiently given or served for all purposes by being sent by facsimile or other electronic transmission, overnight mail or courier or mailed by first class mail, and deposited, postage prepaid, in a post office letter box, addressed to the District or the Authority at 31111 Greenspot Road, Highland, California 92346, email: btompkins@eastvalley.org, Facsimile: (909) 888-6741 (or such other address as may have been filed in writing by the District or the Authority with the Escrow Agent).

SECTION 21. Electronic Signatures. The words “execution,” “signed,” “signature,” “delivery,” and words of like import in or relating to this Agreement or any document to be signed in connection with this Agreement shall be deemed to include electronic signatures, deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, and the parties hereto consent to conduct the transactions contemplated hereunder by electronic means. “Electronic signature” means any electronic sound, symbol or process attached to or logically associated with a record and executed and adopted by a party with the intent to sign such record, including facsimile or email electronic signatures.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the date first above written.

EAST VALLEY WATER DISTRICT

By: ______________________________
    Board President

ATTEST:

_______________________________
Secretary, Board of Directors

EAST VALLEY WATER DISTRICT
FINANCING AUTHORITY

By: ______________________________
    Board President

ATTEST:

_______________________________
Secretary, Board of Directors

MUFG UNION BANK, N.A.,
as Escrow Agent and 2013 Trustee

By: ______________________________
    Authorized Officer
**SCHEDULE A**

**ESCROW REQUIREMENTS**

Moneys deposited in the Escrow Fund shall be invested as follows:

<table>
<thead>
<tr>
<th>Security</th>
<th>Maturity</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>October 1, 2020</td>
<td>$</td>
<td>%</td>
</tr>
<tr>
<td></td>
<td>April 1, 2021</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>October 1, 2021</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>April 1, 2022</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>October 1, 2022</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>April 1, 2023</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The escrow requirements for the 2013A Bonds are as follows:

<table>
<thead>
<tr>
<th>Period Ending</th>
<th>Principal Paid</th>
<th>Principal Redeemed</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 1, 2020</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>April 1, 2021</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>October 1, 2021</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>April 1, 2022</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>October 1, 2022</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>April 1, 2023</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
EXHIBIT A

NOTICE OF FULL OPTIONAL REDEMPTION

EAST VALLEY WATER DISTRICT FINANCING AUTHORITY
REVENUE BONDS, SERIES 2013A

BASE CUSIP 275736

NOTICE IS HEREBY GIVEN to the owners of the above-captioned obligations (the “2013A Bonds”), which were issued pursuant to the Indenture of Trust, dated as of June 1, 2013 (the “2013A Indenture”), by and between the East Valley Water District Financing Authority (the “Authority”) and MUFG Union Bank, N.A., as trustee (the “2013A Trustee”), that 2013A Bonds in the amount of $11,870,000 have been called for redemption on April 1, 2023 (the “Redemption Date”). The 2013A Bonds were originally issued on June 19, 2013 and are described in the following table.

<table>
<thead>
<tr>
<th>CUSIP</th>
<th>Maturity (October 1)</th>
<th>Principal Amount</th>
<th>Rate</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>AY2</td>
<td>2023</td>
<td>$115,000</td>
<td>5.000%</td>
<td>100%</td>
</tr>
<tr>
<td>AZ9</td>
<td>2024</td>
<td>120,000</td>
<td>5.000</td>
<td>100</td>
</tr>
<tr>
<td>BA3</td>
<td>2025</td>
<td>225,000</td>
<td>5.000</td>
<td>100</td>
</tr>
<tr>
<td>BB1</td>
<td>2026</td>
<td>240,000</td>
<td>5.000</td>
<td>100</td>
</tr>
<tr>
<td>BC9</td>
<td>2027</td>
<td>250,000</td>
<td>5.000</td>
<td>100</td>
</tr>
<tr>
<td>BD7</td>
<td>2028</td>
<td>260,000</td>
<td>5.000</td>
<td>100</td>
</tr>
<tr>
<td>BE5</td>
<td>2029</td>
<td>275,000</td>
<td>5.000</td>
<td>100</td>
</tr>
<tr>
<td>BH8</td>
<td>2033</td>
<td>1,230,000</td>
<td>4.000</td>
<td>100</td>
</tr>
<tr>
<td>BF2</td>
<td>2038</td>
<td>1,035,000</td>
<td>5.000</td>
<td>100</td>
</tr>
<tr>
<td>BJ4</td>
<td>2038</td>
<td>910,000</td>
<td>4.250</td>
<td>100</td>
</tr>
<tr>
<td>BG0</td>
<td>2043</td>
<td>7,210,000</td>
<td>5.000</td>
<td>100</td>
</tr>
</tbody>
</table>

The 2013A Bonds will be payable on the Redemption Date at a redemption price of 100% of the principal amount thereof, plus interest accrued through the Redemption Date, without premium (the “Redemption Price”). The Redemption Price of the 2013A Bonds will become due and payable on the Redemption Date. Interest with respect to the 2013A Bonds will cease to accrue and be payable from and after the Redemption Date, and such 2013A Bonds will be surrendered to the 2013A Trustee.

To receive payment on the Redemption Date, owners of the 2013A Bonds should present and to surrender said 2013A Bonds on the Redemption Date at the address of the 2013A Trustee set forth below:

MUFG Union Bank, N.A.
445 S. Figueroa Street, Suite 401
Los Angeles, CA 90071
Attention: Bond Redemptions

A form W-9 must be submitted with the 2013A Bonds. Failure to provide a completed form W-9 will result in 31% backup withholding pursuant to the Interest and Dividend Tax Compliance Act of 1983. Under the Jobs and Growth Tax Relief Reconciliation Act of 2003, 28% will be withheld if the tax identification number is not properly certified.

Exhibit A-1
If the owner of any 2013A Bond fails to deliver such 2013A Bond to the 2013A Trustee on the Redemption Date, such 2013A Bond shall nevertheless be deemed redeemed on the Redemption Date and the owner of such 2013A Bond shall have no rights in respect thereof except to receive payment of the Redemption Price from funds held by the 2013A Trustee for such payment.

Note: The Authority and the 2013A Trustee shall not be responsible for the selection or use of the CUSIP numbers selected, nor is any representation made as to their correctness in the notice or as printed on any 2013A Bond. They are included solely for the convenience of the holders.

MUFG UNION BANK, N.A., as 2013A Trustee

March 1, 2023
EXHIBIT B

NOTICE OF DEFEASANCE

EAST VALLEY WATER DISTRICT FINANCING AUTHORITY
REVENUE BONDS, SERIES 2013A

BASE CUSIP 275736

NOTICE IS HEREBY GIVEN to the owners of the above-captioned obligations (the “2013A Bonds”) which were issued pursuant to the Indenture of Trust, dated as of June 1, 2013 (the “2013A Indenture”), by and between the East Valley Water District Financing Authority (the “Authority”) and MUFG Union Bank, N.A., as trustee (the “2013A Trustee”), that the East Valley Water District (the “District”) has deposited with MUFG Union Bank, N.A., as escrow agent (the “Escrow Agent”), cash and federal securities, the principal of and interest on which when paid will provide moneys sufficient to pay: (i) the regularly scheduled payments of principal and interest on the 2013A Bonds through April 1, 2023 (the “Redemption Date”); and (ii) on the Redemption Date, the principal of the 2013A Bonds maturing after the Redemption Date, plus accrued interest thereon to the Redemption Date, without premium. The 2013A Bonds were originally issued on June 19, 2013 and are described in the following table.

<table>
<thead>
<tr>
<th>CUSIP</th>
<th>Maturity (October 1)</th>
<th>Principal Amount</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>AW6</td>
<td>2021</td>
<td>$105,000</td>
<td>5.000%</td>
</tr>
<tr>
<td>AX4</td>
<td>2022</td>
<td>110,000</td>
<td>5.000</td>
</tr>
<tr>
<td>AY2</td>
<td>2023</td>
<td>115,000</td>
<td>5.000</td>
</tr>
<tr>
<td>AZ9</td>
<td>2024</td>
<td>120,000</td>
<td>5.000</td>
</tr>
<tr>
<td>BA3</td>
<td>2025</td>
<td>225,000</td>
<td>5.000</td>
</tr>
<tr>
<td>BB1</td>
<td>2026</td>
<td>240,000</td>
<td>5.000</td>
</tr>
<tr>
<td>BC9</td>
<td>2027</td>
<td>250,000</td>
<td>5.000</td>
</tr>
<tr>
<td>BD7</td>
<td>2028</td>
<td>260,000</td>
<td>5.000</td>
</tr>
<tr>
<td>BE5</td>
<td>2029</td>
<td>275,000</td>
<td>5.000</td>
</tr>
<tr>
<td>BH8</td>
<td>2033</td>
<td>1,230,000</td>
<td>4.000</td>
</tr>
<tr>
<td>BF2</td>
<td>2038</td>
<td>1,035,000</td>
<td>5.000</td>
</tr>
<tr>
<td>BJ4</td>
<td>2038</td>
<td>910,000</td>
<td>4.250</td>
</tr>
<tr>
<td>BG0</td>
<td>2043</td>
<td>7,210,000</td>
<td>5.000</td>
</tr>
</tbody>
</table>

In accordance with the 2013A Indenture and the Installment Purchase Agreement, dated as of June 1, 2013 (the “2013A IPA”), by and between the Authority and the District: (i) the 2013A Bonds have ceased to be entitled to any benefit or security under the 2013A Indenture; (ii) the 2013A Indenture, the pledge of Authority Revenues and other assets made under the 2013A Indenture and all liability, covenants, agreements and other obligations of the Authority under the 2013A Indenture have ceased, terminated, become void and been completely discharged and satisfied; (iii) the owners of the 2013A Bonds are entitled only to payment out of money or securities deposited with the Escrow Agent; (iv) the right, title and interest of the Authority in the 2013A IPA and the obligations of the District thereunder have, with respect to all or such portion of the Installment Payments payable thereunder as have been so provided for, thereupon ceased, terminated, become void and been completely discharged and satisfied (except as set forth in the 2013A IPA); and (v) all obligations of the District under the Continuing Disclosure Certificate of the District, dated June 19, 2013, relating to the 2013A Bonds have terminated.
No representation is made as to the correctness of the CUSIP number either as printed on any 2013A Bond or as contained herein and any error in the CUSIP number shall not affect the validity of the proceedings for redemption of the 2013A Bonds.

MUFG UNION BANK, N.A., as 2013A Trustee

___ __, 2020