

STAFF REPORT

To: Board of Directors

From: Jeffrey Schneider, Assistant General Manager

Agenda: December 10, 2024

Report Date: December 6, 2024

Agenda Title: Consider Resolution 2024-08 of the Coastside County Water District Authorizing the Delivery and Sale of Water Revenue Certificates of Participation, Series 2025 in the Principal Amount of not to Exceed \$8,000,000 to Finance Water System Improvements, and Approving Related Documents and Official Actions

Recommendation/Motion:

Approve Resolution 2024-08, a Resolution of the Coastside County Water District Authorizing the Delivery and Sale of Water Revenue Certificates of Participation in the principal amount not to exceed \$8.0 million and approving Related Documents and Official Actions.

The Board of Directors is requested to adopt Resolution 2024-08, authorizing the issuance of Certificates of Participation (COPs) to provide up to \$8,000,000 of financing in support of the Carter Hill Prestressed Concrete Tank and Seismic Upgrades Project, which involves the demolition of two existing tanks built in the 1950s and the construction of a 2.1-million-gallon prestressed concrete water storage tank at Carter Hill.

Background:

The Board has previously authorized the General Manager to commence the process for the funding needed to build a 2.1 million-gallon prestressed concrete DN Tank at Carter Hill. The Carter Hill Pre-stressed Concrete Tank and Seismic Upgrades Project addresses critical infrastructure needs to ensure a reliable water supply for the community. This project involves demolishing two aging tanks, built in the 1950s, with a combined capacity of 1 million gallons, and replacing them with a new 2.1-million-gallon prestressed concrete tank. Located adjacent to the Nunes Water Treatment Plant, the new tank will significantly enhance the District's ability to meet system demand by gravity during normal operations, greatly enhance seismic reliability, and begin the process of maximizing the potable storage available at the Carter Hill site as recommended by recent studies conducted by TJC and Associates (2019) and EKI Environment and Water, Inc. (2020). Scheduled to begin in Fall 2024 and complete by Spring 2026, the project

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represents an important component of the District's Capital Improvement Program and is estimated to cost \$12+ million. Raising capital through Certificates of Participation (COPs) to support the Carter Hill Tank Project is a key factor in ensuring the District can maintain its financial stability, which was highlighted in the July, 2024 Water Rate Study completed by Water Resources Economics.

COPs will allow the District to secure funds by purchasing the facility over-time "on installments" from a nonprofit corporation, CSDA Finance Corporation. Installment payments, backed by the net revenues of the District's water system, are certificated by the trustee and sold as securities to investors.

This financing mechanism is commonly used by other California water districts throughout the state, offering a cost-effective way to fund essential capital improvements (e.g., North Coast County Water District utilized the COP structure in a larger-scale financing project in 2021). The financing parameters include a principal amount of up to \$8 million, a maximum underwriter's discount of 0.375%, and an estimated true interest cost of 3.78% over a 20-year term from 2025 to 2045. The average annual debt service will be approximately \$605,000, with a total payment estimate of \$11.82 million over the term of the agreement, including \$300,000 in finance charges (cost of issuance). The financing will maintain "Bank-Qualified" status, enabling favorable borrowing terms under Section 265(b)(3) of the Internal Revenue Code.

Discussion

The Board has previously authorized the General Manager to organize a financing team to oversee and facilitate the successful procurement of funds. The financing team includes several experienced professionals responsible for structuring, executing, and overseeing the transaction. Backstrom McCarley Berry & Co., LLC serves as Financial Advisor and, as such, has a fiduciary duty to act in the District's best interests while providing guidance on structuring and negotiating the financing. Jones Hall acts as Bond Counsel and Disclosure Counsel, drafting all legal and disclosure documents and ensuring compliance with municipal finance laws. D.A. Davidson serves as Underwriter, marketing and selling the COPs to investors, setting pricing, and establishing final interest rates. U.S. Bank Trust Company, National Association, acts as Trustee, administering payments to investors and managing escrow accounts for debt service. The CSDA Finance Corporation serves as the counterparty for the installment sale agreement, facilitating the COP issuance.

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Several key documents require execution as part of this transaction, and are approved as to form in the Resolution (with final details to be filled-in by the authorized officers following pricing of the COPs):

1. **Installment Sale Agreement:** specifies the District's payment obligations in favor of CSDA Finance Corporation as it purchases the project on installments over time using the net revenues of the District's water system (on parity with other long-term obligations of the District as described therein), and key financial and operating covenants.
2. **Trust Agreement:** establishes the terms for the COPs, trustee responsibilities, and remedies in the event of default. The trustee will execute and deliver the COPs to investors, evidencing their interests in the installment payments payable by the District to the Corporation.
3. **Preliminary Official Statement:** discloses project details, financial and operating data concerning the District (including its sources of revenues and expenses and sources of water), and risks to prospective investors. This is the primary document used by the Underwriter to market the COPs to investors. Once final pricing information is available in 2025, the Preliminary Official Statement will be updated to include such information and become a final Official Statement.
4. **Certificate Purchase Agreement:** defines the terms of the sale between the District and the Underwriter, including pricing and closing conditions. Underwriter's Counsel (Kutak Rock) will prepare the final draft of this document.
5. **Continuing Disclosure Certificate:** sets forth the District's obligation to provide up to date financial and operating information, as well as notices of certain events enumerated therein, to market participants after the sale of the COPs.

The distribution of the Official Statement by the District is subject to federal securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934. Under these laws, the Official Statement must include all facts that would be material to an investor in the COPs. Material information is information that would have a substantial likelihood of actual significance in the deliberations of a reasonable investor in deciding whether to buy or sell the COPs. If the Board concludes that the preliminary Official Statement includes all facts that would be material to an investor in the COPs, it can adopt the Resolution that authorizes District staff to execute a certificate to the effect that the preliminary Official Statement has been "deemed final."

The Securities and Exchange Commission ("SEC"), the agency with regulatory authority over the District's compliance with the federal securities laws, has issued guidance as to the duties of the Board with respect to its approval of the preliminary Official Statement.

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In its "Report of Investigation in the Matter of County of Orange, California as it Relates to the Conduct of the Members of the Board of Supervisors" (Release No. 36761/January 24, 1996) ("Release"), the SEC indicated that, if a member of the Board has knowledge of any facts or circumstances that an investor would want to know about prior to investing in the COPs, whether relating to their repayment, tax-exempt status, undisclosed conflicts of interest with interested parties, or otherwise, he or she should endeavor to discover whether such facts are adequately disclosed in the preliminary Official Statement. In the Release, the SEC indicated that the steps that a member of the Board could take include becoming familiar with the preliminary Official Statement and questioning staff and consultants about the disclosure of such facts.

Federal securities laws require an underwriter of the COPs to ensure that the District will provide annual updates of financial and operating data through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system, and notices of certain significant events (e.g., rating change notices, incurrence of additional debt, unscheduled draws on reserve funds, change in trustee, etc.). The Continuing Disclosure Certificate, the form of which is attached to the preliminary Official Statement as an appendix, to help the underwriter meet this requirement.

The anticipated timeline for this transaction includes Board approval of the Resolution and key financing documents on December 10, 2024, completion of all document execution and COP pricing by mid-January 2025, and financial close with funds available for project implementation by January 30, 2025.

Estimated Finance Charges

As required by Government Code Section 5852.1, good-faith estimates provide transparency and accountability in public financing. These estimates ensure that Board members, stakeholders, and the public have clear and accurate information about the financial implications of the proposed debt. The true interest cost of the COPs is estimated at 3.78%. Total financing charges (costs of issuance plus Underwriter's discount) are estimated to be \$300,000. Net proceeds available will be \$8 million, with a total payment obligation over the entire life of the COPs of \$11.82 million.

The debt service features predictable annual payments of \$590,000 to ensure budget stability.

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Exhibits:

A. Resolution 2024-08

B. Installment Sale Agreement

C. Trust Agreement

D. Preliminary Official Statement (including Continuing Disclosure Certificate)

E. Certificate Purchase Agreement

Exhibit A

Resolution 2024-08

RESOLUTION NO. 2024-08

**A RESOLUTION OF THE COASTSIDE COUNTY WATER DISTRICT
AUTHORIZING THE DELIVERY AND SALE OF WATER REVENUE
CERTIFICATES OF PARTICIPATION, SERIES 2025 IN THE PRINCIPAL
AMOUNT OF NOT TO EXCEED \$8,000,000 TO FINANCE WATER SYSTEM
IMPROVEMENTS, AND APPROVING RELATED DOCUMENTS AND OFFICIAL
ACTIONS**

WHEREAS, the Coastsides County Water District (the "District") owns and operates a system for the supply, treatment and distribution of water within the service area of the District (the "Water System"); and

WHEREAS, the District desires to finance long-term capital improvements to the Water System, anticipated to consist of the construction of a 2.1 million gallon prestressed concrete DN Tank at Carter Hill (the "Project"); and

WHEREAS, to provide funds for the Project, (a) the District and CSDA Finance Corporation (the "Corporation") propose to enter into an Installment Sale Agreement (the "Installment Sale Agreement"), pursuant to which the District will purchase the Project from the Corporation in consideration for certain semi-annual installment payments to be made by the District and (b) the District will cause execution and delivery of Water Revenue Certificates of Participation, Series 2025 (the "Certificates"), pursuant to a Trust Agreement (the "Trust Agreement") among the District, the Corporation and U.S. Bank Trust Company, National Association, as trustee;

WHEREAS, the obligations of the District to make the Installment Payments will be secured by a pledge of and lien on the net revenues of the Water System, on a parity with certain other outstanding long-term obligations of the District as described more fully in the Installment Sale Agreement; and

WHEREAS, the District proposes to sell the Certificates to D.A. Davidson & Co., as underwriter (the "Underwriter"), pursuant to the terms of a Certificate Purchase Agreement by and between the District and the Underwriter, and the Underwriter proposes to offer the Certificates to the investing public by means of a Preliminary Official Statement; and

WHEREAS, the Board wishes to approve the execution, delivery and sale of the Certificates, and the approval of all related financing documents and official actions needed to implement the financing, in the public purposes of the District; and

WHEREAS, Government Code Section 8855(i) requires each local agency to adopt a debt management policy meeting the requirements thereof prior to the issuance and sale of bonds and other long-term obligations, and the Board has previously adopted a compliant debt management policy for the District; and

WHEREAS, the information required to be obtained and disclosed by the Board regarding the financing pursuant to Government Code Section 5852.1 has been obtained and disclosed in the staff report accompanying this Resolution.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Coastside County Water District as follows:

Section 1. Approval of Financing Plan and Related Documents. The Board hereby approves the financing plan described herein. To that end, the Board hereby approves each of the following financing documents in substantially the respective forms on file with the Secretary of the Board, together with any changes therein or additions thereto approved by the General Manager, Assistant General Manager of Finance and Administration, or a designee of either of them (each, an "Authorized Officer"):

- Installment Sale Agreement, between the District and the Corporation, under which the Corporation agrees to provide upfront financing for the Project in consideration of the payment of the Installment Payments by the District from the net revenues of the Water System; and
- Trust Agreement, among the District, the Corporation and U.S. Bank Trust Company, National Association, as trustee (the "Trustee"), whereby the Trustee agrees to execute and deliver the Certificates.

Each Authorized Officer is hereby authorized and directed for and in the name and on behalf of the District to execute the final form of each of the foregoing documents. Execution of each of the foregoing documents by an Authorized Officer shall be conclusive evidence of the approval of any changes therein or additions thereto. The schedule of Installment Payments attached to the Installment Sale Agreement shall correspond to the payments of principal and interest represented by the Certificates, to be determined upon the sale thereof as set forth in Section 2.

Section 2. Sale of Certificates. The Board hereby approves the sale of the Certificates to the Underwriter pursuant to the Certificate Purchase Agreement in substantially the form on file with the Secretary; provided, that the aggregate principal amount of Certificates shall not exceed \$8,000,000, result in an underwriter's discount in excess of 0.375%, or a true interest cost in excess of 4.50%. Subject to the foregoing parameters, an Authorized Officer is hereby authorized and directed to execute the Certificate Purchase Agreement in substantially the form on file with the Secretary, together with such changes and additions thereto deemed advisable by the Authorized Officer executing the same. The Board hereby finds and determines that the sale of the Certificates at negotiated sale as contemplated by the Certificate Purchase Agreement will result in a lower overall cost.

Section 3. Official Statement; Continuing Disclosure Certificate. The Board hereby approves and deems final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, the Preliminary Official Statement describing the Certificates in the form on file with the Secretary of the Board. An Authorized Officer is hereby authorized, at the request of the Underwriter, to execute an appropriate certificate affirming the District's determination that the Preliminary Official Statement has been deemed final within the meaning of such Rule. Distribution of the Preliminary Official Statement by the Underwriter is hereby approved. An Authorized Officer is hereby authorized and directed to approve any changes in or additions to a final form of said Official Statement, and the execution thereof by an Authorized Officer shall be conclusive evidence of approval of any such changes and additions. The final Official Statement shall be executed in the name

and on behalf of the District by an Authorized Officer. The Board hereby authorizes the distribution of the final Official Statement by the Underwriter, and the execution and delivery by an Authorized Officer of the Continuing Disclosure Certificate, substantially in the form included therein.

Section 4. Official Actions. Each Authorized Officer, President of the Board, the Secretary of the Board or a designee of any of them, are authorized and directed in the name and on behalf of the District to make any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance and other documents, which they or any of them might deem necessary or appropriate in order to consummate any of the transactions contemplated by the agreements and documents approved under this Resolution, including the use of bond insurance and/or debt service reserve insurance. Whenever in this Resolution any officer of the District is directed to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer is absent or unavailable.

Section 5. Effective Date. This Resolution shall take effect immediately upon its passage and adoption.

APPROVED AND ADOPTED this 10th day of December, 2024.

President

Attest:

Secretary

Exhibit B

Installment Sale Agreement

INSTALLMENT SALE AGREEMENT

Dated as of January 1, 2025

between the

CSDA FINANCE CORPORATION,
as Seller

and the

COASTSIDE COUNTY WATER DISTRICT,
as Purchaser

Relating to:

\$ _____
Water Revenue Certificates of Participation,
Series 2025

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APPENDIX A	SCHEDULE OF INSTALLMENT PAYMENTS
APPENDIX B	DESCRIPTION OF PROJECT

INSTALLMENT SALE AGREEMENT

This INSTALLMENT SALE AGREEMENT (this "Agreement"), dated as of January 1, 2025, is between the CSDA FINANCE CORPORATION, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Corporation"), as seller, and the COASTSIDE COUNTY WATER DISTRICT, a county water district duly organized and existing under the County Water District Law of the State of California (the "District"), as purchaser.

BACKGROUND:

1. The District owns and operates facilities and property for the supply, treatment and distribution of water within the service area of the District (as more fully defined herein, the "Water System") and the District desires to construct improvements thereto described herein as the Project.

2. In order to provide funds to finance the Project, the District has requested the Corporation to enter into this Agreement with the District, under which the Corporation agrees to provide funds for such purposes, and to sell the completed Project to the District in consideration of the agreement by the District to pay the purchase price of the Project via the Installment Payments (defined herein).

3. The Installment Payments will be secured by a pledge of and lien on the net revenues of the Water System, on a parity with other long-term obligations of the District as described more fully herein.

4. For the purpose of obtaining the moneys required to finance the acquisition and construction of the Project, the Corporation will assign and transfer certain of its rights under this Agreement to U.S. Bank Trust Company, National Association, as trustee (the "Trustee") under a Trust Agreement dated as of January 1, 2025 (the "Trust Agreement"), among the District, the Corporation and the Trustee, under which the Trustee will execute and deliver Water Revenue Certificates of Participation, Series 2025 in the aggregate principal amount of \$_____ (the "Certificates"), evidencing direct, undivided fractional interests in the Installment Payments.

AGREEMENT:

In consideration of the foregoing and the material covenants hereinafter contained, the District and the Corporation formally covenant, agree and bind themselves as follows:

ARTICLE I

DEFINITIONS; RULES OF INTERPRETATION

Section 1.1. Definitions. Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms in this Agreement have the respective meanings given them in Appendix A to the Trust Agreement. In addition, when used in this Agreement the following defined terms have the meanings given those terms in this Section.

“Average Annual Debt Service” means, as of the date of any calculation, the sum obtained for the current and all future Fiscal Years by totaling the aggregate amount of (i) the Installment Payments coming due in such Fiscal Years, and (ii) the principal and interest coming due and payable in such Fiscal Years on all existing and proposed Parity Debt, including in each case the principal amounts coming due and payable by operation of mandatory sinking fund redemption, and dividing such sum by the total number of Fiscal Years from and including the current Fiscal Year through the maturity of such Additional Parity Debt. There shall be excluded from such calculation any principal of and interest on any obligations which have been defeased or discharged, or for the payment of which a security deposit has been posted.

“Fiscal Year” means the twelve-month period beginning on July 1 of any year and ending on June 30 of the next succeeding year, or any other twelve-month period selected by the District as its fiscal year.

“Fiscal Consultant” means any consultant or firm of such consultants appointed by the District and who, or each of whom: (a) is judged by the District to have experience in matters relating to the financing of water system enterprises; (b) is in fact independent and not under domination of the District; (c) does not have any substantial interest, direct or indirect, with the District other than as purchaser of any debt obligations of the District; and (d) is not connected with the District as an officer or employee of the District, but who may be regularly retained to make reports to the District.

“Gross Revenues” means, for each Fiscal Year, all gross income and revenue received or receivable by the District from the ownership or operation of the Water System, determined in accordance with generally accepted accounting principles, consistently applied, including all rates, fees and charges (including connection fees and charges) received by the District for the services of the Water System, and all other income and revenue howsoever derived by the District from the ownership or operation of the Water System or arising from the Water System, and also including all legally available income from the deposit or investment of any money in the Water Fund or any rate stabilization fund, and the proceeds of any taxes, but excluding in all cases any refundable deposits made to establish credit, and advances or contributions in aid of construction.

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

“Installment Payment Date” means, with respect to any Interest Payment Date, the 15th day preceding such Interest Payment Date.

“Installment Payments” means the semi-annual payments due by the District hereunder.

“Net Revenues” means, for any Fiscal Year, all Gross Revenues received by the District for such Fiscal Year, less the Operations and Maintenance Costs for such Fiscal Year.

“Operations and Maintenance Costs” means the reasonable and necessary costs paid or incurred by the District for maintaining and operating the Water System, determined in accordance with generally accepted accounting principles, consistently applied, including all reasonable expenses of management and repair and all other expenses necessary to maintain and preserve the Water System in good repair and working order, and including all administrative costs of the District that are charged directly or apportioned to the operation of the Water System, such as salaries and wages of employees, overhead, taxes (if any), the cost of permits and licenses to operate the Water System and insurance premiums, and including all other reasonable and necessary costs of the District or charges required to be paid by it to comply with the terms hereof or of any Parity Debt Instruments, but excluding, in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles. For clarity, “Operations and Maintenance Costs” do not include debt service payable on obligations incurred by the District with respect to the Water System, including but not limited to the Installment Payments.

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

“Parity Debt” means, collectively:

(a) the Enterprise Fund Installment Sale Agreement, by and between the District and IBank, dated as of October 10, 2011, Agreement No. CIEDB-11-099, as amended and restated as of March 1, 2014, Agreement No. CIEDB-B14-099 (the “2011 IBank ISA”);

(b) the Installment Sale Agreement, dated as of May 1, 2016, by and between the District and IBank, Agreement No. ISRF 16-111 (the “2016 IBank ISA”);

(c) the Loan Agreement, dated as of July 23, 2018, by and between the District and JPMorgan Chase Bank, N.A. (the “2018 Loan Agreement”);

(d) the Loan Agreement, dated as of March 11, 2022, by and between the District and First Foundation Public Finance (the “2022 Loan Agreement”); and

(e) any bonds, notes or other obligations of the District payable from and secured by a pledge of and lien of Net Revenues on a parity with the Installment Payments, which are issued or incurred by the District in accordance with accordance with Section 5.7.

“Parity Debt Instruments” means (a) the 2011 IBank ISA, (b) the 2016 IBank ISA, (c) the 2018 Loan Agreement, (d) the 2022 Loan Agreement, and (e) any other documents authorizing any Parity Debt hereafter issued or incurred by the District in accordance with Section 5.7.

“Project Costs” means, with respect to the Project, all costs of the acquisition, construction and installation thereof which are paid from moneys on deposit in the Project Fund, including but not limited to the following:

(a) all costs required to be paid to any person under the terms of any agreement for or relating to the acquisition, construction and installation of the Project;

(b) obligations incurred for labor and materials in connection with the acquisition, construction and installation of the Project;

(c) the cost of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect in connection with the acquisition, construction and installation of the Project;

(d) all preliminary costs of the Project, including but not limited to design, environmental, engineering and architectural services, costs for testing, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees and costs for supervising construction, as well as for the performance of all other duties required by or consequent to the proper acquisition, construction and installation of the Project;

(e) any sums required to reimburse the District for advances made for any of the above items or for any other costs incurred and for work done which are properly chargeable to the acquisition, construction and installation of the Project;

(f) all financing costs incurred in connection with the acquisition, construction and installation of such Project; and

(g) the interest components of the Installment Payments during the period of acquisition, construction and installation of the Project.

“Project” means the capital improvements described in Appendix B, as may be amended from time to time in accordance with this Agreement.

“Rate Stabilization Fund” means any fund established and held by the District as a fund for the stabilization of rates and charges imposed by the District with respect to the Water System, which fund is established, held and maintained in accordance with Section 4.6.

“Reserve Requirement” means \$_____, which equals the least of (i) 10% of the stated initial principal amount of the Certificates (or issue price if more than a de minimis amount of original issue discount or premium), (ii) the maximum annual debt service on the Certificates, or (iii) 125% of the Average Annual Debt Service on the Certificates.

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

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

“Water Fund” means the fund or funds established and held by the District with respect to the Water System, for the deposit of Gross Revenues from the Water System, howsoever named internally at the District.

Section 1.2. 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 do not affect the meaning, construction or effect hereof.

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

(d) Whenever the term “may” is used herein with respect to an action by one of the parties hereto, such action shall be discretionary and the party who “may” take such action shall be under no obligation to do so.

(e) The words “including,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation.”

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

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

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

(b) Due Execution. The representatives of the District executing this Agreement and the Trust Agreement are fully authorized to execute the same.

(c) Valid, Binding and Enforceable Obligations. This Agreement and the Trust Agreement have been duly authorized, executed and delivered by the District and constitute the legal, valid and binding agreements of the District enforceable against the District in accordance with their respective terms; except as the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore

or hereafter enacted and except as such enforceability may be subject to the exercise of judicial discretion in accordance with principles of equity.

(d) No Conflicts. The execution and delivery of this Agreement and the Trust Agreement, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof and thereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the District is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the District, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially adversely affect the consummation of the transactions contemplated by this Agreement and the Trust Agreement or the financial condition, assets, properties or operations of the District, including but not limited to the performance of the District's obligations under this Agreement and the Trust Agreement.

(e) Consents and Approvals. No consent or approval of any trustee or holder of any indebtedness of the District or of the voters of the District, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Agreement or the Trust Agreement, or the consummation of any transaction herein or therein contemplated, except as have been obtained or made and as are in full force and effect.

(f) No Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the District after reasonable investigation, threatened against or affecting the District or the assets, properties or operations of the District which, if determined adversely to the District or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Agreement or the Trust Agreement, or upon the financial condition, assets, properties or operations of the District, and the District is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially adversely affect the consummation of the transactions contemplated by this Agreement or the Trust Agreement, or the financial conditions, assets, properties or operations of the District, including but not limited to the payment and performance of the District's obligations under this Agreement and the Trust Agreement.

(g) Prior Indebtedness. The District has not issued or incurred any obligations which are currently outstanding having any priority in payment out of the Gross Revenues or Net Revenues over the payment of the Installment Payments as provided herein. The Parity Debt existing on the date hereof has a pledge of, and lien on, the Net Revenues on a parity with the Installment Payments.

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

(a) Due Organization and Existence. The Corporation is a nonprofit corporation duly organized and existing under the laws of the State of California, and has power to enter into this Agreement and the Trust Agreement and to perform the duties and obligations imposed on it

hereunder and thereunder. The Board of Directors of the Corporation has duly authorized the execution and delivery of this Agreement and the Trust Agreement.

(b) Due Execution. The representatives of the Corporation executing this Agreement and the Trust Agreement are fully authorized to execute the same.

(c) Valid, Binding and Enforceable Obligations. This Agreement and the Trust Agreement have been duly authorized, executed and delivered by the Corporation and constitute the legal, valid and binding agreements of the Corporation with the Corporation, enforceable against the Corporation in accordance with their respective terms; except as the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and except as such enforceability may be subject to the exercise of judicial discretion in accordance with principles of equity.

(d) No Conflicts. The execution and delivery hereof and of the Trust Agreement, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof and thereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the Corporation is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Corporation, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially adversely affect the consummation of the transactions contemplated hereby and by the Trust Agreement or the financial condition, assets, properties or operations of the Corporation, including but not limited to the performance of the Corporation's obligations under this Agreement and the Trust Agreement.

(e) Consents and Approvals. No consent or approval of any trustee or holder of any indebtedness of the Corporation, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery hereof or of the Trust Agreement, or the consummation of any transaction herein or therein contemplated, except as have been obtained or made and as are in full force and effect.

(f) No Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the Corporation after reasonable investigation, threatened against or affecting the Corporation or the assets, properties or operations of the Corporation which, if determined adversely to the Corporation or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Agreement or the Trust Agreement, or upon the financial condition, assets, properties or operations of the Corporation, and the Corporation is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially adversely affect the consummation of the transactions contemplated by this Agreement or the Trust Agreement or the financial conditions, assets, properties or operations of the Corporation, including but not limited to the performance of the Corporation's obligations hereunder and under the Trust Agreement.

ARTICLE III

EXECUTION AND DELIVERY OF CERTIFICATES; APPLICATION OF PROCEEDS

Section 3.1. The Certificates. The Corporation shall cause the Certificates to be executed and delivered by the Trustee under the Trust Agreement in the aggregate principal amount of \$_____. The proceeds received by the Trustee from the sale of the Certificates to the Original Purchaser shall be deposited in the respective funds and accounts, and in the respective amounts, as set forth in Section 3.01 of the Trust Agreement.

Section 3.2. Acquisition and Construction of the Project. The Corporation hereby agrees with due diligence to supervise and provide for, or cause to be supervised and provided for, the acquisition, construction and installation of the Project in accordance with the plans and specifications, purchase orders, construction contracts and other documents relating thereto and approved by the District under all applicable requirements of law. All contracts for, and all work relating to, the acquisition, construction and installation of the Project are subject to all applicable provisions of law relating to the acquisition and construction of public works by the District. The failure to complete the Project by their estimated completion date shall not constitute an Event of Default hereunder or a grounds for termination hereof, nor shall any such failure result in the diminution, abatement or extinguishment of the obligations of the District hereunder to pay the Installment Payments when due.

Section 3.3. Appointment of District as Agent. The Corporation hereby appoints the District as its agent to carry out all phases of the acquisition, construction and installation of the Project under and in accordance with the provisions hereof. The District hereby accepts such appointment and assumes all rights, liabilities, duties and responsibilities of the Corporation regarding the acquisition, construction and installation of the Project. As agent of the Corporation hereunder, the District shall enter into, administer and enforce all purchase orders or other contracts relating to the Project. Payment of Project Costs shall be made by the District from amounts held by the Trustee in the Project Fund in accordance with the provisions of this Agreement and the provisions of the Trust Agreement. If and to the extent the amounts on deposit in the Project Fund are insufficient to enable the District to complete the Project in full, the District has the sole responsibility for completing the Project and financing such completion from any source of legally available funds of the District.

Section 3.4. Plans and Specifications; Modification of Project Description. The District has the right, in its sole discretion, to specify the exact scope, nature and identification of the Project and the respective components thereof. The District may from time to time amend any plans and specifications for the Project, and thereby change or modify the description of the Project or any component thereof- provided that substitute Project shall be at least as costly as Project not being pursued.

SECTION 3.5. Certificate of Project Completion. Not later than 60 days following the final acceptance of the Project, a District Representative shall execute and deliver to the Corporation and the Trustee a written certificate which (a) states that the acquisition and construction of the Project have been substantially completed, (b) identifies the total Project Costs thereof, and (c) identifies the amounts, if any, to be reserved in the Project Fund for payment of future Project Costs. Any amounts remaining on deposit in the Project Fund and not required for payment of future Project Costs will be transferred to the Installment Payment Fund to be applied,

at the written direction of a District Representative, to pay the Installment Payments next coming due and payable, or to prepay Installment Payments under Section 7.2 and thereby prepay the Certificates under Section 4.01(a) of the Trust Agreement.

ARTICLE IV

SALE OF PROJECT; INSTALLMENT PAYMENTS

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

Section 4.2. Term. The Term of this Agreement begins on the Closing Date and ends on September 1, 20__, or such later or earlier date on which the Certificates cease to be Outstanding under and within the meaning of the Trust Agreement.

Section 4.3. Transfer of Title. Title to the Project, and each component thereof, shall be deemed conveyed by the Corporation to and vested in the District upon the completion of the acquisition, construction and installation thereof. The Corporation and the District agree that no further action or documentation is intended to be required to cause the transfer of title to the Project; however, if any further actions or documentation is so required, the Corporation and the District shall take such actions and execute, deliver and cause to be recorded all such documents.

Section 4.4. Installment Payments.

(a) Obligation to Pay. The District hereby agrees to pay to the Corporation, as the purchase price of the Project hereunder, the aggregate principal amount of \$_____ together with interest (calculated on the basis of a 360-day year of twelve 30-day months) on the unpaid principal balance thereof, payable in semiannual Installment Payments in the respective amounts and on the respective Interest Payment Dates specified in Appendix A. The Installment Payment coming due and payable on any Interest Payment Date shall be deposited by the District with the Trustee, as assignee of the Corporation under the Trust Agreement, on the related Installment Payment Date in an amount which, together with amounts then held by the Trustee in the Installment Payment Fund, is equal to the full amount of such Installment Payment. The Installment Payments are secured by and payable solely from the sources specified in Section 4.5.

(b) Effect of Prepayment. If the District prepays all remaining Installment Payments in full under Section 7.2 or Section 7.3, the District's obligations under this Agreement will thereupon cease and terminate, including but not limited to the District's obligation to pay Installment Payments therefor under this Section; *provided*, that the District's obligations to compensate and indemnify the Trustee under Sections 7.03 and 10.03 of the Trust Agreement will survive such prepayment. If the District prepays the Installment Payments in part but not in whole under Section 7.2 or Section 7.3, the principal component of each succeeding Installment Payment will be reduced as provided in such Sections, and the interest component of each remaining Installment Payment will be reduced by the aggregate corresponding amount of interest which would otherwise be payable with respect to the Certificates thereby prepaid under the applicable provisions of Section 4.01 of the Trust Agreement.

(c) Rate on Overdue Payments. If the District fails to make any of the payments required in this Section or in Section 4.8, the payment in default will continue as an obligation of the District until the amount in default has been fully paid, and the District agrees to pay the same with interest thereon, from the date of default to the date of payment, at the Overdue Rate.

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

Section 4.5. Pledge and Application of Revenues.

(a) Pledge of Net Revenues. All of the Net Revenues and all moneys on deposit in any of the funds and accounts established and held by the Trustee under the Trust Agreement (except the Project Fund) are hereby irrevocably pledged, charged and assigned to the punctual payment of the Installment Payments. Such pledge, charge and assignment constitute a lien on and security interest in the Net Revenues and such other moneys for the payment of the Installment Payments in accordance with the terms hereof, on a parity with the pledge and lien which secures the Parity Debt.

(b) Deposit of Gross Revenues Into Water Fund; Transfers to Make Payments. The District has previously established the Water Fund, which the District shall continue to hold and maintain for the purposes and uses set forth herein. The District shall deposit all Gross Revenues from the Water System into the Water Fund immediately on receipt. The District shall apply amounts in the Water Fund as set forth in this Agreement and any Parity Debt Instruments. The District shall apply amounts on deposit in the Water Fund to pay when due the following amounts in the following order of priority:

- (i) all Operations and Maintenance Costs;
- (ii) the Installment Payments and payments of principal and interest on Parity Debt;
- (iii) any deficiency in any reserve fund established for the Certificates or Parity Debt, the notice of which deficiency has been given to the District in accordance with the related Parity Debt Instruments;
- (iv) any other payments required to comply with the provisions of this Agreement and any Parity Debt Instruments; and
- (v) any other purposes authorized under subsection (d) of this Section.

(c) No Preference or Priority. Payment of the Installment Payments and the principal of and interest on Parity Debt shall be made without preference or priority. If the amount of Net Revenues on deposit in the Water Fund are any time insufficient to enable the District to pay when due the Installment Payments and the principal of and interest on Parity Debt, such payments will be made on a pro rata basis.

(d) Other Uses Permitted. The District shall manage, conserve and apply the amounts on deposit in the Water Fund in such a manner that all deposits required to be made under the preceding subsection (b) will be made at the times and in the amounts so required. Subject to the foregoing sentence, so long as no Event of Default has occurred and is continuing, the District may use and apply moneys in the Water Fund for (i) the payment of any subordinate obligations or any unsecured obligations, (ii) the acquisition and construction of improvements to the Water System, (iii) the prepayment of any other obligations of the District relating to the Water System, or (iv) any other lawful purposes of the District.

Section 4.6. Establishment of Rate Stabilization Fund. The District has the right (but not the obligation) at any time to establish a fund to be held by it and administered in accordance with this Section, for the purpose of stabilizing the rates and charges imposed by the District with respect to the Water System. From time to time the District may deposit amounts in the Rate Stabilization Fund, from any source of legally available funds, including but not limited to Net Revenues which are released from the pledge and lien which secures the Installment Payments, the Parity Debt, as the District may determine.

The District may, but is not be required to, withdraw amounts on deposit in the Rate Stabilization Fund and deposit such amounts in the Water Fund in any Fiscal Year for the purpose of paying the Installment Payments or the principal of and interest on Parity Debt coming due and payable in such Fiscal Year. Amounts so transferred from the Rate Stabilization Fund to the Water Fund in any Fiscal Year constitute Gross Revenues for that Fiscal Year and will be applied for the purposes of the Water Fund. Amounts on deposit in the Rate Stabilization Fund are not pledged to and do not secure the Installment Payments, the Parity Debt. All interest or other earnings on deposits in the Rate Stabilization Fund will be retained therein or, at the option of the District, be applied for any other lawful purposes. The District has the right at any time to withdraw any or all amounts on deposit in the Rate Stabilization Fund and apply such amounts for any other lawful purposes of the District.

Section 4.7. Special Obligation of the District; Obligations Absolute. The District's obligation to pay the Installment Payments and any other amounts coming due and payable hereunder is a special obligation of the District limited solely to the Net Revenues. Under no circumstances is the District required to advance moneys derived from any source of income other than the Net Revenues and other sources specifically identified herein for the payment of the Installment Payments and such other amounts, and no other funds or property of the District are liable for the payment of the Installment Payments.

The obligation of the District to make the Installment Payments from the Net Revenues and to perform and observe the other agreements contained herein is absolute and unconditional and is not subject to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by the Corporation or the Trustee of any obligation to the District or otherwise with respect to the Water System, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the District by the Corporation or the Trustee. Until all of the Installment Payments and other amounts coming due and payable hereunder have been fully paid or prepaid, the District will:

- (a) not suspend or discontinue payment of any Installment Payments or such other amounts,
- (b) perform and observe all other agreements contained in this Agreement, and

- (c) not terminate this Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Water System, failure to complete the acquisition and construction of the Project by the estimated completion date thereof, sale of the Water System, the taking by eminent domain of title to or temporary use of any component of the Water System, commercial frustration of purpose, any change in the tax or law other laws of the United States of America or the State of California or any political subdivision of either thereof or any failure of the Corporation or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Trust Agreement or this Agreement.

Nothing contained in this Section releases the Corporation from the performance of any of the agreements on its part contained herein or in the Trust Agreement, and if the Corporation fails to perform any such agreements, the District may institute such action against the Corporation as the District may deem necessary to compel performance so long as such action does not abrogate the obligations of the District contained in the preceding paragraph. The District may, however, at its cost and expense and in its name or in the name of the Corporation, prosecute or defend any action or proceeding or take any other action involving third persons which the District deems reasonably necessary in order to secure or protect the District's rights hereunder, and in that event the Corporation will cooperate fully with the District and to take such action necessary to effect the substitution of the District for the Corporation in such action or proceeding at the request of the District.

Section 4.8. Additional Payments. In addition to the Installment Payments, the District shall pay when due the following amounts to the following parties:

- (a) to the Corporation, all reasonable costs and expenses which have been billed to the Corporation by third parties in connection with the execution and delivery of the Certificates or otherwise in connection with the performance of any duties of the Corporation under this Agreement or the Trust Agreement;
- (b) to the Trustee upon request therefor, all of its costs and expenses (including attorneys' fees and expenses) payable as a result of the performance of and compliance with its duties hereunder or under the Trust Agreement or any related documents, which costs and expenses have been mutually agreed upon by the Trustee and the District;
- (c) to the Corporation and the Trustee, all amounts required to indemnify the Corporation and the Trustee under Section 10.03 of the Trust Agreement; and
- (d) all costs and expenses of auditors, engineers and accountants, which costs and expenses have been mutually agreed upon by the District and such auditors, engineers and accountants.

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

ARTICLE V

FINANCIAL COVENANTS

Section 5.1. Disclaimer of Warranties. The Trustee makes no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the District of the Project or any component thereof, or any other representation or warranty with respect to any of the Project or any component thereof. In no event are the Corporation or the Trustee liable for incidental, indirect, special, punitive or consequential damages, in connection with or arising out of this Agreement or the Trust Agreement for the existence, furnishing, functioning or use of the Project.

Section 5.2. Sale or Eminent Domain of Water System. Except as provided herein, the District covenants that neither the Water System nor any portion thereof will be encumbered, sold, leased, pledged, any charge placed thereon, or otherwise disposed of, as a whole or substantially as a whole if such encumbrance, sale, lease, pledge, charge or other disposition would materially impair the ability of the District to pay the Installment Payments or the principal of or interest on Parity Debt, or would materially adversely affect its ability to comply with the terms of this Agreement or any Parity Debt Instruments. The District may not enter into any agreement which impairs the operation of the Water System or any part of it necessary to secure adequate Net Revenues to pay the Installment Payments or Parity Debt, or which otherwise would impair the rights of the Certificate Owners or the Trustee with respect to the Net Revenues. If any substantial part of the Water System is sold, the payment therefor must either (a) be used for the acquisition or construction of improvements and extensions or replacement facilities or (b) be applied to prepay the Installment Payments and/or any Parity Debt, as determined in the District's sole discretion.

Any amounts received as awards as a result of the taking of all or any part of the Water System by the lawful exercise of eminent domain, if and to the extent that such right can be exercised against such property of the District, shall either (a) be used for the acquisition or construction of improvements and extension of the Water System, or (b) be applied to prepay the Installment Payments and/or any Parity Debt, as determined in the District's sole discretion.

Section 5.3. Insurance. The District shall at all times maintain with responsible insurers all such insurance on the Water System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to the Water System. All amounts collected from insurance against accident to or destruction of any portion of the Water System will be used, at the option of the District, either (a) to repair or rebuild such damaged or destroyed portion of the Water System, or (b) to prepay the Installment Payments and/or any Parity Debt, as determined in the District's sole discretion.

The District shall also maintain, with responsible insurers, worker's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the District, the Corporation, the Trustee and the Owners of the Certificates.

Any policy of insurance required under this Section may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and may be maintained in

whole or in part in the form of self-insurance by the District or in the form of the participation by the District in a joint powers agency or other program providing pooled insurance.

Section 5.4. Records and Accounts. The District shall keep proper books of record and accounts of the Water System in which complete and correct entries shall be made of all transactions relating to the Water System. Said books shall, upon prior request, be subject to the reasonable inspection of Trustee on behalf of the Owners of not less than 10% of the Outstanding Certificates, or their representatives authorized in writing, upon not less than 5 Business Days' prior notice to the District.

The District shall cause the books and accounts of the Water System to be audited annually by an Independent Accountant not more than 9 months after the close of each Fiscal Year. Such report may be part of a combined financial audit or report covering all or part of the District's finances.

Section 5.5. Rates and Charges.

(a) Gross Revenue Covenant. The District shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year, which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Gross Revenues from the Water System sufficient to pay the following amounts in the following order of priority:

- (i) All Operations and Maintenance Costs of the Water System estimated by the District to become due and payable in the Fiscal Year.
- (ii) All Installment Payments which are allocable to the Water System and all payments of principal of and interest on the Parity Debt of the Water System as they become due and payable during the Fiscal Year, without preference or priority.
- (iii) All payments required to meet any other obligations of the District which are charges, liens, encumbrances upon, or which are otherwise payable from, the Gross Revenues or the Net Revenues of the Water System during such Fiscal Year.

(b) Net Revenue Covenant. In addition, the District shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year which are sufficient to yield Net System Revenues which are at least equal to 120% of the Installment Payments and the principal of and interest on all outstanding Parity Debt coming due and payable during such Fiscal Year.

In the event that the actual collection of Net Revenues based on such rates, fees and charges is insufficient to yield Net Revenues which meet the requirements of this subsection (b), such event shall not constitute an Event of Default unless the District fails to take steps to increase Gross Revenues or reduce Operating and Maintenance Costs for a period of at least 12 months.

Section 5.6. Superior and Subordinate Obligations. The District may not issue or incur any additional bonds or other obligations during the Term of this Agreement having any lien on the Net Revenues which is senior to the lien which secures the Installment Payments, or having any priority in payment of principal or interest out of the Net Revenues over the Installment Payments. Nothing herein limits or affects the ability of the District to issue or incur (a) Additional Parity Debts under Section 5.7, or (b) obligations which are either unsecured or which are secured

by an interest in the Net Revenues which is junior and subordinate to the pledge of and lien upon the Net Revenues established hereunder.

Section 5.7. Issuance of Additional Parity Debts. The District may not issue or incur any bonds or other obligations having any priority in payment of principal or interest out of the Net Revenues over the Installment Payments. In addition, the District may not issue or incur any Parity Debt unless:

- (a) The District is not then in default under the terms of this Agreement.
- (b) The amount of Net Revenues as shown by the books of the District for the latest Fiscal Year for which audited financial statements are available, or as shown by the books of the District for any more recent 12-month period selected by the District, are at least equal to 120% of Average Annual Debt Service. For purposes of determining the amount of Net Revenues under this subsection (b), such amount may be increased by any or all of the following amounts as determined by the District:
 - (i) an allowance for Net Revenues from any additions or improvements to or extensions of the Water System to be made by the District during the 36 month period following the issuance of such Parity Debt, in an amount equal to 90% of the estimated additional average annual Net Revenues to be derived from all properties which are improved with a structure the construction of which has been completed prior to the date of issuance of such Parity Debt and to which service will be provided by such additions, improvements and extensions, all as shown by the certificate or opinion of a Fiscal Consultant; and
 - (ii) an allowance for Net Revenues arising from any increase in the charges made for service from the Water System which has become effective prior to the incurring of such Parity Debt but which was not in effect during the Fiscal Year or other 12-month period described above, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or other 12-month period, all as shown by the certificate or opinion of a Fiscal Consultant.
- (c) All conditions to the issuance of such Parity Debt as set forth in the Parity Debt Instruments shall be met, and the District shall file with the Trustee a written certificate to such effect, signed on behalf of the District by an authorized officer of the District.

The provisions of the foregoing subsection (b) shall not apply to any additional Parity Debt if (i) all of the proceeds of which (other than proceeds applied to pay costs of issuing such Parity Debt) shall be deposited in an irrevocable escrow held in cash or invested in Federal Securities for the purpose of paying the principal of and interest and premium (if any) on any Outstanding Certificates or on any outstanding Parity Debt, and (ii) at the time of the incurring of such Parity Debt, the Average Annual Debt Service on the refunding Parity Debt will not exceed Average Annual Debt Service on the Outstanding Certificates or Parity Debt being refunded.

Nothing herein limits or affects the ability of the District to issue or incur obligations which are either unsecured or which are secured by an interest which is junior and subordinate to the pledge of and lien on the Net Revenues which secures the Installment Payments and the Parity Debt.

Section 5.8. Operation of Water System in Efficient and Economical Manner. The District shall operate the Water System in an efficient and economical manner and to operate, maintain and preserve the Water System in good repair and working order.

Section 5.9. No Competing Facilities. The District will not, to the extent permitted by law, acquire, construct, maintain or operate and will not, to the extent permitted by law and within the scope of its powers, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the jurisdiction of the District any water system which is competitive with the Water System.

Section 5.10. Compliance With Parity Debt Instruments. The District shall observe and perform all of the covenants, agreements and conditions on its part required to be observed and performed under the Parity Debt Instruments. The District will not take or omit to take any action within its control which would, or which if not corrected with the passage of time would, constitute an event of default under and within the meaning of the Parity Debt Instruments.

Section 5.11. Assignment and Amendment Hereof. This Agreement may not be assigned by the District in whole or in part. This Agreement may be amended by the District and the Corporation, but only (a) for the purpose of providing for the issuance of any Additional Parity Debts under and in accordance with Section 5.7, or (b) otherwise under the circumstances and to the extent permitted under Sections 8.01 or 8.02 of the Trust Agreement.

Section 5.12. Continuing Disclosure. The District shall comply with and carry out all of the provisions of the Continuing Disclosure Certificate which has been executed and delivered by the District on the Closing Date. Notwithstanding any other provision hereof, failure of the District to comply with the Continuing Disclosure Certificate shall not constitute an Event of Default hereunder; *provided, however*, that any Participating Underwriter (as such term is defined in the Continuing Disclosure Certificate) or any Owner or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the District to comply with its obligations under this Section.

ARTICLE VI

EVENTS OF DEFAULT

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

- (a) Failure by the District to pay any Installment Payment when due and payable hereunder.
- (b) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding clause (a), for a period of 60 days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Corporation or the Trustee; *provided, however*, that if the District notifies the Corporation and the Trustee that in its reasonable opinion the failure stated in the notice can be corrected, but not within the 60-day period, such failure will not constitute an event of default hereunder if the District commences to cure such failure within the 60-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.
- (c) The filing by the District of a voluntary petition in bankruptcy, or failure by the District promptly to lift any execution, garnishment or attachment, or adjudication of the District as a bankrupt, or assignment by the District for the benefit of creditors, or the entry by the District into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the District in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.
- (e) The acceleration of any indebtedness which is evidenced by any Prior Parity Debts or Additional Parity Debts under and in accordance with the provisions of the related Parity Debt Instruments.

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

- (a) Declare all principal components of the unpaid Installment Payments, together with accrued interest thereon at the Overdue Rate from the immediately preceding Interest Payment Date on which payment was made, to be immediately due and payable, whereupon the same shall immediately become due and payable. Notwithstanding the foregoing provisions of this subsection (a), however, if, at any time after the principal components of the unpaid Installment Payments have been so declared due and payable under this subsection (a), and before any judgment or decree for the payment of the moneys due have been obtained or entered, the District shall deposit with the Trustee a sum sufficient to pay all principal components of the Installment Payments coming due prior to such declaration and all matured interest components (if any) of the Installment Payments, with interest on such overdue principal and interest components calculated at the Overdue Rate, and the reasonable expenses of the Trustee (including any fees and expenses of its attorneys), and any and all other defaults known to the Trustee (other than in the

payment of the principal and interest components of the Installment Payments due and payable solely by reason of such declaration) have been made good, then, and in every such case, the Trustee shall rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon. As provided in Section 6.6, the Trustee is required to exercise the remedies provided herein in accordance with the Trust Agreement.

- (b) Take whatever action at law or in equity may appear necessary or desirable to collect the Installment Payments then due or thereafter to become due during the Term of this Agreement, or enforce performance and observance of any obligation, agreement or covenant of the District under this Agreement.
- (c) As a matter of right, in connection with the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and the Certificate Owners hereunder, cause the appointment of a receiver or receivers of the Net Revenues and other amounts pledged hereunder, with such powers as the court making such appointment may confer.

Section 6.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Corporation is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Corporation to exercise any remedy reserved to it in this Article, it is not necessary to give any notice, other than such notice as may be required in this Article or by law.

Section 6.4. Agreement to Pay Attorneys' Fees and Expenses. If either party to this Agreement defaults under any of the provisions hereof and the non-defaulting party, the Trustee or the Owner of any Certificates employs attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the non-defaulting party, the Trustee and/or such Owner, as the case may be, the reasonable fees of such attorneys and such other expenses so incurred. The provisions of this Section will survive the expiration of the Term of this Agreement and the resignation or removal of the Trustee.

Section 6.5. No Additional Waiver Implied by One Waiver. If any agreement contained in this Agreement is breached by either party and thereafter waived by the other party, the waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach hereunder.

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

ARTICLE VII

PREPAYMENT OF INSTALLMENT PAYMENTS

Section 7.1. Security Deposit. Notwithstanding any other provision hereof, the District may on any date secure the payment of Installment Payments, in whole or in part, by irrevocably depositing with the Trustee an amount of cash which, together with other available amounts, is either:

- (a) sufficient to pay all such Installment Payments, including the principal and interest components thereof, when due under Section 4.4(a), or
- (b) invested in whole or in part in non-callable Federal Securities the payments of principal of and interest on which, together with other available cash, are sufficient to pay the Installment Payments when due under Section 4.4(a) or when due on any optional prepayment date under Section 7.2, as the District instructs at the time of said deposit.

The sufficiency of amounts deposited with the Trustee under the foregoing subsection (b) shall be verified by the report of an Independent Accountant which is addressed and delivered to the Trustee.

If the District makes a security deposit under this Section for the payment of all remaining Installment Payments, all obligations of the District hereunder, and the pledge of Net Revenues and all other security provided by this Agreement for said obligations, will cease and terminate, excepting only the obligation of the District to make, or cause to be made, all Installment Payments from such security deposit. A security deposit constitutes a special fund for the payment of such Installment Payments in accordance with the provisions hereof.

Section 7.2. Optional Prepayment. The District may exercise its option to prepay the principal components of the Installment Payments in whole or in part on any date on or after September 1, 20___. Such option shall be exercised by payment of a prepayment price equal to the sum of (a) the aggregate principal components of the Installment Payments to be prepaid, plus (b) the interest component of the Installment Payment required to be paid on or accrued to such date. Such prepayment price shall be deposited by the Trustee in the Installment Payment Fund to be applied to the prepayment of Certificates under Section 4.01(a) of the Trust Agreement. If the District prepays the Installment Payments in part but not in whole, the principal components shall be prepaid among such maturities and in such integral multiples of \$5,000 as the District designates in written notice to the Trustee. The District shall give the Trustee written notice of its intention to exercise its option not less than 45 days in advance of the date of exercise.

Section 7.3. Mandatory Prepayment From Proceeds of Insurance, Sale or Condemnation. The District shall prepay the Installment Payments on any date, in whole, or in part among maturities on a pro rata basis in any integral multiple of \$5,000, from and to the extent of any proceeds of insurance, sale or condemnation awards with respect to the Water System theretofore paid to the Trustee for such purpose under Sections 5.2 or 5.3. The District and the Corporation hereby agree that such proceeds, to the extent remaining after payment of any delinquent Installment Payments, shall be deposited in the Installment Payment Fund and credited towards the District's obligations under this Section.

Section 7.4. Credit for Amounts on Deposit. If the District prepays the Installment Payments in full under this Article, such that the Trust Agreement is discharged by its terms as a result of such prepayment, and upon payment in full of all Additional Payments and other amounts then due and payable hereunder, all available amounts then on deposit in the funds and accounts established under the Trust Agreement shall be credited towards the amounts then required to be so prepaid.

ARTICLE VIII

MISCELLANEOUS

Section 8.1. Further Assurances. The District agrees that it will execute and deliver any and all such further agreements, instruments, financing statements or other assurances as may be reasonably necessary or requested by the Corporation or the Trustee to carry out the intention or to facilitate the performance of this Agreement, including, without limitation, to perfect and continue the security interests herein intended to be created.

Section 8.2. Notices. Any notice, request, complaint, demand or other communication under this Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by facsimile transmission or other form of telecommunication, at its number set forth below. Notice will be effective either (a) upon transmission by facsimile confirmed by a receipt transmission, (b) in the case United States mail, postage prepaid, upon actual receipt or (c) in the case of personal delivery to any person, upon actual receipt. The District, the Corporation and the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder. Notices may be delivered in via e-mail to the officer identified below but will only be effective upon receipt by the sender of an acknowledgment of such recipient.

If to the District: Coastside County Water District
766 Main Street
Half Moon Bay, California 94019
Attention: General Manager

If to the Corporation: CSDA Finance Corporation
1112 I Street, Suite 200
Sacramento, California 95814
Attention: Treasurer

If to the Trustee: U.S Bank Trust Company, National Association
1 California St, Ste 1000
San Francisco, California 94111
Attention: Corporate Trust

The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The party providing electronic instructions agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions 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.

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

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

Section 8.5. Severability of Invalid Provisions. If any one or more of the provisions contained in this Agreement are for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions will be deemed severable from the remaining provisions contained in this Agreement and such invalidity, illegality or unenforceability will not affect any other provision of this Agreement, and this Agreement will be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Corporation and the District each hereby declares that it would have entered into this Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Agreement may be held illegal, invalid or unenforceable.

Section 8.6. Article and Section Headings and References. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and do not affect the meaning, construction or effect of this Agreement. All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof; and words of the masculine gender shall mean and include words of the feminine and neuter genders.

Section 8.7. Payment on Non-Business Days. Whenever any payment is required to be made hereunder on a day which is not a Business Day, such payment shall be made on the immediate preceding Business Day.

Section 8.8. Execution of Counterparts. This Agreement may be executed in any number of counterparts, each of which for all purposes is deemed to be an original and all of which shall together constitute but one and the same instrument.

Section 8.9. Waiver of Personal Liability. No member of the Board of Directors, officer, agent or employee of the District has any individual or personal liability for the payment of Installment Payments or Additional Payments or shall be subject to any personal liability or accountability by reason of this Agreement; but nothing herein contained shall relieve any such member of the Board of Directors, officer, agent or employee from the performance of any official duty provided by law or by this Agreement.

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

Section 8.11. Insurer Provisions. The Trustee is hereby made a third party beneficiary hereof and shall be entitled to the benefits of this Agreement with the same force and effect as if the Trustee were a party hereto.

(a) So long as the Bonds are outstanding or any amounts are due and payable to the Insurer, the City shall not sell, lease, transfer, encumber or otherwise dispose of the Water System or any material portion thereof, except upon obtaining the prior written consent of the Insurer.

(b) The Insurer's prior written consent is required for all amendments and supplements to this Agreement.

(c) The Insurer is recognized as and shall be deemed to be a third party beneficiary of this Agreement and may enforce the provisions of this Agreement as if it were a party thereto.

[Signature Page Follows]

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

CSDA FINANCE CORPORATION, as Seller

By _____
Authorized Signatory

COASTSIDE COUNTY WATER DISTRICT, as Purchaser

By _____
Mary Rogren
General Manager

APPENDIX A

SCHEDULE OF INSTALLMENT PAYMENTS

<u>Installment Payment Date⁽¹⁾</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Payment</u>
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- (1) Installment Payment Dates are the 15th day immediately preceding each Interest Payment Date shown in the table.

APPENDIX B

DESCRIPTION OF PROJECT

The Project consists of the following capital improvements to the Water System, subject to the right of the District to modify this list as provided in Section 3.4:

[to come from District]

Exhibit C

Trust Agreement

TRUST AGREEMENT

Dated as of January 1, 2025

among

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

CSDA FINANCE CORPORATION

and the

COASTSIDE COUNTY WATER DISTRICT

Relating to:

\$ _____
Water Revenue Certificates of Participation,
Series 2025

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TRUST AGREEMENT

This TRUST AGREEMENT, made and entered into as of January 1, 2025 (this "Trust Agreement"), is among U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as trustee (the "Trustee"), the CSDA FINANCE CORPORATION, a nonprofit corporation duly organized and existing under the laws of the State of California (the "Corporation"), and the COASTSIDE COUNTY WATER DISTRICT, a county water district duly organized and existing under the County Water District Law of the State of California (the "District").

BACKGROUND:

1. The District owns and operates facilities and property for the supply, treatment and distribution of water within the service area of the District (the "Water System") and the District has initiated proceedings to construct various improvements to the Water System as described herein (the "Project").

2. To finance the Project, the Corporation and the District have entered into an Installment Sale Agreement dated as of January 1, 2025 (the "Installment Sale Agreement"), under which the Corporation has agreed to provide funds for such purposes and to sell the completed Project to the District in consideration of the agreement by the District to pay the purchase price of the Project in semiannual installments (the "Installment Payments").

3. The Installment Payments will be secured by a pledge of and lien on the net revenues of the Water System on a parity with various outstanding long-term obligations of the District as described more fully in the Installment Sale Agreement.

4. For the purpose of obtaining the moneys required to finance the acquisition and construction of the Project, the Corporation wishes to assign and transfer certain of its rights under the Installment Sale Agreement to the Trustee, including its right to receive the Installment Payments, and at the written direction of the Corporation the Trustee will execute and deliver Water Revenue Certificates of Participation, Series 2025 in the aggregate principal amount of \$_____, evidencing direct, undivided fractional interests in the Installment Payments.

AGREEMENT:

In consideration of the foregoing and the material covenants hereinafter contained, the District, the Corporation and the Trustee formally covenant, agree and bind themselves as follows:

ARTICLE I
DEFINITIONS

Section 1.01. Definitions. Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms defined in Appendix A attached to this Trust Agreement have the respective meanings specified in that Appendix when used in this Trust Agreement. In addition, the terms defined in Section 1.1 of the Installment Sale Agreement and not otherwise defined in this Trust Agreement have the respective meanings given them in the Installment Sale Agreement.

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

Section 1.03. Interpretation.

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

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

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

(d) Whenever the term "may" is used herein with respect to an action by one of the parties hereto, such action shall be discretionary and the party who "may" take such action shall be under no obligation to do so.

(e) The words "including," "includes" and "including" shall be deemed to be followed by the phrase "without limitation."

ARTICLE II

THE CERTIFICATES OF PARTICIPATION

Section 2.01. Authorization. The Trustee is hereby authorized and directed upon written request from the Corporation to register, execute and deliver, to the Original Purchaser, Certificates in an aggregate principal amount of \$_____, which represent the direct, undivided fractional ownership interests of the Owners thereof in the Installment Payments.

Section 2.02. Date. Each Certificate shall be dated as of the Closing Date. Interest represented by a Certificate is payable from the Interest Payment Date next preceding the date of execution thereof, unless:

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

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

Maturity Date (September 1)	Principal Amount	Interest Rate	Maturity Date (September 1)	Principal Amount	Interest
--------------------------------	---------------------	------------------	--------------------------------	---------------------	----------

Section 2.04. Fully Registered Form; Interest. The Certificates shall be delivered in the form of fully registered Certificates without coupons in the authorized denominations of \$5,000 or any integral multiple thereof, except that no Certificate shall represent principal payable in more than one year. The Certificates shall be assigned such alphabetical and numerical designation as shall be deemed appropriate by the Trustee.

Interest represented by the Certificates is payable on each Interest Payment Date to and including the date of maturity or prepayment, whichever is earlier, as provided in Section 2.09. Said interest represents the portion of Installment Payments designated as interest and coming due on each of the respective Interest Payment Dates. The share of the portion of Installment Payments designated as interest with respect to any Certificate will be computed by multiplying the portion of Installment Payments designated as principal represented by such Certificate by the rate of interest represented by such Certificate (on the basis of a 360-day year of twelve 30-day months).

Section 2.05. Book Entry System.

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

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

(b) Representation Letter. In order to qualify the Certificates for the Depository's book-entry system, the District and the Trustee will execute and deliver to such Depository

a letter representing such matters as shall be necessary to so qualify the Certificates. The execution and delivery of such letter shall not in any way limit the provisions of subsection (a) above or in any other way impose upon the District or the Trustee any obligation whatsoever with respect to persons having interests in the Certificates other than the Certificate Owners. Upon the written acceptance by the Trustee, the Trustee will agree to take all action reasonably necessary for all representations of the District in such letter with respect to the Trustee to at all times be complied with. In addition to the execution and delivery of such letter, the District may take any other actions, not inconsistent with this Trust Agreement, to qualify the Certificates for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. If either (i) the Depository determines not to continue to act as Depository for the Certificates, or (ii) the District determines to terminate the Depository as such, then the District shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the District and the Trustee in the issuance of replacement Certificates by providing the Trustee with a list showing the interests of the Depository System Participants in the Certificates, and by surrendering the Certificates, registered in the name of the Nominee, to the Trustee on or before the date such replacement Certificates are to be issued. The Depository, by accepting delivery of the Certificates, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the District fails to identify another Securities Depository to replace the Depository, then the Certificates shall no longer be required to be registered in the Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging Certificates shall designate, in accordance with the provisions hereof.

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

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

Section 2.06 Form and Execution of Certificates. The Certificates shall be substantially in the form set forth in Appendix B attached hereto and by this reference incorporated herein. The Certificates shall be executed by and in the name of the Trustee by the manual signature of an authorized signatory of the Trustee. If any person whose signature appears on any Certificate ceases to be an authorized signatory before the date

of delivery of said Certificate, such signature shall nevertheless be as effective as if such person had remained an authorized signatory until such date.

Section 2.07. Transfer and Exchange.

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

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

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

Section 2.08. Certificates Mutilated, Lost, Destroyed or Stolen. If any Certificate is mutilated, the Trustee, at the expense of the Owner of such Certificate, shall execute and deliver a new Certificate of like principal amount, interest rate and maturity in replacement for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. The Trustee will cancel and destroy every mutilated Certificate surrendered to it and shall dispose of canceled securities in accordance with its customary procedures. If any Certificate is lost, destroyed or stolen, evidence of such loss, destruction or theft must be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and the District and, if an indemnity satisfactory to the Trustee and the District shall be given, the Trustee, at the expense of the Certificate Owner, shall execute and deliver a new Certificate of like principal amount, interest rate and maturity and numbered as the Trustee will determine in lieu of and in replacement for the Certificate so lost, destroyed or stolen. The Trustee may require payment of an appropriate fee for each replacement Certificate delivered under this Section and of the expenses which may be incurred by the Trustee in carrying out the duties under this Section. Any Certificate issued under the provisions of this Section in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally entitled to the benefits of this Trust Agreement with all other Certificates secured by this Trust Agreement. The Trustee is not required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be executed and delivered hereunder or for the purpose of determining any percentage of Certificates Outstanding hereunder, but both the original and replacement Certificate shall be treated as one and

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

Section 2.09. Payment. The Trustee will pay interest represented by the Certificates on each Interest Payment Date, to the person appearing on the Registration Books as the Owner thereof as of the close of business on the Record Date immediately preceding such Interest Payment Date, by check mailed to the Owner by first class mail at the Owner's address appearing on the Registration Books. At the written request of the Owner of Certificates in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of the Record Date preceding any Interest Payment Date, the Trustee will pay interest represented by the Certificates by wire transfer in immediately available funds to such account in the United States as is specified in the written request. The principal and prepayment price represented by any Certificate at maturity or upon prior prepayment is payable in lawful money of the United States of America upon surrender of such Certificate at the Trust Office of the Trustee.

Section 2.10. Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by this Trust Agreement to be signed or executed by Certificate Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose, or by any bank, trust company or other depository for such Certificates. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the ownership of Certificates shall be sufficient for any purpose of this Trust Agreement (except as otherwise herein provided), if made in the following manner:

(a) The fact and date of the execution by any Owner, attorney or agent of any such instrument and of any instrument appointing any such attorney or agent, may be proved by a certificate, which need not be acknowledged or verified, of an officer of any bank or trust company located within the United States of America, or of any notary public, or other officer authorized to take acknowledgments of deeds to be recorded in such jurisdictions, that the persons signing such instruments acknowledged before him the execution thereof. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such certificate shall also constitute sufficient proof of authority.

(b) The fact of the ownership of Certificates by any person and the amount, the maturity and the numbers of such Certificates and the date of holding the same shall be proved by the Registration Books.

Nothing contained in this Section limits the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which the Trustee may deem sufficient. Any request or consent of the Owner of any Certificate binds every future Owner of the same Certificate in respect of anything done or suffered to be done by the Trustee under such request or consent.

Section 2.11. Registration Books. The Trustee will keep or cause to be kept sufficient records for the registration and registration of transfer of the Certificates, which

shall at all reasonable times upon prior notice be open to inspection by the District and the Corporation during regular business hours; and, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on the Registration Books, Certificates as hereinbefore provided.

Section 2.12. CUSIP Numbers. The District may use CUSIP numbers (if then generally in use), and, if so, the Trustee shall use such numbers in notices of prepayment as a convenience to the Certificate Owners; provided that the Trustee shall have no liability for any defect in the CUSIP numbers as they appear on any Certificates, notice or elsewhere, and *provided further* that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Certificates or as contained in any prepayment notice and that reliance may be placed only on the other identification numbers printed on the Certificates, and any such prepayment shall not be affected by any defect in or omission of such numbers. The District will promptly notify the Trustee in writing of any change in the CUSIP numbers which are assigned to the Certificates.

ARTICLE III

DISPOSITION OF PROCEEDS; PROJECT FUND

Section 3.01. Application of Proceeds. At the direction of the District which is hereby given to the Trustee, the Trustee will deposit the net proceeds of the Certificates received on the Closing Date in the amount of \$_____ (representing the par amount of the Certificates plus [net] original issue premium received on the sale thereof in the amount of \$_____ and less underwriter's discount in the amount of \$_____), [less the premiums for the Insurance Policy (\$_____) and the Reserve Policy (\$_____), which shall be paid by the original purchaser of the Certificates directly to the Insurer on the Closing Date)] shall be paid to the Trustee, who shall deposit such proceeds in a temporary account called the Proceeds Fund which the Trustee shall establish and maintain, and the Trustee shall forthwith set aside, pay over and deposit such proceeds on the Closing Date as follows (whereupon said temporary account shall be closed):

- (a) The Trustee will deposit the amount of \$_____ in the Costs of Issuance Fund.
- (b) The Trustee will deposit the amount of \$_____, constituting the remainder of such proceeds, in the Project Fund.

Section 3.02. Costs of Issuance Fund. The Trustee will establish and maintain a special fund designated as the "Costs of Issuance Fund" to be held by the Trustee in trust for the benefit of the District and the Owners of the Certificates, and applied solely as provided herein. The Trustee will disburse amounts in the Costs of Issuance Fund to pay Costs of Issuance from time to time in accordance with written requisitions in substantially the form attached hereto as Appendix C which are filed by the District with the Trustee. Each such written requisition must be signed by a District Representative and must state, with respect to each payment to be made thereby, (i) the amounts to be disbursed for payment or reimbursement of Costs of Issuance, (ii) the name and address

of the person or persons to whom said amounts are to be disbursed, and (iii) that all amounts to be disbursed are for Costs of Issuance properly chargeable to the Costs of Issuance Fund. Each requisition must be accompanied by an invoice or statement evidencing each payment to be made thereunder. Each requisition will be sufficient evidence to the Trustee of the facts stated therein and the Trustee has no duty to confirm the accuracy of such facts. On _____, 2025, the Trustee will transfer any funds remaining in the Costs of Issuance Fund to the Project Fund.

Section 3.03. Project Fund. The Trustee will establish and maintain a separate fund to be known as the "Project Fund". The District will disburse moneys in the Project Fund from time to time to pay Project Costs or to reimburse the District for payment of Project Costs, in accordance with written requisitions filed by the District with the Trustee substantially in the form attached hereto as Appendix C. Each such written requisition shall be signed by a District Representative and shall state, with respect to each payment to be made thereby, the name and address of the firm or corporation to whom such payment is to be made, the amount and purpose of such payment and that such constitutes payment of a Project Cost. Each such requisition is sufficient evidence to the Trustee of the facts stated therein and the Trustee has no duty to confirm the accuracy of such facts. The Trustee is not responsible for payments made in accordance with this Section. The District shall maintain accurate records showing all disbursements from the Project Fund. Upon the determination by the District that no further amounts are intended to be requisitioned from the Project Fund, the District will notify the Trustee of such fact, whereupon the Trustee shall withdraw all amounts remaining in the Project Fund and transfer such amounts to the Installment Payment Fund to be applied, at the written direction of a District Representative, to pay the Installment Payments next coming due and payable, or to prepay Installment Payments under Section 7.2 of the Installment Sale Agreement and thereby prepay the Certificates under Section 4.01(a).

ARTICLE IV

PREPAYMENT OF CERTIFICATES

Section 4.01. Prepayment.

(a) Optional Prepayment. The Certificates maturing on or before September 1, 20__, are not subject to optional prepayment prior to the respective stated maturities. The Certificates maturing on or after September 1, 20__, are subject to optional prepayment in whole or in part, on any date on or after September 1, 20__, from prepayments of the Installment Payments made at the option of the District under Section 7.2 of the Installment Sale Agreement. Certificates shall be subject to prepayment under this subsection at a prepayment price equal to 100% of the principal amount of Certificates or portions thereof to be prepaid together with accrued interest represented thereby to the prepayment date, without premium.

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

(b) Prepayment From Net Proceeds of Insurance, Sale and Condemnation. The Certificates are subject to mandatory prepayment, on any date, in whole, or in part on a

pro rata basis among maturities, from the net proceeds of insurance, sale or condemnation credited towards the prepayment of the Installment Payments by the District under Section 7.3 of the Installment Sale Agreement. Certificates are subject to prepayment under this subsection at a prepayment price equal to the principal amount represented thereby to be prepaid, without premium, together with accrued interest represented thereby to the prepayment date.

(c) Sinking Fund Prepayment. The Term Certificates are subject to mandatory prepayment prior to such stated maturity in part (by lot) on each September 1 on and after September 1, 20__ in integral multiples of \$5,000, solely from scheduled Installment Payments paid by the District under the Installment Sale Agreement, at a prepayment price of the principal amount thereof (together with accrued interest evidenced to the date fixed for prepayment), without premium, in accordance with the following schedules:

**Term Certificates Maturing
September 1, 20__**

Sinking Fund Prepayment Date <u>(September 1)</u>	Principal Amount <u>To Be Prepaid</u>
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**Term Certificates Maturing
September 1, 20__**

Sinking Fund Prepayment Date <u>(September 1)</u>	Principal Amount <u>To Be Prepaid</u>
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Notwithstanding the foregoing provisions of this subsection (c), if some but not all of the Term Certificates are prepaid under any of the preceding provisions of this Section, the aggregate principal amount of the Term Certificates to be prepaid in each year thereafter under this subsection (c) shall be reduced by the aggregate principal amount of Term Certificates so prepaid, to be allocated among sinking fund installments on a pro rata basis in integral multiples of \$5,000 such that the resulting amount of principal represented by the Term Certificates subject to prepayment on any date under this subsection (c) is equal to the principal component of the Installment Payment coming due and payable on such date.

Section 4.02. Selection of Certificates for Prepayment. Whenever provision is made herein for the prepayment of Certificates and less than all Outstanding Certificates of any one maturity are called for prepayment, the Trustee will select Certificates for prepayment within such maturity by lot in any manner deemed fair by the Trustee. For the purposes of such selection, Certificates will be deemed to be composed of \$5,000 portions, and any such portion may be separately prepaid. The Trustee will promptly notify the District in writing of the Certificates or portions thereof so selected for prepayment. The selection by the Trustee of any Certificates for prepayment is final and conclusive.

Section 4.03. Notice of Prepayment. When prepayment is authorized or required under Section 4.01, the Trustee will give notice of the prepayment of the Certificates on behalf and at the expense of the District. Such notice must state the prepayment date and prepayment price and, if less than all of the then Outstanding Certificates of any maturity are to be called for prepayment, shall designate the numbers of the Certificates to be prepaid by giving the individual number (including the CUSIP number) of each Certificate or by stating that all Certificates between two stated numbers, both inclusive, have been called for prepayment or by stating that all of the Certificates of one or more maturities have been called for prepayment, and shall require that such Certificates be surrendered on the designated prepayment date at the Trust Office of the Trustee for prepayment at said prepayment price, giving notice also that further interest represented by the Certificates will not accrue from and after the prepayment date. With regard to any prepayment under Section 4.01(a), if the funds required to pay the prepayment price are not on deposit at the time notice of such prepayment is sent, the notice shall include a statement to the effect that the prepayment is conditioned upon the receipt by the Trustee of the funds required to pay the prepayment on or before the prepayment date. The notice shall further state that on the specified date there shall become due and payable upon each Certificate, the principal, together with interest accrued to said date, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

At least 20 days but not more than 60 days prior to the prepayment date, the Trustee shall mail notice of prepayment by first class mail with postage prepaid, to the Owners of Certificates designated for prepayment at their respective addresses appearing on the Registration Books, and shall cause such notice to be posted on the Electronic Municipal Market Access (EMMA) website in accordance with the requirements of the Municipal Securities Rulemaking Board. Such notice shall, in addition to setting forth the above information, set forth, in the case of each Certificate called only in part, the portion of the principal represented thereby which is to be prepaid; *provided, however*, that neither failure to receive such notice so mailed nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the prepayment of such Certificates or the cessation of accrual of interest represented thereby from and after the date fixed for prepayment.

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

Section 4.05. Effect of Notice of Prepayment. Moneys for the prepayment (including the interest to the applicable date of prepayment) of Certificates having been set aside in the Installment Payment Fund, the Certificates shall become due and payable

on the date of such prepayment, and, upon presentation and surrender thereof at the Trust Office of the Trustee, said Certificates will be paid at the unpaid principal amount (or applicable portion thereof) represented thereby plus interest accrued and unpaid to said date of prepayment.

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

All Certificates paid at maturity or prepaid prior to maturity under the provisions of this Article shall be cancelled upon surrender thereof and destroyed under Section 12.08.

Section 4.06. Purchase of Certificates. In lieu of prepayment of Certificates as provided in this Article, amounts held by the Trustee for such prepayment shall, at the written request of the District Representative received by the Trustee no later than 60 days prior to the prepayment date, be applied by the Trustee to the purchase of Certificates at public or private sale as and when and at such prices (including brokerage, accrued interest and other charges) as the District may in its discretion direct, but not to exceed the prepayment price which would be payable if such Certificates were prepaid. The aggregate principal amount of Certificates of the same maturity purchased in lieu of prepayment under this Section may not exceed the aggregate principal amount of Certificates of such maturity which would otherwise be subject to such prepayment.

ARTICLE V

INSTALLMENT PAYMENTS; INSTALLMENT PAYMENT FUND

Section 5.01. Assignment of Rights in Installment Sale Agreement. The Corporation hereby irrevocably transfers, assigns and sets over to the Trustee, without recourse to the Corporation, all of its rights in the Installment Sale Agreement (excepting only the Corporation's rights under Sections 4.8 and 6.4 thereof), including but not limited to all of the Corporation's rights to receive and collect all of the Installment Payments and all other amounts required to be deposited in the Installment Payment Fund. The Trustee hereby accepts such assignment; *provided, however*, that such assignment shall neither create any obligations nor give rise to any duties on the part of the Trustee other than those obligations and duties contained herein and the Trustee is not liable for any covenants, representations or warranties of the Corporation. All Installment Payments and such other amounts to which the Corporation may at any time be entitled shall be paid directly to the Trustee, and all of the Installment Payments collected or received by the Corporation shall be deemed to be held and to have been collected or received by the Corporation as the agent of the Trustee, and if received by the Corporation at any time shall be deposited by the Corporation with the Trustee within one (1) Business Day after the receipt thereof, and all such Installment Payments and such other amounts shall be forthwith deposited by the Trustee upon the receipt thereof in the Installment Payment Fund.

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

Section 5.03. Application of Installment Payment Fund. Except as provided in Sections 5.04 and 11.03, the Trustee will apply amounts in the Installment Payment Fund solely for the purpose of paying the principal and interest represented by the Certificates as the same become due and payable, in accordance with the provisions of Article II and Article IV and with the following amounts in the following order of priority:

(a) *First*, an amount required to cause the aggregate amount available to be at least equal to the amount of interest becoming due and payable on such Interest Payment Date on all Certificates then Outstanding.

(b) *Second*, an amount required to cause the aggregate amount available to be at least equal to the amount of the principal amount of the Certificates coming due and payable on each September 1, including the aggregate principal amount of the Term Bonds (if any) which are subject to mandatory sinking fund redemption on such September 1 pursuant to Section 4.01(c).

(c) *Deposit to Reserve Fund.* The Trustee shall deposit into the Reserve Fund amount(s) which are needed to replenish the amounts therein to the applicable reserve requirement therefor or pay amounts, including to pay Policy Costs, due to the Insurer in accordance with Appendix E and the provisions of the Installment Sale Agreement.

Section 5.04. Surplus. At the written request of the District any surplus remaining in the Installment Payment Fund, after the payment and discharge of the Certificates in full in accordance with Section 12.01, will be withdrawn by the Trustee and remitted to the District.

Section 5.05. Reserve Fund. [The Trustee shall establish, maintain and hold in trust a separate fund designated as the “Reserve Fund” in trust as a reserve for the payment of the principal of, interest, and premium, if any, on the Certificates. The Reserve Fund shall be funded at the closing of the Certificates in the amount of the Reserve Requirement with the deposit of the Reserve Policy, and the District shall have no obligation to replace the Reserve Policy, or, other than payment to the Insurer for draws on the Reserve Policy, to fund the Reserve Fund with cash or any other security if, at any time that the Certificates are Outstanding, amounts are not available under Reserve Policy, there is a rating downgrade of the Insurer or for any other reason.]

The amounts available under the Reserve Policy will be used and withdrawn by the Trustee solely for the purpose of making transfers to the Installment Payment Fund in the event of any deficiency at any time in such account for the purpose of paying scheduled principal and interest on the Certificates. The Trustee will comply with all documentation relating to the Reserve Policy as required to maintain the Reserve Policy in full force and effect and as required to receive payments thereunder if and to the extent required to make any payment when and as required, including as set forth in Appendix E.]

Section 5.06. Provisions Relating to Insurance Policy. [So long as the Insurance Policy remains in effect, the District and the Trustee shall comply with all of the terms and provisions set forth in Appendix D relating to the Insurer and the Insurance Policy. Such provisions are hereby incorporated into this Trust Agreement by this reference, and shall control and supersede any conflicting or inconsistent provisions in this Trust Agreement.]

Section 5.07. Provisions Relating to Reserve Policy. [So long as the Reserve Policy remains in effect, the District and the Trustee shall comply with all of the terms and provisions set forth in Appendix E relating to the Insurer and the Reserve Policy. Such provisions are hereby incorporated into this Trust Agreement by this reference, and shall control and supersede any conflicting or inconsistent provisions in this Trust Agreement.]

ARTICLE VI

MONEYS IN FUNDS; INVESTMENT

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

Section 6.02. Investments Authorized. Upon the written request of the District filed with the Trustee from time to time, moneys held by the Trustee in any fund or account established hereunder shall be invested and reinvested by the Trustee in Permitted Investments which mature not later than the date such moneys are required or estimated by the District to be required to be expended hereunder. In the absence of any written request of the District directing the investment of uninvested moneys held by the Trustee hereunder, the Trustee shall hold such moneys uninvested. Such investments, if registrable, shall be registered in the name of the Trustee, as trustee or in the name of its nominee, and shall be held by the Trustee. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Section and shall be entitled to its customary fee therefor. Such investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available. The Trustee may act as purchaser or agent in the making or disposing of any investment. Whenever in this Trust Agreement any moneys are required to be transferred by the District to the Trustee, such transfer may be accomplished by transferring a like amount of Permitted Investments. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder. The Trustee is not responsible or liable for any loss, fee, tax or other charge suffered in connection with any investment, reinvestment or liquidation of funds made by it in accordance with this Section.

The District shall invest amounts held by it in any fund or account established hereunder or under the Installment Sale Agreement in any investments which are authorized for the investment of District funds under the laws of the State of California. Such authorized investments specifically include the Local Agency Investment Fund which is administered by the California Treasurer for the investment of funds belonging to local agencies within the State of California.

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

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

Section 6.05. Valuation and Disposition of Investments.

(a) Except as otherwise provided in subsection (b) of this Section, all investments of amounts deposited in any fund or account created by or under this Trust Agreement, or otherwise containing gross proceeds of the Certificates (within the meaning of Section 148 of the Tax Code) shall be acquired, disposed of and valued (as of the date that valuation is required by this Trust Agreement or the Tax Code) at Fair Market Value as such term is defined in subsection (d) below. The Trustee has no duty in connection with the determination of Fair Market Value other than to follow (i) the investment directions of the District in any written directions of a District Representative, and (ii) its normal practices in the purchase, sale and determining the value of Permitted Investments.

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

(c) Except as provided in subsection (b), for the purpose of determining the amount in any fund, the value of Permitted Investments credited to such fund shall be valued by the Trustee at the Fair Market Value thereof at least semiannually on or before each Interest Payment Date. The Trustee may sell or present for prepayment any Permitted Investment so purchased by the Trustee whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee is not liable or responsible for any loss resulting from any such Permitted Investment.

(d) For purposes of this Section and Section 6.06, the term "Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, (iii) the investment is a United States Treasury Security – State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the District and any related parties do not own more than a 10% beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

ARTICLE VII

THE TRUSTEE

Section 7.01. Appointment of Trustee. U.S. Bank Trust Company, National Association is hereby appointed Trustee by the Corporation and the District for the purpose of receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use and apply the same as provided herein. The District agrees that it will maintain a Trustee having a corporate trust office in California, with a reported capital and surplus of at least \$100,000,000, duly authorized to exercise trust powers and subject to supervision or examination by Federal or state authority, so long as any Certificates are Outstanding. If such bank, corporation or trust company publishes a report of condition at least annually under law or to the requirements of any supervising or examining authority above referred to then for the purpose of this Section the combined capital and surplus of such bank, corporation or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The District and the Corporation covenant that they will maintain a Trustee qualified under the provisions of the foregoing provisions of this Section, so long as any Certificates are Outstanding.

The Trustee is hereby authorized to pay or prepay the Certificates when duly presented for payment at maturity, or on prepayment, or on purchase by the Trustee as directed by the District prior to maturity in accordance with Section 4.06, and to cancel all Certificates upon payment thereof. The Trustee will keep accurate records of all funds administered by it and of all Certificates paid and discharged. The Trustee will be compensated for its services rendered under the provisions hereof.

Section 7.02. Acceptance of Trusts. The Trustee hereby accepts the trusts imposed upon it hereby, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

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

(b) No provision hereof shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if the repayment of such funds or adequate indemnity against such risk or liability is not assured to it. The Trustee will be entitled to interest on any amounts advanced by it in the performance of its duties hereunder.

(c) The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents or receivers and the Trustee is not responsible for any misconduct or willful misconduct on the part of any attorney, agent or receiver appointed with due care by it hereunder. The Trustee will be

entitled to advice of counsel of its selection concerning all matters of trust and its duty hereunder and shall be protected in any action taken or suffered by it hereunder in reliance on such advice.

(d) The Trustee is not responsible for the validity hereof or for any recital herein, or in the Certificates, or for any of the supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Certificates issued hereunder or intended to be secured hereby and the Trustee is not bound to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the Corporation or the District under the Installment Sale Agreement. The Trustee is not responsible or liable for any loss, tax, fee or other charge suffered in connection with any investment, reinvestment or liquidation of investment of funds made by it in accordance with Article VI hereof.

(e) The Trustee is not accountable for the use or application of any Certificates or the proceeds thereof. The Trustee may become the Owner of Certificates secured hereby with the same rights which it would have if not the Trustee; may acquire and dispose of other bonds or evidence of indebtedness of the District with the same rights it would have if it were not the Trustee; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Certificates, whether or not such committee shall represent the Owners of the majority in aggregate principal amount of the Certificates then Outstanding.

(f) In the absence of negligence or willful misconduct on its part, the Trustee shall be protected in acting upon any notice, request, consent, certificate, order, requisition, affidavit, letter, facsimile or other paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken or omitted to be taken by the Trustee in good faith hereunder on the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Certificate, shall be conclusive and binding upon all future Owners of the same Certificate and upon Certificates issued in exchange therefor or in place thereof.

(g) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee will be entitled to rely upon a certificate signed by a Corporation Representative or a District Representative as sufficient evidence of the facts therein contained and prior to the occurrence of an Event of Default of which the Trustee has been given notice or is deemed to have notice, as provided in Section 7.02(i), shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may secure such further evidence deemed by it to be necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a certificate of a Corporation Representative or a District Representative to the effect that an authorization in the form therein set forth has been adopted by the Corporation or the District, as the case may be, as conclusive evidence that such authorization has been duly adopted, and is in full force and effect.

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

misconduct. The immunities and exceptions from liability of the Trustee will extend to its officers, directors, employees and agents.

(i) The Trustee is not required to take notice or be deemed to have notice of any Event of Default hereunder except failure by the District to make any of the Installment Payments to the Trustee required to be made by the District under the Installment Sale Agreement or failure by the Corporation or the District to file with the Trustee any document required hereby or by the Installment Sale Agreement to be so filed subsequent to the delivery of the Certificates, unless a responsible officer of the Trustee is specifically notified in writing of such default by the Corporation, the District or the Owners of at least 25% in aggregate principal amount of Certificates then Outstanding and all notices or other instruments required hereby or by the Installment Sale Agreement to be delivered to the Trustee must, in order to be effective, be delivered at the Trust Office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default except as aforesaid.

(j) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, have the right (but not the duty) to inspect the Water System including all books, papers and records of the District pertaining to the Water System and the Certificates, and to take such memoranda from and with regard thereto as may be desired.

(k) The Trustee is not required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(l) Notwithstanding anything elsewhere herein with respect to the execution of any Certificates, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview hereof, the Trustee has the right, but is not required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition so that by the terms hereof required as a condition of such action, by the Trustee deemed desirable for the purpose of establishing any right to the execution of any Certificates, the withdrawal of any cash, or the taking of any other action by the Trustee.

(m) Before taking any action referred to in Section 11.02 at the direction of the Certificate Owners, the Trustee may require that a satisfactory indemnity acceptable to the Trustee be furnished by the Certificate Owners, or any of them, for the reimbursement of all expenses to which it may be put and to protect it against any and all claim, damage, loss, expense or liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any such action.

(n) All moneys received by the Trustee will, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law. The Trustee has no liability for interest on any moneys received hereunder except such as may be agreed upon in writing.

(o) The Trustee is not responsible for the sufficiency of the Installment Payments under the Installment Sale Agreement or its right to receive moneys under the Installment Sale Agreement.

(p) The Trustee is not liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of a majority in aggregate principal amount of the Outstanding Certificates relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, hereunder.

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

(r) The Trustee has no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Certificates.

(s) The Trustee's rights to immunities and protection from liability hereunder and its rights to payment of its fees and expenses survive its resignation or removal and final payment or discharge of the Certificates.

(t) The Trustee is not liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct.

Section 7.03. Fees, Charges and Expenses of Trustee. The Trustee is entitled to payment and reimbursement from the District and the Corporation for fees for its services rendered hereunder and all advances, counsel fees (including expenses) and other expenses mutually agreed upon in writing made or incurred by the Trustee in connection with such services and defending itself against any claim (whether asserted by the District, the Corporation, any Certificate Owners or any other person). Upon the occurrence of an Event of Default, but only upon such occurrence, the Trustee has a first lien with right of payment prior to payment on account of principal and interest represented by any Certificate upon the amounts held hereunder for the foregoing fees, charges and expenses incurred by it respectively.

Section 7.04. Notice to Certificate Owners of Default. If an Event of Default occurs of which the Trustee has been given or is deemed to have notice, as provided in Section 7.02(i), then the Trustee will promptly give written notice thereof by first class mail, postage prepaid, by first class mail, postage prepaid, to the Owner of each Outstanding Certificate, unless such Event of Default has been cured before the giving of such notice; *provided, however,* that unless such Event of Default consists of the failure by the District to make any Installment Payment when due, the Trustee may elect not to give such notice to the Certificate Owners if and so long as the Trustee in good faith determines that it is in the best interests of the Certificate Owners not to give such notice.

Section 7.05. Removal of Trustee. The District may remove the Trustee at any time, unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee (a) if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of a majority in aggregate principal amount of the Certificates then Outstanding (or their attorneys duly authorized in writing) or (b) if at any time the Trustee ceases to be eligible in accordance with Section 7.01, or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer takes control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. In

each case such removal will be accomplished by the giving of 30 days' prior written notice of such removal by the District to the Trustee, whereupon the District shall appoint a successor Trustee in accordance with Section 7.07.

Section 7.06. Resignation by Trustee. The Trustee and any successor Trustee may at any time resign by giving written notice by registered or certified mail to the District. Upon receiving such notice of resignation, the District shall promptly appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. Upon such acceptance, the District shall mail notice thereof to the Certificate Owners at their respective addresses set forth on the Registration Books.

Section 7.07. Appointment of Successor Trustee. If the Trustee is removed or resigns under Sections 7.05 or 7.06, respectively, the District shall promptly appoint a successor Trustee. If the District for any reason whatsoever fails to appoint a successor Trustee within 30 days following the delivery to the Trustee of the instrument described in Section 7.05 or within 30 days following the receipt of notice by the District under Section 7.06, at the expense of the District the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee meeting the requirements of Section 7.01. Any such successor Trustee appointed by such court shall become the successor Trustee hereunder notwithstanding any action by the District purporting to appoint a successor Trustee following the expiration of such 30-day period.

Section 7.08. Merger or Consolidation. Any company or association into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company or association to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company or association shall be eligible under Section 7.01, shall be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

Section 7.09. Concerning any Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Corporation and the District an instrument in writing accepting such appointment hereunder and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor shall, nevertheless, on the written request of the Corporation, or of its successor, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as the Trustee hereunder to its successor. Should any instrument in writing from the Corporation be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Corporation.

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

Corporation, as the case may be, and not by the Trustee, and the Trustee has no responsibility or obligation for the correctness of any thereof.

The Trustee makes no representation or warranty, express or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the District of the Water System. In no event shall the Trustee be liable for indirect, special, punitive or consequential damages in connection with or arising from this Trust Agreement or the Installment Sale Agreement for the existence, furnishing or use of the Water System.

Section 7.11. Actions Through Agents. The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder, and the Trustee is not answerable for the negligence or willful misconduct of any such attorney, agent, or receiver selected by it with reasonable care. The Trustee is not answerable for the exercise of any power under this Trust Agreement or for anything whatever in connection with the funds and accounts established hereunder, except only for its own negligence or willful misconduct.

Section 7.12. Nature of Trust Engagement. The Trustee undertakes to perform such duties and only such duties as are specifically set forth herein and no implied covenants or obligations shall be read into the Trust Agreement against the Trustee. In accepting the trusts hereby created, the Trustee acts solely as Trustee and not in its individual capacity and all persons, including without limitation the Certificate Owners, the District and the Corporation having any claim against the Trustee arising from the Trust Agreement shall look only to the funds and accounts hereunder for payment except as otherwise provided herein. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations represented by the Certificates.

ARTICLE VIII

MODIFICATION OR AMENDMENT OF AGREEMENTS

Section 8.01. Amendments Permitted Without Consent of Owners. This Trust Agreement and the rights and obligations of the Owners of the Certificate, and the Installment Sale Agreement and the rights and obligations of the respective parties thereto, may be modified or amended at any time by a supplemental agreement, without the consent of any of the Certificate Owners, only to the extent permitted by law and only for any one or more of the following reasons:

- (a) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power herein reserved to the District,
- (b) to cure, correct or supplement any ambiguous or defective provision contained herein or therein,
- (c) in any respect whatsoever in regard to questions arising hereunder or thereunder, as the parties hereto or thereto may deem necessary

or desirable and which do not, in the opinion of Bond Counsel, materially adversely affect the interests of the Owners of the Certificates, or

- (d) to provide for matters relating to the issuance of Additional Parity Obligations.

Any such supplemental agreement entered into under this Section will become effective upon execution and delivery by the parties hereto or thereto as the case may be.

Section 8.02. Amendments Permitted With Consent of Owners. Except as permitted under Section 8.01, this Trust Agreement and the rights and obligations of the Owners of the Certificates, and the Installment Sale Agreement and the rights and obligations of the parties thereto may be modified or amended at any time by a supplemental agreement which will become effective when the written consents of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding have been filed with the Trustee.

No modification or amendment under this Section may (a) extend or have the effect of extending the fixed maturity of any Certificate or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof, without the express consent of the Owner of such Certificate, or (b) reduce or have the effect of reducing the percentage of Certificates required for the affirmative vote or written consent to an amendment or modification of the Installment Sale Agreement, without the consent of the Owners of 100% in aggregate principal amount of the Outstanding Certificates, or (c) modify any of the rights or obligations of the Trustee without its written assent thereto.

Any such supplemental agreement may not become effective unless there is filed with the Trustee the written consents of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding and the Trustee has given the notice required below. Each such consent shall be effective only if accompanied by proof of ownership of the Certificates for which such consent is given, which proof shall be such as is permitted by Section 2.10. Any such consent shall be binding upon the Owner of the Certificate giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice hereinafter in this Section provided for has been mailed.

After the Owners of the required percentage of Certificates have filed their consents to such supplemental agreement, the Trustee will mail a notice thereof to (a) the Owners of the Certificates in the manner hereinbefore provided in this Section for the mailing of such supplemental agreement of the notice of adoption thereof, and (b) each Rating Agency, which notice to the Rating Agencies must be mailed at least 15 days prior to the effective date of the supplement agreement. The notice mailed under the preceding sentence must state in substance that such supplemental agreement has been consented to by the Owners of the required percentage of Certificates and will be effective as provided in this Section (but failure to mail copies of said notice will not affect the validity of such supplemental agreement or consents thereto). A record, consisting of the papers required by this Section to be filed with the Trustee, shall be conclusive proof of the matters

therein stated. Such supplemental agreement shall become effective and shall be deemed conclusively binding upon the parties hereto and, the Owners of all Certificates at the expiration of 60 days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such 60 day period.

Section 8.03. Effect of Supplemental Agreement. Notice of the proposed execution of any supplemental agreement shall be prepared by the District. From and after the time any supplemental agreement becomes effective under this Article, this Trust Agreement or the Installment Sale Agreement, as the case may be, shall be deemed to be the legal, valid and binding obligation of the District and shall be deemed to be modified and amended in accordance therewith; and the respective rights, duties and obligations of the parties hereto or thereto and all Owners of Certificates Outstanding, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any supplemental agreement shall be deemed to be part of the terms and conditions of this Trust Agreement or the Installment Sale Agreement for any and all purposes.

Section 8.04. Endorsement or Replacement of Certificates Delivered After Amendments. The Trustee may determine that Certificates shall bear a notation, by endorsement or otherwise, in form approved by the Trustee, as to such action. In that case, upon demand of the Owner of any Certificate Outstanding at such effective date and presentation of such Owner's Certificate for the purpose at the Trust Office of the Trustee, a suitable notation shall be made on such Certificate. The Trustee may determine that the delivery of substitute Certificates, so modified as in the opinion of the Trustee is necessary to conform to such Certificate Owners' action, which substitute Certificates shall thereupon be prepared, executed and delivered at the expense of the District. In that case, upon demand of the Owner of any Certificate then Outstanding, such substitute Certificate shall be exchanged at the Trust Office of the Trustee, without cost to such Owner, for a Certificate of the same character then Outstanding, upon surrender of such Outstanding Certificate.

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

ARTICLE IX

OTHER COVENANTS

Section 9.01. Compliance With and Enforcement of Installment Sale Agreement. The District covenants and agrees with the Trustee, for the benefit of the Owners of the Certificates, to perform all obligations and duties imposed on it under the Installment Sale Agreement. The District will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of the Installment Sale Agreement by the Corporation thereunder.

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

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

Section 9.04. Tax Covenants.

(a) Private Business Use Limitation. The District shall assure that the proceeds of the Certificates are not used in a manner which would cause any of the obligations of the District under the Installment Sale Agreement to become “private activity bonds” under and within the meaning of Section 141(a) of the Tax Code.

(b) Private Loan Limitation. The District shall assure that no more than the lesser of \$5,000,000 or 5% of the aggregate amount of the proceeds of the Certificates are used, directly or indirectly, to make or finance a loan (other than loans constituting nonpurpose obligations as defined in the Tax Code or constituting assessments) to persons other than state or local government units.

(c) Federal Guarantee Prohibition. The District will not take any action or permit or suffer any action to be taken if the result of the same would be to cause the obligations of the District under the Installment Sale Agreement to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

(d) No Arbitrage. The District will not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Certificates or of any other obligations which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the obligations of the District under the Installment Sale Agreement to be “arbitrage bonds” within the meaning of Section 148(a) of the Tax Code.

(e) Rebate of Excess Investment Earnings to United States. The District shall calculate or cause to be calculated the Excess Investment Earnings in all respects at the times and in the manner required under the Tax Code. The District shall pay the full amount of Excess Investment Earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Tax Code. Such payments shall be made by the District from any source of legally available funds of the District.

The District shall keep or cause to be kept, and retain or cause to be retained for a period of 6 years following the retirement of the Certificates, records of the determinations made under this subsection (e). In order to provide for the administration

of this subsection (e), the District may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the District may deem appropriate. The Trustee has no duty or obligation to monitor or enforce compliance by the District of any of the requirements herein.

Section 9.05. Continuing Disclosure. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of that certain document entitled "Continuing Disclosure Certificate" which has been executed by the District as of the Closing Date, as originally executed and as it may be amended from time to time in accordance with its terms. Notwithstanding any other provision of this Trust Agreement, failure of the District to comply with such Continuing Disclosure Certificate shall not constitute an Event of Default; *provided, however*, that any Participating Underwriter (as such term is defined in such Continuing Disclosure Certificate) or any Owner or beneficial owner of the Certificates may take such actions as may be necessary and appropriate to compel performance by the District of its obligations under this Section, including seeking mandate or specific performance by court order.

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

ARTICLE X

LIMITATION OF LIABILITY

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

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

Section 10.02. No Liability for Trustee Performance. Neither the District nor the Corporation have any obligation or liability to any of the other parties or to the Owners of the Certificates with respect to the performance by the Trustee of any duty imposed upon it hereunder.

Section 10.03. Indemnification of Corporation and Trustee. To the extent permitted by law, the District shall indemnify the Corporation and Trustee, and their

respective officers, agents and employees, against all claims, losses, costs, expenses, liability and damages, including legal fees and expenses, arising out of or in connection with any of the following: (a) the failure by the District to observe and perform any of its obligations under this Trust Agreement or the Installment Sale Agreement, (b) the Trustee's exercise and performance of its powers and duties hereunder, or (c) the execution, delivery and sale of the Certificates.

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

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

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

ARTICLE XI

EVENTS OF DEFAULT AND REMEDIES OF CERTIFICATE OWNERS

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

Section 11.02. Remedies. If an Event of Default shall happen, then and in each and every such case during the continuance of such Event of Default, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding the Trustee (to the extent indemnified as provided herein) shall, exercise any and all remedies available under law or granted under this Trust Agreement or the Installment Sale Agreement.

Section 11.03. Application of Funds. All moneys received by the Trustee under any right given or action taken under the provisions of this Trust Agreement or the Installment Sale Agreement and any other funds then held by the Trustee shall be applied by the Trustee in the following order:

First, to the payment of the fees, costs and expenses of the Trustee in declaring and enforcing such Event of Default and in the performance of its powers and duties under the Trust Agreement including reasonable compensation to its agents, attorneys and counsel, and then to the Certificate Owners in declaring and enforcing an Event of Default, including compensation to their agents, attorneys and counsel;

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

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

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

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

Section 11.07. Power of Trustee to Control Proceedings. If the Trustee, upon the happening of an Event of Default, has taken any action, by judicial proceedings or otherwise, under its duties hereunder, whether upon its own discretion or upon the request of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, it has full power, in the exercise of its discretion for the best interests of the Owners of the Certificates, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action.

Section 11.08. Limitation on Certificate Owners' Right to Sue. No Owner of any Certificate issued hereunder has the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Trust Agreement, unless:

- (a) such Owner has previously given to the Trustee written notice of the occurrence of an Event of Default hereunder;
- (b) the Owners of a majority in aggregate principal amount of all the Certificates then Outstanding have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name;
- (c) the Owners have tendered to the Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; and
- (d) the Trustee has refused or omitted to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Certificates of any remedy hereunder; it being understood and intended that no one or more Owners of Certificates has any right in any manner whatever by its or their action to enforce any right hereunder, except in the manner herein provided, and that all proceedings at law or in equity with respect to an Event of Default shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Certificates (it being understood that the Trustee does not have an affirmative duty to ascertain whether or not such actions or forbearances are unduly prejudicial to such Owners).

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

ARTICLE XII

MISCELLANEOUS

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

(a) by paying or causing to be paid the principal of and interest represented by such Certificates Outstanding, as and when the same become due and payable; or

(b) by irrevocably depositing with the Trustee or any other fiduciary, under an escrow deposit and trust agreement, security for the payment of Installment Payments relating to such Certificates as more particularly described in Section 7.1 of the Installment Sale Agreement, said security to be held by the Trustee or by such other fiduciary to pay or prepay such Installment Payments as the same become due, under Section 7.1 of the Installment Sale Agreement;

then, notwithstanding that such Certificates have not been surrendered for payment, all rights hereunder of the Owners of such Certificates and all obligations of the Corporation, the Trustee and the District with respect to such Certificates shall cease and terminate, except only the obligations of the Trustee under Sections 2.07 and 2.08, the obligations of the District under Section 9.04 and the obligation of the Trustee to pay or cause to be paid, from Installment Payments paid by or on behalf of the District from funds deposited under the preceding paragraph (b) of this Section, to the Owners of such Certificates not so surrendered and paid all sums represented thereby when due and in the event of deposits under the preceding paragraph (b), such Certificates shall continue to represent direct, undivided fractional interests of the Owners thereof in the Installment Payments.

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

Section 12.02. Notices. Any notice, request, complaint, demand or other communication under this Trust Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by facsimile transmission or other form of telecommunication, at its number set forth below. Notice will be effective either (a) upon transmission by facsimile confirmed by a receipt transmission, (b) in the case United States mail, postage prepaid, upon actual receipt or (c) in the case of personal delivery to any person, upon actual receipt. The District, the Corporation and the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder. Notices may be delivered in via e-mail to the officer identified below but will only be effective upon receipt by the sender of an acknowledgment of such recipient.

If to the District: Coastside County Water District
766 Main Street
Half Moon Bay, California 94019
Attention: General Manager

If to the Corporation: CSDA Finance Corporation
1112 I Street, Suite 200
Sacramento, California 95814
Attention: Treasurer

If to the Trustee: U.S Bank Trust Company, National Association
1 California St, Ste 1000
San Francisco, California 94111
Attention: Corporate Trust

The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The party providing electronic instructions agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions 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

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

Section 12.04. Payment of Certificates After Discharge. Notwithstanding any provisions hereof, but subject to any applicable laws of the State of California relating to the escheat of funds or property, any moneys held by the Trustee for the payment of the principal or interest represented by any Certificates and remaining unclaimed for two years after the principal represented by all of the Certificates has become due and payable (whether at maturity or upon call for prepayment or by acceleration as provided herein), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Certificates became due and payable, shall be repaid to the District free from the trusts created hereby upon receipt of an indemnification agreement acceptable to the District and the Trustee indemnifying the Trustee with respect to claims of Owners of Certificates which have not yet been paid, and all liability of the Trustee with respect to such moneys shall thereupon cease; *provided, however*, that before the repayment of such moneys to the District as aforesaid, the Trustee may (at the cost of the District) first mail, by first class mail postage prepaid, to the Owners of Certificates which have not yet been paid, at the respective addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Certificates so payable and not presented and with respect to the provisions relating to the repayment to the District of the moneys held for the payment thereof. Any moneys so held by the Trustee will be held uninvested.

Section 12.05. Governing Law. This Trust Agreement shall be construed and governed in accordance with the laws of the State of California.

Section 12.06. Binding Effect; Successors; Benefits Limited to Parties. This Trust Agreement is binding upon and inures to the benefit of the parties, and their respective successors and assigns. Whenever herein any of the Corporation, the District or the Trustee is named or referred to, such reference includes the successors or assigns thereof, and all the covenants and agreements contained herein by or on behalf of the Corporation, the District or the Trustee will bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not. Nothing herein expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the Corporation, the District, the Trustee or the Certificate Owners, any right, remedy or claim hereunder or by reason hereof or of any covenant, condition or stipulation contained herein. All covenants, stipulations, promises and agreements contained herein by or on behalf of the Corporation or the District shall be for the sole and exclusive benefit of the Corporation, the District, the Trustee and the Certificate Owners.

Section 12.07. Execution in Counterparts. This Trust Agreement may be executed in several counterparts, each of which is an original and all of which constitute but one and the same agreement. The exchange of copies of this Trust Agreement and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of this Trust Agreement as to the parties hereto and may be used in lieu of the original Trust Agreement and signature pages for all purposes.

Section 12.08. Delivery of Cancelled Certificates. Whenever provision is made herein for the surrender to or cancellation by the Trustee of any Certificates, the Trustee will cancel and destroy such Certificates and shall deliver a certificate of destruction with respect thereto to the District.

Section 12.09 Corporation and District Representatives. Whenever under the provisions hereof the approval of the Corporation or the District is required, or a written certificate, requisition, direction or order is required to be delivered by the District or the Corporation to the Trustee, or the Corporation or the District is required to take some action at the request of the other, such approval or such request shall be given, and such certificate, requisition, direction or order shall be executed, for the Corporation by a Corporation Representative and for the District by a District Representative, and any party hereto shall be authorized to rely upon any such approval, request, certificate, requisition, direction or order.

Section 12.10. Headings. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, are solely for convenience of reference and do not affect the meaning, construction or effect hereof. All references herein to "Articles", "Sections", and other subdivisions are to the corresponding Articles, Sections or subdivisions hereof; and the words "herein", "hereof", "hereunder" and other words of similar import refer to this Trust Agreement as a whole and not to any particular Article, Section or subdivision hereof.

Section 12.11. Waiver of Notice. Whenever the giving of notice by mail or otherwise is required hereunder, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any case the giving or receipt of such notice are not a condition precedent to the validity of any action taken in reliance upon such waiver.

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

Section 12.13. Force Majeure. In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

Section 12.14. 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 this Trust Agreement 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.

[Signature Page Follows]

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

COASTSIDE COUNTY WATER DISTRICT

By _____
Mary Rogren
General Manager

CSDA FINANCE CORPORATION

By _____
Authorized Officer

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

By _____
Authorized Officer

APPENDIX A

DEFINITIONS

Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms in this Trust Agreement have the respective meanings specified in this Appendix A.

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

“Business Day” means a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the State of California are closed.

“Certificates” means the \$_____ aggregate principal amount of certificates of participation, designated the Water Revenue Certificates of Participation, Series 2025, executed and delivered and at any time Outstanding hereunder.

“Corporation” means CSDA Finance Corporation, a nonprofit corporation duly organized and existing under the laws of the State of California.

“Corporation Representative” means the President or Treasurer of the Corporation, or any other person authorized by resolution of the Board of Directors of the Corporation to act on behalf of the Corporation under or with respect hereto.

“Closing Date” means January ____, 2025, being the day when the Certificates, duly executed by the Trustee, are delivered to the Original Purchaser.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the District relating to the execution, sale and delivery of the Certificates. Costs of Issuance include (but are not limited to) the following: filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee (which may include legal fees and the first annual administration fee), financing discounts, legal fees and charges, insurance fees and charges, financial and other professional consultant fees, costs of rating agencies for credit ratings, municipal bond insurance or surety bond premiums, fees for execution, transportation and safekeeping of the Certificates, and any charges and fees in connection with the foregoing.

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

“Depository” means (a) initially, DTC, and (b) any other Securities Depository acting as Depository under Section 2.05.

“Depository System Participant” means any participant in the Depository’s book-entry system.

“District” means the Coastside County Water District, a county water district formed under the County Water District Law of the State of California (constituting Division 12 of the California Water Code, commencing with Section 30000).

“District Representative” means the General Manager, Assistant General Manager of Finance and Administration, President of the Board, the Secretary of the Board, including a designee of any of them or any other person authorized by resolution of the Board of Directors of the District to act on behalf of the District under or with respect to the Installment Sale Agreement and this Trust Agreement.

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

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

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

“Federal Securities” means: (a) any direct 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), for which the full faith and credit of the United States of America are pledged; (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

[“Insurance Policy” means the Municipal Bond Insurance Policy No. _____ issued by the Insurer that guarantees the scheduled payment of principal of and interest on the Certificates when due.]

[“Insured Obligations” shall mean the Certificates maturing _____ through and including _____, inclusive.]

[“Insurer” means _____, its successors and assigns, as issuer of the Insurance Policy and the Reserve Policy.]

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

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

“Installment Sale Agreement” means the Installment Sale Agreement, dated as of January 1, 2025, between the District and the Corporation, together with any duly authorized and executed amendments thereto.

“Interest Payment Date” means, with respect to any Certificate, March 1, 2025, and each March 1 and September 1 thereafter to and including the date of maturity or the date of prepayment of such Certificate.

“Moody’s” means Moody’s Investors Service, its successors and assigns.

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

“Original Purchaser” means D.A. Davidson & Co., as original purchaser of the Certificates.

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

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

“Permitted Investments” means any of the following:

- (a) Federal Securities;
- (b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) certificates of beneficial ownership of the Farmers Home Administration; (ii) Federal Housing Administration debentures; (iii) participation certificates of the General Services Administration; (iv) guaranteed mortgage-backed bonds or guaranteed pass-through obligations of the Government National Mortgage Association; (v) guaranteed Title XI financings of the U.S. Maritime Administration; and (vi) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development.
- (c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities only as stripped by the agency itself): (i) senior debt obligations of the Federal Home Loan Bank System; (ii) participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; (iii) mortgaged-backed securities and senior debt obligations of the Federal National

Mortgage Association; (iv) senior debt obligations of the Student Loan Marketing Association; (v) obligations of the Resolution Funding Corporation; and (vi) consolidated system-wide bonds and notes of the Farm Credit System.

- (d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAAm-G, AAAm or AAm, and a rating by Moody's of Aaa, Aa1 or Aa2, excluding those with a floating net asset value (such funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services).
- (e) Certificates of deposit (including those of the Trustee, its parent and its affiliates) secured at all times by collateral described in (a) or (b) above, which have a maturity not greater than one year from the date of investment and which are issued by commercial banks, savings and loan associations or mutual savings banks whose short-term obligations are rated "A-1+" or better by S&P and "Prime-1" by Moody's, which collateral must be held by a third party and provided that the Trustee must have a perfected first security interest in such collateral.
- (f) Certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by FDIC, including BIF and SAIF.
- (g) Commercial paper rated "Prime-1" by Moody's and "A-1+" or better by S&P.
- (h) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies.
- (i) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's, and "A-1+" by S&P.
- (j) The Local Agency Investment Fund which is administered by the California Treasurer for the investment of funds belonging to local agencies within the State of California, provided for investment of funds held by the Trustee, the Trustee is entitled to make investments and withdrawals in its own name as Trustee.
- (k) Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the California Government Code which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the California Government Code, as it may

be amended, including but not limited to the California Asset Management Program (CAMP).

“Project Fund” means the fund by that name established and held by the Trustee under Section 3.03.

“Rating Agency” means, as of any date, each nationally-recognized municipal bond rating agency which then maintains a rating on the Certificates.

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

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

[“Reserve Fund” means the fund by that name established and held by the Trustee pursuant to Section 5.05.]

[“Reserve Policy” means the Municipal Bond Debt Service Reserve Insurance Policy No. _____ issued by the Insurer, in the initial stated amount of \$_____.]

“Securities Depositories” means initially 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.

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

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

“Term Certificates” means the Certificates maturing on September 1, 20____ and September 1, 20____.

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

“Trust Office” means, with respect to the Trustee, the corporate trust office of the Trustee set forth in 12.02.

“Trustee” means U.S. Bank Trust Company, National Association, or any successor thereto acting as Trustee hereunder.

APPENDIX B

FORM OF CERTIFICATE OF PARTICIPATION

R-__

\$_____

WATER REVENUE CERTIFICATE OF PARTICIPATION, SERIES 2025

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

COASTSIDE COUNTY WATER DISTRICT, CALIFORNIA

**As the Purchase Price For Certain Property Under an
Installment Sale Agreement with the
CSDA Finance Corporation**

RATE OF INTEREST: MATURITY DATE: ORIGINAL ISSUE DATE: CUSIP:
_____ % September 1, 20____ January __, 2025 _____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

THIS IS TO CERTIFY THAT the Registered Owner identified above, or registered assigns, as the registered owner (the "Registered Owner") of this Certificate of Participation (this "Certificate") is the owner of a direct, undivided fractional interest in Installment Payments (the "Installment Payments") payable by the Coastside County Water District, a county water district duly organized and existing under the laws of the State of California (the "District"), under an Installment Sale Agreement dated as of January 1, 2025 (the "Installment Sale Agreement"), between the District and CSDA Finance Corporation, a nonprofit corporation duly organized and existing under the laws of the State of California (the "Corporation"), as the purchase price for certain property which is to be used in the water enterprise of the District for the supply, treatment and distribution of water (the "Water System"). The Installment Payments and certain other rights and interests under the Installment Sale Agreement have been assigned to U.S. Bank Trust Company, National Association, as trustee under the herein described Trust Agreement (the "Trustee"), having a corporate trust office in San Francisco, California or such other place as designated by the Trustee (the "Trust Office").

The Registered Owner of this Certificate is entitled to receive, subject to the terms of the Installment Sale Agreement and the Trust Agreement, on the Maturity Date identified above, or any earlier prepayment date, the Principal Amount identified above representing a direct, undivided fractional share of the portion of the Installment Payments designated as principal, and to receive on March 1 and September 1 of each year commencing March 1, 2025 (the "Interest Payment Dates") until payment in full of said

principal, the Registered Owner's direct, undivided fractional share of the Installment Payments designated as interest coming due during the interest period immediately preceding each of the Interest Payment Dates. Interest represented hereby shall be payable from the Interest Payment Date next preceding the date of execution of this Certificate unless (a) this Certificate is executed after the close of business on the 15th day of the month immediately preceding an Interest Payment Date and on or before such Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (b) unless this Certificate is executed on or before February 15, 2025, in which event interest shall be payable from the Original Issue Date identified above. The Registered Owner's share of the portion of the Installment Payments designated as interest is the result of the multiplication of the aforesaid share of the portion of the Installment Payments designated as principal by the Rate of Interest per annum identified above, calculated on the basis of a 360-day year comprised of twelve 30-day months.

Principal represented hereby is payable in lawful money of the United States of America upon surrender hereof at the Trust Office of the Trustee. Interest represented hereby is payable by check mailed by first class mail by the Trustee on each Interest Payment Date to the Registered Owner at such Owner's address as it appears on the registration books of the Trustee as of the close of business on the 15th day of the preceding month; *provided*, that at the written request of the owner of Certificates in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of the 15th day of the month preceding an Interest Payment Date, interest represented by such Certificates shall be paid on such Interest Payment Date by wire transfer in immediately available funds to such account within the United States of America as shall be specified in such request.

This Certificate has been executed and delivered by the Trustee under a Trust Agreement dated as of January 1, 2025, among the Trustee, the Corporation and the District (the "Trust Agreement"). The District has certified that it is authorized to enter into the Installment Sale Agreement and the Trust Agreement under the laws of the State of California, for the purpose of financing the acquisition, construction and improvement of properties used for the public purposes of the District relating to the Water System. Reference is hereby made to the Installment Sale Agreement and the Trust Agreement (copies of which are on file at the Trust Office of the Trustee) for a description of the terms on which the Certificates are delivered, the rights thereunder of the owners of the Certificates, the rights, duties and immunities of the Trustee and the rights and obligations of the District under the Installment Sale Agreement, to all of the provisions of the Installment Sale Agreement and the Trust Agreement the Registered Owner of this Certificate, by acceptance hereof, assents and agrees.

The District is obligated under the Installment Sale Agreement to pay the Installment Payments from the Net Revenues of the Water System (as such terms are defined in the Trust Agreement). The obligation of the District to pay the Installment Payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. The obligation of the District to pay the Installment Payments does not constitute indebtedness of the District, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

The Certificates maturing on or before September 1, 20__, are not subject to optional prepayment prior to the respective stated maturities. The Certificates maturing on or after September 1, 20__, are subject to optional prepayment in whole or in part, on any date on or after September 1, 20__, from prepayments of the Installment Payments made at the option of the District under Section 7.2 of the Installment Sale Agreement. Certificates shall be subject to prepayment under this subsection at a prepayment price equal to 100% of the principal amount of Certificates or portions thereof to be prepaid together with accrued interest represented thereby to the prepayment date, without premium.

The Certificates are subject to mandatory prepayment on any date, in whole, or in part among maturities on a pro rata basis and by lot within a maturity, from the net proceeds of insurance, sale or condemnation proceedings with respect to the Water System which are credited towards the prepayment of the Installment Payments under the Installment Sale Agreement, at a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest represented thereby to the date fixed for prepayment, without premium.

The Certificates maturing on September 1, 20__ and on September 1, 20__, are also subject to mandatory sinking fund prepayment by lot on September 1 in each year as set forth in the following tables, from the principal components of the Lease Payments required to be paid with respect to each of such dates, at a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest represented thereby to the prepayment date, without premium, as follows:

**Term Certificates Maturing
September 1, 20__**

Sinking Fund Prepayment Date <u>(September 1)</u>	Principal Amount <u>To Be Prepaid</u>
---	--

**Term Certificates Maturing
September 1, 20__**

Sinking Fund Prepayment Date <u>(September 1)</u>	Principal Amount <u>To Be Prepaid</u>
---	--

As provided in the Trust Agreement, notice of prepayment shall be mailed by the Trustee by first class mail, postage prepaid, not less than 20 nor more than 60 days before the prepayment date, to the registered owners of the Certificates to be prepaid, but neither failure to receive such notice nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for prepayment or the cessation of accrual of interest represented thereby. If this Certificate is called for prepayment and payment is duly provided therefor as specified in the Trust Agreement, interest represented hereby shall cease to accrue from and after the date fixed for prepayment.

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

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

Unless this Certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Trustee for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein. The Trustee has no obligation or liability to the Registered Owners of the Certificates for the payment of interest or principal with respect to the Certificates out of the Trustee's own funds; the Trustee's sole obligations are those described in the Trust Agreement. The recitals of facts herein shall be taken as statements of the District and the Corporation and the Trustee does not have any responsibility for the accuracy thereof.

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

IN WITNESS WHEREOF, this Certificate has been executed and delivered by U.S. Bank Trust Company, National Association, as trustee, acting under the Trust Agreement.

Execution Date:

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

By: _____
Authorized Signatory

STATEMENT OF INSURANCE

[To Come, if Applicable]

FORM OF ASSIGNMENT

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

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

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

Dated: _____

Signature Guaranteed:

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

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

APPENDIX C

FORM OF REQUISITION

U.S. Bank Trust Company, National Association, as Trustee
Attn: Corporate Trust Services

Re: Coastside County Water District
Water Revenue Certificates of Participation, Series 2025

The undersigned, on behalf of the Coastside County Water District (the "District"), hereby requests payment from the Water Revenue Certificates of Participation, Series 2025 [Costs of Issuance Fund] [Project Fund] for the 2025 Certificates identified above, upon receipt of an invoice from each payee shown on Schedule I, to each payee so listed, the amount of each invoice but no more than the amount shown on such Schedule, as payment or reimbursement for costs incurred or expenditures made in connection with the issuance of the above-captioned Certificates.

All capitalized terms used herein shall have the meanings given such terms in the Trust Agreement dated as of January 1, 2025 (the "Trust Agreement"), among the CSDA Finance Corporation, the District and U.S. Bank Trust Company, National Association.

The undersigned hereby certifies that each obligation mentioned herein is a [Cost of Issuance] [Project Cost] as defined in the Trust Agreement, has been properly incurred and is a proper charge against the [Costs of Issuance Fund] [Project Fund]. None of the items for which payment is requested has been reimbursed previously from the [Costs of Issuance Fund] [Project Fund], and none of the payments herein requested will result in a breach of the representations and covenants in the Trust Agreement.

All such payments shall be made pursuant to this Requisition shall be made by check or wire transfer in accordance with payment instructions contained herein or the invoice submitted in accordance therewith and the Trustee shall have no duty or obligation to authenticate such payment instructions or the authorization thereof, other than in accordance with the provisions of the Trust Agreement.

Dated: _____, 20__

COASTSIDE COUNTY WATER DISTRICT

By: _____
Authorized District Representative

Schedule I

Payee	Purpose	Amount

APPENDIX D

PROVISIONS RELATING TO THE INSURANCE POLICY

[The following terms and provisions are hereby incorporated into this Trust Agreement by this reference. As to the Certificates, such provisions shall control and supersede any conflicting or inconsistent provisions in this Trust Agreement.]

APPENDIX E

PROVISIONS RELATING TO THE RESERVE POLICY

[The following terms and provisions are hereby incorporated into this Trust Agreement by this reference. As to the Certificates, such provisions shall control and supersede any conflicting or inconsistent provisions in this Trust Agreement.]

Exhibit D

Preliminary Official Statement (including Continuing Disclosure Certificate)

PRELIMINARY OFFICIAL STATEMENT DATED December 10, 2024

NEW ISSUE—BOOK-ENTRY

RATING[S]: S&P (Insured): “___”
S&P (Underlying): “___”
See “RATING[S]”

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to certain qualifications described herein, under existing law, the portion of the Installment Payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Certificates may be subject to the corporate alternative minimum tax. In the further opinion of Special Counsel, such interest is exempt from California personal income taxes. See “TAX MATTERS.”

\$ _____ *
COASTSIDE COUNTY WATER DISTRICT
WATER REVENUE CERTIFICATES OF PARTICIPATION,
SERIES 2024

Dated: Delivery Date

Due: September 1, as shown on the inside front cover

The captioned certificates (the “Certificates”) evidence direct, undivided and fractional interests of the Owners thereof in certain installment payments (the “Installment Payments”) to be made by the Coastside County Water District (the “District”) pursuant to an Installment Sale Agreement (the “Installment Sale Agreement”), between the District and the CSDA Finance Corporation (the “Corporation”). The Corporation, for the benefit of the Owners of the Certificates, has assigned, among other things, its right to receive Installment Payments to U.S. Bank Trust Company, National Association, as trustee (the “Trustee”) under that certain Trust Agreement, dated as of December 1, 2024 (the “Trust Agreement”), by and among the District, the Corporation and the Trustee, pursuant to which the Certificates will be executed and delivered.

The Certificates are being issued to finance the acquisition and construction of capital improvements to the District’s Water System, and pay the costs of executing and delivering the Certificates. See “FINANCING PLAN.”

The Certificates will be delivered as fully registered certificates, registered in the name of Cede & Co. as nominee of The Depository Trust Company (“DTC”), and will be available to ultimate purchasers (“Beneficial Owners”) in integral multiples of \$5,000, under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of certificates representing their ownership interest in the Certificates. The portion of the Installment Payments designated as and comprising interest is payable on March 1 and September 1 of each year, commencing March 1, 2025, by the Trustee to DTC for subsequent disbursement to DTC participants, so long as DTC or its nominee remains the registered owner of the Certificates.

The Certificates are subject to prepayment prior to maturity. See “THE CERTIFICATES – Prepayment.”

The District’s obligation to make Installment Payments is a special obligation of the District payable and secured by the Net Revenues (as defined in this Official Statement) of the District under the Installment Sale Agreement and from amounts on deposit in certain funds and accounts established under the Trust Agreement. The District previously incurred obligations that are outstanding and that are payable on a parity basis with the Installment Payments. In addition, under the Installment Sale Agreement, the District may incur additional debt secured by Net Revenues on a parity with the Installment Payments, provided that the conditions set forth in the Installment Sale Agreement are met. See “SECURITY FOR THE CERTIFICATES.”

THE INSTALLMENT PAYMENTS ARE PAYABLE SOLELY FROM NET REVENUES PLEDGED BY THE DISTRICT AND AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE TRUST AGREEMENT. THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT INTENDED TO BE A SUMMARY OF ALL FACTORS RELATING TO AN INVESTMENT IN THE CERTIFICATES. INVESTORS SHOULD REVIEW THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING ANY INVESTMENT DECISION.

[Add language re Bond insurance – If Applicable]

MATURITY SCHEDULE
(See inside cover)

The Certificates are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel. Certain legal matters will also be passed upon for the District by Jones Hall, A Professional Law Corporation, as Disclosure Counsel, and by Hanson Bridgett LLP, San Rafael, California, as General Counsel to the District. Certain legal matters will be passed upon for the Underwriter by its counsel, Kutak Rock LLP, Irvine, California. It is anticipated that the Certificates, in book-entry only form, will be available through the facilities of DTC on or about December _____, 2024.

[D.A. Davidson Logo]

The date of this Official Statement is: _____, 2024.

* Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

MATURITY SCHEDULE

\$ _____ Serial Certificates
(Base CUSIP†: _____)

Maturity (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
---------------------------	---------------------	------------------	-------	-------	--------

\$ _____ % Term Certificate Due September 1, 20____; Yield ____%; Price: ____%
CUSIP†: _____

\$ _____ % Term Certificate Due September 1, 20____; Yield ____%; Price: ____%
CUSIP†: _____

† CUSIP is a Registered Trademark of The American Bankers Association. FactSet Research Systems Inc. operates The CUSIP Service Bureau for the ABA. These data are not intended to create a database and do not serve in any way as a substitute for the CUSIP services. Neither the District nor the Underwriter is responsible for the selection or correctness of the CUSIP numbers set forth above.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

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

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

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

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

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

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

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

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

Internet Site. The District maintains an internet site; however, none of the information contained on that internet site is incorporated by reference in this Official Statement.

**COASTSIDE COUNTY WATER DISTRICT
(SAN MATEO COUNTY, CALIFORNIA)**

BOARD OF DIRECTORS

Chris Mickelsen, President (Zone 2)
Glenn Reynolds, Vice President (Zone 1)
Ken Coverdell, Director (Zone 3)
Bob Feldman, Director (Zone 5)
John Muller, Director (Zone 4)

DISTRICT STAFF

Mary Rogren, General Manager
Jeffrey Schneider, Assistant General Manager of Finance and Administration

SPECIAL SERVICES

Municipal Advisor

Backstrom McCarley Berry & Co. LLC
San Francisco, California

Special Counsel and Disclosure Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Trustee

U.S. Bank Trust Company, National Association
San Francisco, California

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[APPENDIX G - SPECIMEN MUNICIPAL BOND INSURANCE POLICY]

Coastside County Water District
(SAN MATEO COUNTY, CALIFORNIA)

[INSERT DISTRICT MAP]

OFFICIAL STATEMENT

\$ _____ *

**COASTSIDE COUNTY WATER DISTRICT
WATER REVENUE CERTIFICATES OF PARTICIPATION,
SERIES 2024**

INTRODUCTION

*This Official Statement, including the cover page, inside cover and appendices, is provided to furnish information in connection with the execution and delivery of the above-referenced Certificates of Participation (the “**Certificates**”). This Introduction contains a brief summary of certain information contained in this Official Statement. It is not intended to be complete and is qualified by the more detailed information contained elsewhere in this Official Statement. Definitions of certain terms used in this Official Statement are set forth in APPENDIX B – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”*

The District. Coastside County Water District (the “**District**”) is a special district and urban water supplier in San Mateo County (the “**County**”) formed in 1947 to provide potable water to customers within its jurisdictional boundaries, which include the City of Half Moon Bay (the “**City**”) and parts of unincorporated San Mateo County, including Moonridge, Miramar, El Granada and Princeton by the Sea. It currently serves a population of around 19,000 through approximately 7,700 water connections. Approximately 78% of the District’s accounts are residential, 21% are commercial and less than 1% are floriculture (agriculture). Approximately 70% of the District’s water is purchased from the San Francisco Public Utilities Commission (“**SFPUC**”), with the remaining water coming from surface water and local groundwater sources. The District operates under the County Water District Law, being Division 12 of the State of California Water Code.

For selected financial, economic and demographic information about the District and its service area, see “THE DISTRICT AND THE WATER SYSTEM” and APPENDIX F – “GENERAL INFORMATION ABOUT HALF MOON BAY AND SAN MATEO COUNTY.” The audited financial statements of the District for the fiscal year ended June 30, 2023, are attached as APPENDIX A.

The Corporation. CSDA Finance Corporation (the “**Corporation**”) is a nonprofit corporation duly organized and existing under the laws of the State of California (the “**State**”), formed for the primary purpose of providing financial assistance to public agencies in California by acquiring, constructing, improving and financing various facilities, land and equipment, and by leasing facilities, land and equipment for the use of such public agencies. See “THE CORPORATION.”

* Preliminary; subject to change.

The Certificates. The Certificates are being executed and delivered by U.S. Bank Trust Company, National Association, as trustee (the “**Trustee**”), pursuant to the provisions of a Trust Agreement, dated as of December 1, 2024 (the “**Trust Agreement**”), among the District, the Corporation and the Trustee.

Security for the Certificates. The Certificates evidence direct, undivided and fractional interests in certain installment payments (the “**Installment Payments**”) to be made by the District pursuant to an Installment Sale Agreement, dated as of December 1, 2024 (the “**Installment Sale Agreement**”), between the District and the Corporation. The Corporation, for the benefit of the Owners of the Certificates, has assigned, among other things, its right to receive Installment Payments to the Trustee pursuant to the Trust Agreement.

Pursuant to the Trust Agreement, the Corporation has transferred, conveyed and assigned to the Trustee, for the benefit of the Owners, substantially all of the Corporation’s rights in the Installment Sale Agreement, including the right to receive and collect all of the Installment Payments and all other amounts required to be deposited in the Installment Payment Fund and the right to exercise any remedies provided therein in the event of a default by the District thereunder.

The Installment Payments are payable from and secured by Net Revenues (as defined in this Official Statement) derived from the operation of the District’s water system (as defined herein, the “**Water System**”), and from amounts on deposit in certain funds and accounts established under the Trust Agreement. See “SECURITY FOR THE CERTIFICATES.”

Prepayment. The Certificates are subject to prepayment prior to their scheduled payment dates as described herein. See “THE CERTIFICATES – Prepayment.”

Use of Proceeds. The proceeds of the Certificates will be used to finance (i) the acquisition and construction of certain capital improvements to the Water System, as more particularly described herein (the “**Project**”), and (ii) the costs of executing and delivering the Certificates. See “FINANCING PLAN.”

Rate Covenant. In the Installment Sale Agreement, the District agrees to fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year which are sufficient to yield Net System Revenues which are at least equal to 120% of the Installment Payments and the principal of and interest on all outstanding Parity Debt (defined below) coming due and payable during such Fiscal Year. See “SECURITY FOR THE CERTIFICATES – Rate Covenant; Collection of Rates and Charges.”

Parity Debt. The District’s pledge of Net Revenues to the Installment Payments is on parity with the District’s pledge of Net Revenues to the following existing obligations of the District (collectively, “**Prior Parity Debt**”):

- (a) the Enterprise Fund Installment Sale Agreement, by and between the District and IBank, dated as of October 10, 2011, Agreement No. CIEDB-11-099, as amended and restated as of March 1, 2014, Agreement No. CIEDB-B14-099 (the “**2011 IBank ISA**”);
- (b) the Installment Sale Agreement, dated as of May 1, 2016, by and between the District and IBank, Agreement No. ISRF 16-111 (the “**2016 IBank ISA**”);

(c) the Loan Agreement, dated as of July 23, 2018, by and between the District and JPMorgan Chase Bank, N.A. (the “**2018 Loan Agreement**”); and

(d) the Loan Agreement, dated as of March 11, 2022, by and between the District and First Foundation Public Finance (the “**2022 Loan Agreement**”).

The District is authorized to issue or incur additional bonds, notes, leases, installment sale agreements, contracts and other obligations which are secured by a pledge of, and lien on, the Net Revenues on a parity with the Installment Payments and the Prior Parity Debt (collectively with the Prior Parity Debt, “**Parity Debt**”) subject to the satisfaction of certain conditions. See “SECURITY FOR THE CERTIFICATES – Parity Debt.”

Subordinate and Other Debt. Nothing in the Installment Sale Agreement limits or affects the ability of the District to issue or incur additional obligations which are either unsecured or which are secured by an interest in the Net Revenues which is junior and subordinate to the pledge of and lien upon the Net Revenues established under the Installment Sale Agreement.

Limited Obligation. THE DISTRICT’S OBLIGATION TO MAKE INSTALLMENT PAYMENTS IS A SPECIAL OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM NET REVENUES AND OTHER FUNDS PROVIDED THEREFOR IN THE TRUST AGREEMENT. See “SECURITY FOR THE CERTIFICATES.”

Risk Factors. The purchase of the Certificates involves certain risks. For a description of some of these risks, see “RISK FACTORS.”

Definitive Statement. All descriptions and summaries of various documents in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements in this Official Statement are qualified in their entirety by reference to each document. Certain capitalized terms used in this Official Statement and not defined in this Official Statement have the meaning given them in APPENDIX B – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

FINANCING PLAN

General

The proceeds of the sale of the Certificates will be used to: (i) finance the acquisition and construction of capital improvements to the Water System, consisting of a new 2.1 million gallon prestressed concrete DN Tank at Carter Hill (the “**Project**”), and (ii) pay the costs of executing and delivering the Certificates. The District may from time to time amend any plans and specifications for the Project, as well as change or modify the description of the Project or any component thereof in accordance with the Installment Sale Agreement.

Sources and Uses of Funds

The anticipated sources and uses of funds relating to the Certificates are as follows:

Sources:

Principal Amount	\$
Plus: [Net] Original Issue Premium	
<i>Total Sources:</i>	<hr/>
	\$

Uses:

Project Fund	\$
Costs of Issuance ⁽¹⁾	
<i>Total Uses:</i>	<hr/>
	\$

⁽¹⁾ Includes Underwriter’s discount, Trustee fees, Special Counsel and Disclosure Counsel fees, General Counsel fees, Municipal Advisor fees, printing costs, rating agency fees, [premium for bond insurance] and other related costs.

THE CERTIFICATES

Description

The Certificates will be dated as of the date of original delivery, will represent interest at the rates per annum set forth on the inside cover page hereof payable semiannually on March 1 and September 1 (each, a “**Interest Payment Date**”), commencing March 1, 2025, and principal represented thereby will mature on the dates and in the amounts set forth on the inside front cover. Said interest represents the portion of Installment Payments designated as interest and coming due on each of the respective Interest Payment Dates. The share of the portion of Installment Payments designated as interest with respect to any Certificate will be computed by multiplying the portion of Installment Payments designated as principal represented by such Certificate by the rate of interest represented by such Certificate (on the basis of a 360-day year of twelve 30-day months).

The Certificates will be executed and delivered in fully registered form without coupons. The Certificates are being executed and delivered in denominations of \$5,000 principal amount or any integral multiple thereof. The Certificates, when executed and delivered, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company (“**DTC**”). Ownership may be changed only upon the registration books maintained by the Trustee as provided in the Trust Agreement. See the discussion under “– Transfer and Exchange” below.

The Trustee will pay interest represented by the Certificates on each Interest Payment Date, to the person appearing on the Registration Books as the Owner thereof as of the close of business on the close of business on the 15th day of the month preceding each Interest Payment Date, whether or not such 15th day is a Business Day (the “**Record Date**”), immediately preceding such Interest Payment Date, by check mailed to the Owner by first class mail at the Owner’s address appearing on the Registration Books. At the written request of the Owner of Certificates in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of the Record Date preceding any Interest Payment Date, the Trustee will pay interest represented by the Certificates by wire transfer in immediately available funds to such account in the United States as is specified in the written request. The principal and prepayment price represented by any Certificate at maturity or upon prior prepayment is payable in lawful money of the United States of America upon surrender of such Certificate at the Trust Office of the Trustee. Notwithstanding the foregoing, while the Certificates are held in the book-entry only system of DTC, all such payments of principal, and interest and premium, if any, will be made to Cede & Co. as the registered owner of the Certificates, for subsequent disbursement to Participant and beneficial owners.

While the Certificates are held in the book-entry only system of DTC, all notice and payments will be made to Cede & Co., as the registered owner of the Certificates. See APPENDIX E – “BOOK-ENTRY ONLY SYSTEM.”

Prepayment

Optional Prepayment. The Certificates maturing on or before September 1, 20__, are not subject to optional prepayment prior to the respective stated maturities. The Certificates maturing on or after September 1, 20__, are subject to optional prepayment in whole or in part, on any date on or after September 1, 20__, from prepayments of the Installment Payments made at the option of the District under prepayment provisions of the Installment Sale Agreement. Certificates shall be subject to prepayment at a prepayment price equal to 100% of the principal amount of Certificates or portions thereof to be prepaid together with accrued interest represented thereby to the prepayment date, without premium.

Prepayment From Net Proceeds of Insurance, Sale and Condemnation. The Certificates are subject to mandatory prepayment, on any date, in whole, or in part on a pro rata basis among maturities, from the net proceeds of insurance, sale or condemnation credited towards the prepayment of the Installment Payments by the District under the Installment Sale Agreement. The Certificates are subject to prepayment from such net proceeds at a prepayment price equal to the principal amount represented thereby to be prepaid, without premium, together with accrued interest represented thereby to the prepayment date.

Mandatory Sinking Fund Prepayment. The Certificates maturing on September 1, 20__ and on September 1, 20__ (together, the “**Term Certificates**”) are subject to mandatory prepayment prior to such stated maturity in part (by lot) on each September 1 on and after September 1, 20__ and September 1, 20__, respectively, in integral multiples of \$5,000, solely from scheduled Installment Payments paid by the District under the Installment Sale Agreement, at a prepayment price of the principal amount thereof (together with accrued interest evidenced to the date fixed for prepayment), without premium, in accordance with the following schedules:

Term Certificates Maturing September 1, 20__

Sinking Fund Prepayment Date <u>(September 1)</u>	Principal Amount <u>To Be Prepaid</u>
---	--

Term Certificates Maturing September 1, 20__

Sinking Fund Prepayment Date <u>(September 1)</u>	Principal Amount <u>To Be Prepaid</u>
---	--

Notwithstanding the foregoing provisions, if some but not all of the Term Certificates are prepaid under any of the optional prepayment or prepayment from net proceeds of insurance, sale or condemnation provisions described above, the aggregate principal amount of the Term Certificates to be prepaid in each year thereafter shall be reduced by the aggregate principal amount of Term Certificates so prepaid, to be allocated among sinking fund installments on a pro rata basis in integral multiples of \$5,000 such that the resulting amount of principal represented by the Term Certificates subject to mandatory sinking fund prepayment on any date is equal to the principal component of the Installment Payment coming due and payable on such date.

Notice of Optional Prepayment. When prepayment is authorized or required as under the Trust Agreement as described above, the Trustee will give notice of the prepayment of the Certificates on behalf and at the expense of the District. Such notice must state the prepayment date and prepayment price and, if less than all of the then Outstanding Certificates of any maturity are to be called for prepayment, shall designate the numbers of the Certificates to be prepaid by giving the individual number (including the CUSIP number) of each Certificate or by stating that all Certificates between two stated numbers, both inclusive, have been called for prepayment or by stating that all of the Certificates of one or more maturities have been called for prepayment, and shall require that such Certificates be surrendered on the designated prepayment date at the Trust Office of the Trustee for prepayment at said prepayment price, giving notice also that further interest represented by the Certificates will not accrue from and after the prepayment date. On the specified date for prepayment there shall become due and payable on each Certificate, the principal, together with interest accrued to said date, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

With regard to any optional prepayment, if the funds required to pay the prepayment price are not on deposit at the time notice of such prepayment is sent, the notice shall include

a statement to the effect that the prepayment is conditioned upon the receipt by the Trustee of the funds required to pay the prepayment on or before the prepayment date and therefore may be rescinded.

At least 20 days but not more than 60 days prior to the prepayment date, the Trustee will mail notice of prepayment by first class mail with postage prepaid, to the Owners of Certificates designated for prepayment at their respective addresses appearing on the Registration Books, and shall cause such notice to be posted on the Electronic Municipal Market Access website in accordance with the requirements of the Municipal Securities Rulemaking Board. Such notice shall, in addition to setting forth the above information, set forth, in the case of each Certificate called only in part, the portion of the principal represented thereby which is to be prepaid; *provided, however*, that neither failure to receive such notice so mailed nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the prepayment of such Certificates or the cessation of accrual of interest represented thereby from and after the date fixed for prepayment.

However, while the Certificates are subject to DTC's book-entry system, the Trustee will be required to give notice of prepayment only to DTC as provided in the letter of representations executed by the District and received and accepted by DTC. DTC and the Participants will have sole responsibility for providing any such notice of prepayment to the Beneficial Owners of the Certificates to be redeemed. Any failure of DTC to notify any Participant, or any failure of Participants to notify the Beneficial Owner of any Certificates to be prepaid, of a notice of prepayments or its content or effect will not affect the validity of the notice of prepayment, or alter the effect of prepayment set forth in the Trust Agreement.

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

Manner of Prepayment. Whenever any Certificates are to be selected for prepayment and unless otherwise provided herein, the District shall determine the Certificates or portions thereof to be prepaid among series and maturities within a series and notify the Trustee, and the Trustee shall select the Certificates or portions thereof to be prepaid by lot within a maturity and notify the District.

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

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

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

Purchase in Lieu of Prepayment. In lieu of prepayment of Certificates as described above, amounts held by the Trustee for such prepayment shall, at the written request of the District Representative received by the Trustee no later than 60 days prior to the prepayment date, be applied by the Trustee to the purchase of Certificates at public or private sale as and when and at such prices (including brokerage, accrued interest and other charges) as the District may in its discretion direct, but not to exceed the prepayment price which would be payable if such Certificates were prepaid. The aggregate principal amount of Certificates of the same maturity purchased in lieu of prepayment may not exceed the aggregate principal amount of Certificates of such maturity which would otherwise be subject to such prepayment.

Book-Entry System

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered Certificates registered in the name of Cede & Co., as nominee of DTC. One fully-registered Certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See APPENDIX E – “BOOK-ENTRY ONLY SYSTEM.”

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

Transfer and Exchange

So long as the Certificates are registered in the name of Cede & Co., as nominee of DTC, transfers and exchanges by beneficial owners of their interest in the Certificates will be made in accordance with DTC procedures and not as hereinafter described. See APPENDIX E – “BOOK-ENTRY ONLY SYSTEM.”

The registration of any Certificate may, in accordance with its terms, be transferred upon the Registration Books by the person in whose name it is registered, in person or by a duly authorized attorney, upon surrender of such Certificate for cancellation at the Trust Office of the Trustee, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed.

Whenever any Certificate or Certificates shall be surrendered for registration of transfer, the Trustee will execute and deliver a new Certificate or Certificates representing the same

maturity, interest rate and aggregate principal amount, in any authorized denominations. The District shall pay all costs of the Trustee incurred in connection with any such transfer, except that the Trustee may require the payment by the Certificate Owner of any tax or other governmental charge required to be paid with respect to such transfer.

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

The Trustee may refuse to transfer or exchange either (i) any Certificate during the period established by the Trustee for the selection of Certificates for prepayment, or (ii) the portion of any Certificate which the Trustee has selected for prepayment under the provisions of the Trust Agreement.

SECURITY FOR THE CERTIFICATES

General

Each Certificate evidences and represents a direct, undivided fractional interest of the Owner thereof in the Installment Payments to be made by the District under the Installment Sale Agreement. The Corporation, pursuant to the Trust Agreement, has transferred, conveyed and assigned to the Trustee, for the benefit of the Owners of the Certificates, substantially all of the Corporation's rights under the Installment Sale Agreement, including the right to receive Installment Payments from the District and the right to exercise any remedies in the event of a default by the District.

The District's obligation to pay the Installment Payments is a special obligation, limited solely to the Net Revenues. Under no circumstances will the District be required to advance any moneys derived from any source of income other than the Net Revenues and other sources specifically identified in the Installment Sale Agreement for the payment of the Installment Payments. No other funds or property of the District will be liable for the payment of the Installment Payments.

Security for the Installment Payments

Pursuant to the Installment Sale Agreement, all of the Net Revenues and all moneys on deposit in any of the funds and accounts established and held by the Trustee under the Trust Agreement (except the Project Fund) are irrevocably pledged, charged and assigned to the punctual payment of the Installment Payments. Such pledge, charge and assignment constitutes a lien on and security interest in the Net Revenues and such other moneys for the payment of the Installment Payments in accordance with the terms of the Installment Sale Agreement, are on a parity with the pledge and lien which secures Parity Debt.

Set forth in the following paragraphs are some of the terms defined in the Installment Sale Agreement that are most relevant to understanding the pledge of Net Revenues to the Installment Payments.

"Net Revenues" means, for any Fiscal Year, all Gross Revenues received by the District for such Fiscal Year, less the Operations and Maintenance Costs for such Fiscal Year.

"Gross Revenues" means, for each Fiscal Year, all gross income and revenue received or receivable by the District from the ownership or operation of the Water System, determined in accordance with generally accepted accounting principles, consistently applied, including all rates, fees and charges (including connection fees and charges) received by the District for the services of the Water System, and all other income and revenue howsoever derived by the District from the ownership or operation of the Water System or arising from the Water System, and also including all legally available income from the deposit or investment of any money in the fund or funds established and held by the District with respect to the Water System for the deposit of Gross Revenues from the Water System, or any rate stabilization fund, and the proceeds of any taxes, but excluding in all cases any refundable deposits made to establish credit, and advances or contributions in aid of construction.

“Operations and Maintenance Costs” means the reasonable and necessary costs paid or incurred by the District for maintaining and operating the Water System, determined in accordance with generally accepted accounting principles, consistently applied, including all reasonable expenses of management and repair and all other expenses necessary to maintain and preserve the Water System in good repair and working order, and including all administrative costs of the District that are charged directly or apportioned to the operation of the Water System, such as salaries and wages of employees, overhead, taxes (if any), the cost of permits and licenses to operate the Water System and insurance premiums, and including all other reasonable and necessary costs of the District or charges required to be paid by it to comply with the terms hereof or of any Parity Debt Instruments, but excluding, in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles. For clarity, “Operations and Maintenance Costs” do not include debt service payable on obligations incurred by the District with respect to the Water System, including but not limited to the Installment Payments.

Flow of Funds

Deposit of Net Revenues; Transfers to Make Payments. The District will deposit all of the Gross Revenues from the Water System into the fund or funds established and held by the District with respect to the Water System, for the deposit of Gross Revenues from the Water System, howsoever named internally at the District (herein referred to as the **“Water Fund”**) immediately on receipt. The District will apply amounts in the Water Fund as set forth in the Installment Sale Agreement and any Parity Debt Instruments. The District shall apply amounts on deposit in the Water Fund to pay when due the following amounts in the following order of priority:

- (a) all Operations and Maintenance Costs;
- (b) the Installment Payments and all payments of principal and interest on Parity Debt;
- (c) any deficiency in any reserve fund established for the Certificates or Parity Debt, the notice of which deficiency has been to the District in accordance with the related Parity Debt Instruments; and
- (d) any other payments required to comply with the provisions of this Agreement and any Parity Debt Instruments.

The Installment Sale Agreement further provides that the District shall manage, conserve and apply the amounts on deposit in the Water Fund in such a manner that all deposits required to be made thereunder as described above will be made at the times and in the amounts so required. Subject to the foregoing sentence, so long as no Event of Default has occurred and is continuing, the District may use and apply moneys in the Water Fund for (i) the payment of any subordinate obligations or any unsecured obligations, (ii) the acquisition and construction of improvements to the Water System, (iii) the prepayment of any other obligations of the District relating to the Water System, or (iv) any other lawful purposes of the District.

No Preference or Priority. The payment of the Installment Payments and the principal of and interest on Parity Debt shall be made without preference or priority. If the amount of Net Revenues on deposit in the Water Fund are any time insufficient to enable the District to pay when

due the Installment Payments and the principal of and interest on Parity Debt, such payments will be made on a pro rata basis.

Rate Covenant; Collection of Rates and Charges

The District has made the following rate covenants in the Installment Sale Agreement.

Gross Revenues. The District will fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished separately by each of the Water System during each Fiscal Year which at the time of fixing are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Gross Revenues sufficient to pay the following amounts in the following order of priority:

(i) All Operations and Maintenance Costs of the Water System estimated by the District to become due and payable in the Fiscal Year.

(ii) All Installment Payments which are allocable to the Water System and all payments of principal of and interest on Parity Debt as they become due and payable during the Fiscal Year, without preference or priority.

(iii) All payments required to meet any other obligations of the District which are charges, liens, encumbrances upon, or which are otherwise payable from, the Gross Revenues or the Net Revenues of the Water System during such Fiscal Year.

Net Revenues. In addition, the District shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year which are sufficient to yield Net System Revenues which are at least equal to 120% of the Installment Payments and the principal of and interest on all outstanding Parity Debt coming due and payable during such Fiscal Year.

In the event that the actual collection of Net Revenues based on such rates, fees and charges is insufficient to yield Net Revenues which meet the requirements of this subsection (b), such event shall not constitute an Event of Default unless it has continued uncured for a period of at least 12 months.

Rate Stabilization Fund

Under the Installment Sale Agreement, the District has the right (but not the obligation) at any time to establish a fund to be held by it and administered in accordance with the Installment Sale Agreement (the "**Rate Stabilization Fund**"), for the purpose of stabilizing the rates and charges imposed by the District with respect to the Water System. From time to time the District may deposit amounts in the Rate Stabilization Fund, from any source of legally available funds, including but not limited to Gross Revenues which are released from the pledge and lien which secures the Installment Payments and Parity Debt, as the District may determine.

The District may, but is not be required to, withdraw amounts on deposit in the Rate Stabilization Fund and deposit such amounts in the Water Fund in any Fiscal Year for the purpose of paying the Installment Payments or the principal of and interest on Parity Debt coming due and payable in such Fiscal Year. Amounts so transferred from the Rate Stabilization Fund to the Water Fund in any Fiscal Year constitute Gross Revenues for that Fiscal Year and will be applied

for the purposes of the Water Fund. Amounts on deposit in the Rate Stabilization Fund are not pledged to and do not secure the Installment Payments or Parity Debt. All interest or other earnings on deposits in the Rate Stabilization Fund will be retained therein or, at the option of the District, be applied for any other lawful purposes. The District has the right at any time to withdraw any or all amounts on deposit in the Rate Stabilization Fund and apply such amounts for any other lawful purposes of the District.

Parity Debt

The District's pledge of Net Revenues to the Installment Payments is on a parity with the District's pledge of Net Revenues to the Prior Parity Debt, which consists of the following:

- Enterprise Fund Installment Sale Agreement, by and between the District and IBank, dated as of October 10, 2011, Agreement No. CIEDB-11-099, as amended and restated as of March 1, 2014, Agreement No. CIEDB-B14-099 (the "**2011 IBank ISA**");
- Installment Sale Agreement, dated as of May 1, 2016, by and between the District and IBank, Agreement No. ISRF 16-111 (the "**2016 IBank ISA**");
- Loan Agreement, dated as of July 23, 2018, by and between the District and JPMorgan Chase Bank, N.A. (the "**2018 Loan Agreement**"); and
- Loan Agreement, dated as of March 11, 2022, by and between the District and First Foundation Public Finance (the "**2022 Loan Agreement**").

In addition, the District may issue or incur additional Parity Debt upon satisfaction of all of the following conditions:

- (a) The District is not then in default under the terms of the Installment Sale Agreement.
- (b) The amount of Net Revenues as shown by the books of the District for the latest Fiscal Year for which audited financial statements are available, or as shown by the books of the District for any more recent 12-month period selected by the District, are at least equal to 120% of Average Annual Debt Service. For purposes of determining the amount of Net Revenues under this subsection (b), such amount may be increased by any or all of the following amounts as determined by the District:
 - (i) an allowance for Net Revenues from any additions or improvements to or extensions of the Water System to be made by the District during the 36 month period following the issuance of such Parity Debt, in an amount equal to 90% of the estimated additional average annual Net Revenues to be derived from all properties which are improved with a structure the construction of which has been completed prior to the date of issuance of such Parity Debt and to which service will be provided by such additions, improvements and extensions, all as shown by the certificate or opinion of a Fiscal Consultant; and
 - (ii) an allowance for Net Revenues arising from any increase in the charges made for service from the Water System which has become

effective prior to the incurring of such Parity Debt but which was not in effect during the Fiscal Year or other 12-month period described above, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or other 12-month period, all as shown by the certificate or opinion of a Fiscal Consultant.

- (c) All conditions to the issuance of such Parity Debt as set forth in the Parity Debt Instruments shall be met, and the District shall file with the Trustee a written certificate to such effect, signed on behalf of the District by an authorized officer of the District.

The provisions of the foregoing subsection (b) shall not apply to any additional Parity Debt if (i) all of the proceeds of which (other than proceeds applied to pay costs of issuing such Parity Debt) shall be deposited in an irrevocable escrow held in cash or invested in Federal Securities for the purpose of paying the principal of and interest and premium (if any) on any Outstanding Certificates or on any outstanding Parity Debt, and (ii) at the time of the incurring of such Parity Debt, the Average Annual Debt Service on the refunding Parity Debt will not exceed Average Annual Debt Service on the Outstanding Certificates or Parity Debt being refunded.

No Superior Obligations. Under the Installment Sale Agreement, the District agrees not issue or incur any additional bonds or other obligations having any lien on the Net Revenues which is senior to the lien which secures the Installment Payments, or having any priority in payment of principal or interest out of the Net Revenues over the Installment Payments.

Subordinate Obligations. Nothing in the Installment Sale Agreement limits or affects the ability of the District to issue or incur additional obligations which are either unsecured or which are secured by an interest in the Net Revenues which is junior and subordinate to the pledge of and lien upon the Net Revenues established under the Installment Sale Agreement.

Additional Covenants

The District makes certain additional covenants in the Installment Sale Agreement and the Trust Agreement, including a covenant to maintain and preserve the Water System and a covenant to maintain insurance. See APPENDIX B – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

DEBT SERVICE SCHEDULE

Scheduled debt service for the Certificates and Parity Debt is shown in the following table.

Fiscal Year Ending <u>June 30</u>	<u>Total Prior Parity Debt Service</u>	<u>2024 Certificates Principal Amount</u>	<u>2024 Certificates Interest Amount</u>	<u>Total 2024 Certificates Debt Service</u>	<u>Total Parity Debt Service</u>
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					
2040					
2041					
2042					
2043					
2044					
2045					
2046					
2047					
2048					
2049					
2050					
2051					
2052					
2053					
2054					
2055					
Total					

Source: The District for Prior Parity Debt; Underwriter for the Certificates.

THE CORPORATION

The Corporation is a non-profit corporation duly organized and existing under the laws of the State. The Corporation was created for the purpose, among others, of providing assistance to public agencies that wish to finance public improvements. The Corporation is unrelated to the District and has no financial liability to the owners of the Certificates with respect to the payment of Installment Payments by the District or with respect to the performance by the District of the other agreements and covenants it is required to perform.

THE DISTRICT

Overview

The District is a special district and urban water supplier in the County, formed in 1947 to provide potable water to customers within its jurisdictional boundaries which include the City of Half Moon Bay and portions of San Mateo County (Moonridge, Miramar, El Granada and Princeton by the Sea). It currently serves a population of around 19,000 through approximately 7,700 water connections. Approximately 78% of the District's accounts are residential and 22% are commercial, including floriculture (agriculture). Approximately 70% of the District's water is purchased from the San Francisco Public Utilities Commission ("SFPUC"), with the remaining water coming from surface water and local groundwater sources. The District operates under the County Water District Law, being Division 12 of the State of California Water Code.

The District operates 2 water treatment plants, 9 treated water storage tanks (with a combined storage capacity of 8 million gallons), 2 groundwater wells, a separate infiltration well field, and approximately 100 miles of distribution and transmission pipeline. Water enters the District's water system from two sources and is treated at its two treatment plants. At the north end of the District's service area, untreated (raw) water enters the Denniston Water Treatment Plant from Denniston Reservoir, near the Half Moon Bay Airport. At Half Moon Bay, untreated (raw) water enters the system from the SFPUC's regional water system and the Pilarcitos Creek infiltration wells into the Pilarcitos Pipeline and flows into the Nunes Water Treatment Plant. After treatment, the potable water flows into storage tanks for subsequent use in the system. See "– Water Supplies" and "– Water Facilities" herein.

Service Area

The District's service area encompasses approximately 14 square miles along the coast of the Pacific Ocean, approximately 30 miles south of San Francisco. To the east of the District are the northernmost portion of the Santa Cruz Mountains.

The District anticipates population growth and future planned development in its water service area. Future service area population is based on projections provided in the Association of Bay Area Governments Plan Bay Area 2040. For additional demographic details about the population served by the District within the City and the County, see APPENDIX F.

The District's service area is within the boundaries of the Coastal Zone and the jurisdiction of the California Coastal Commission. The City of Half Moon Bay and the County's Local Coastal Land Use Plans prioritize land uses first for coastal act priority uses (including visitor-serving commercial uses, coastal access and recreational facilities, and agricultural uses); second for

local priority uses (unique to each jurisdiction); and third for non-priority uses (residential and commercial.)

Governance and Employees

Board of Directors. The District is governed by a five-member Board of Directors, elected by zone to staggered four-year terms. The present directors, together with the expiration dates of their terms of office, are listed below.

<u>Member</u>	<u>Expiration of Term</u>
Chris Mickelsen, President (Zone 2)	November 2026
Glenn Reynolds, Vice President (Zone 1)	November 2024
Ken Coverdell, Director (Zone 3)	November 2024
Bob Feldman, Director (Zone 5)	November 2026
John Muller, Director (Zone 4)	November 2024

Management. The General Manager, assisted by the Assistant General Manager, administers the day-to-day operations of the District in accordance with policies and procedures established by the Board. Biographical details regarding the General Manager and the Assistant General Manager are set forth below.

Mary Rogren, General Manager. Mary Rogren has served as General Manager of the District since October 2019, and before that, Assistant General Manager. Prior to joining the District, she was employed in various financial and executive positions with Cengage Learning, a leading provider of higher-education course materials. She has a Bachelor of Science Degree in Accounting from Santa Clara University, where she graduated Magna Cum Laude and is a Certified Public Accountant (Retired Status) in the State of Arizona.

Jeffrey Schneider, Assistant General Manager of Finance and Administration. Jeffrey Schneider has served as Assistant General Manager of Finance and Administration of the District since November 2023. After spending much of his career in corporate financial planning and operational finance for DHL Airways, WebEx/Cisco, and a variety of other tech companies, in 2017, he moved to the public sector where he managed finance, IT, and contract administration for the Livermore Area Recreation and Park District (LARPD). He was with LARPD for approximately 6 years. He has a Bachelor's Degree in Economics from California State University, East Bay, and an MBA in Finance from Vanderbilt University's Owen Graduate School of Management.

Employees. The District has 22 full-time employees, organized into three departments: Administration, Distribution, and Water Treatment. A Memorandum of Understanding (MOU) covering a total of 12 staff who reside in the Distribution and Water Treatment departments is in place between the District and Teamsters Local 856 for the 5 years ending June 30, 2027. The District has not experienced a work stoppage within the past 5 years and believes its relationship with its employees is good.

CalPERS Pension Plan

The following information regarding CalPERS, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available

sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by either the District or the Underwriter.

Plan Description. All qualified permanent and probationary employees are eligible to participate in the District’s Miscellaneous Employee Pension Plan, cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees’ Retirement System (“**CalPERS**”). Benefit provisions under the Plan are established by State statute and the District’s resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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

On September 12, 2012, the California Governor signed the California Public Employees’ Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the District’s CalPERS 2.0% at 60 (New Classic) Risk Pool Retirement Plan to new employee entrants effective December 31, 2012. Employees hired after January 1, 2013, and have not previously participated in a CalPERS plan are eligible for the District’s CalPERS 2.0% at 62 Retirement Plan under PEPRA. New employees that have previously participated in the Classic Plan are eligible for the District’s CalPERS 2.0% at 60 Retirement Plan. The Plan’s provisions and benefits in effect at June 30 are summarized as follows:

	Miscellaneous Plan		
	Classic	New Classic On or after	PEPRA
Hire Date	Prior to August 14, 2010	August 14, 2010, and prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.5% @ 55	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	55-60	55-60	52-67
Monthly benefits, as a % of eligible comp.	2.0% to 2.5%	1.5% to 2.4%	1.0% to 2.5%
Required employee contribution rates (2023):	8.00%	7.00%	7.25%
Required employer contribution rates (2023):	13.02%	9.30%	7.76%

Contributions. Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers to be determined on an annual basis by the actuary and shall be effective on July 1, following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30, by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. As of the fiscal year ended June 30, the contributions for the Plan were as follows:

	2023	2022
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Contributions – Employer	\$604,192	\$527,859
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Net Pension Liability. The District’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2022 and 2021, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 and 2020, rolled forward to June 30, 2022 and 2021, respectively, using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. As of the fiscal year ended June 30, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plan was as follows:

	2023	2022
Net Pension Liability	\$4,627,461	\$2,413,000

For additional information about the District’s defined benefit pension plan, see Note 8 in APPENDIX A – “AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2023.”

Other Post-Employment Benefits (OPEB)

OPEB Plan Description and Benefits. The District’s defined benefit Other Post-Employment Benefit (OPEB) Plan provides OPEB for all vested full-time employees who satisfy the eligibility rules. The Plan is a single-employer defined benefit OPEB plan administered by the District. The District’s Board has the authority to establish and amend the benefit terms and financing requirements of the Plan.

To be eligible for retiree health benefits, an employee must retire from the District on or after age 55 with at least 15 years of continuous service. Dependents are also eligible to receive benefits. Retirees may enroll in any plan available through the District’s ACWA-JPIA (Association of California Water Agencies Joint Powers Insurance Authority) Medical Program. The District provides coverage of single party medical and vision premiums for life and dental benefits until age 65. Employees hired after November 14, 2006 and before November 1, 2008, will receive 50% of the benefits coverage offered. Employees hired after November 1, 2008, are not eligible for post-employment health benefits.

Employees Covered by Benefit Terms. At June 30, the following employees were covered by the benefit terms:

	2023	2022
Active plan members	8	8
Retirees and beneficiaries receiving benefit	8	8
<i>Totals</i>	16	16

Contributions. The Plan and its contribution requirements for eligible retired employees of the District are established and may be amended by the Board of Directors. The District pays 100% of its share of the cost of health and vision insurance for retirees and dental insurance up to age 65 under any group plan offered by ACWA-JPIA, subject to certain restrictions as determined by the District. The annual contribution is based on the actuarially determined contribution. As of the fiscal years ended June 30, the contributions were as follows:

	2023	2022
Contributions – Employer	\$43,202	\$56,080

As of June 30, 2023 and 2022, employer OPEB contributions of \$43,202 and \$56,080 will be and were recognized as a reduction of total OPEB liability in the fiscal years ended June 30, 2024 and 2023, respectively.

Total OPEB Liability. The District’s total OPEB liability was measured as of June 30, 2023 and 2022, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2022 and 2020, respectively. Standard actuarial update procedures were used to project/discount from valuation to measurement dates. As of the fiscal year ended June 30, the District reported its total OPEB liability as follows:

	2023	2022
Total OPEB Liability	\$1,749,650	\$2,643,416

For additional information about the District’s OPEB, see Note 7 in APPENDIX A – “AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2023.”

Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (“**ACWA/JPIA**”), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insure losses and to purchase excess insurance coverage. For further information about the District’s insurance coverages, see Note 14 in APPENDIX A – “AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2023.”

THE WATER SYSTEM

Water Supplies

The District currently utilizes water from the following sources:

- Imported surface water purchased from SFPUC;
- Local surface water (Pilarcitos and Denniston Creeks); and
- Local groundwater sources (Half Moon Bay Terrace Basin).

Imported Surface Water (SFPUC). Approximately 70% of the District’s water supply is purchased from the SFPUC. Water from SFPUC is supplied to the District by gravity flow from SFPUC’s Pilarcitos Reservoir or is pumped over the mountain from SFPUC’s Upper Crystal Springs Reservoir. The District is the only customer of the SFPUC that receives raw (untreated) water. The transmission pipelines from each of these sources interconnect in upper Pilarcitos

Canyon. The raw water purchased from SFPUC is treated at the District's Nunes Water Treatment Plant.

The District purchases water from the SFPUC under the terms of the 2021 Amended and Restated Water Supply Agreement ("**WSA**") between the SFPUC and its wholesale customers. According to the WSA, SFPUC has a perpetual commitment to deliver a total of 184 MGD to the 24 permanent wholesale customers, of which the District is entitled to purchase a maximum of 2.175 MGD (approximately 794 million gallons per year (MGY)), except in drought years when mandatory water rationing could be in effect.

The water supply for the SFPUC is predominantly supplied from runoff and snowmelt from the Sierra Nevada, delivered through the Hetch Hetchy aqueducts, but also includes treated water from its local watersheds and facilities in Alameda and San Mateo Counties. The SFPUC serves its retail and wholesale water demands through integrated operation of local Bay Area water production and imported water from Hetch Hetchy. Local watershed facilities are primarily used to capture local runoff.

Water supplies from Pilarcitos Reservoir are available to the District throughout the year. The source of the water in Pilarcitos Reservoir is local runoff from the surrounding watershed; no imported water from Hetch Hetchy is stored in Pilarcitos Reservoir. The District prefers to draw the SFPUC water from the local Pilarcitos Reservoir source because the water flows by gravity from SFPUC's service connection at Stone Dam to the District's Nunes WTP, avoiding the power costs associated with pumping water from SFPUC's Upper Crystal Springs Reservoir. When there is insufficient water stored in Pilarcitos Reservoir, or when the District's demand exceeds the hydraulic capacity of the District-owned pipeline from Stone Dam, the District pumps the SFPUC water from Upper Crystal Springs Reservoir.

The water in Upper Crystal Springs Reservoir is supplied by local runoff from the surrounding watershed and imported water supplies from Hetch Hetchy. Upper Crystal Springs Reservoir also serves as an emergency water supply for the regional water system and its customers in the event of an interruption to SFPUC's Hetch Hetchy supplies. The District pumps water from Upper Crystal Springs Reservoir through an 18-inch diameter transmission pipeline to the District's Nunes WTP. Water from the Upper Crystal Springs Reservoir source is available throughout the year. The Crystal Springs project was designed for an ultimate capacity of 12.0 MGD. The present capacity to provide water to the District is 4.5 MGD and is limited by the operational constraints of the Nunes Water Treatment Plant. Expansion of the project capacity would require the approval from the SFPUC and the California Coastal Commission. The Upper Crystal Springs Reservoir supply source is important to the District because Upper Crystal Springs Reservoir is intertied with SFPUC's main supply source (Hetch Hetchy). The Upper Crystal Springs Reservoir supply is more expensive than the other supply sources because of the pumping (electrical power) costs..

Local Surface Water and Groundwater. The remaining 30% of the District's water supply is produced locally from surface water and wells.

The primary surface water source in use by the District is Denniston Creek located in the northern part of the District near the Half Moon Bay Airport. In 1966, the District filed Water Right Application 22680 with the State Water Rights Board (SWRCB). In 1969, the SWRCB, the successor to the State Water Rights Board, issued Water Right Permit 15882. The permit authorizes the District to divert up to 2 cubic feet per second (CFS) each from Denniston and San Vicente Creeks (4 CFS total) on a year-round basis. The District began diverting water from

Denniston Creek in 1972 with the construction of the Denniston Water Treatment Plant. Currently, the District only diverts from Denniston Creek.

In 2015, the District completed a proposed Final Environmental Impact Report (EIR) for the Denniston/San Vicente Water Supply Project. The proposed water supply improvements along Denniston and San Vicente Creeks would enable the expanded beneficial use of local water supply and thereby reduce dependence on current imported water sources during normal water years. The project entails the installation of a permanent diversion structure and pump station, as well as the replacement of approximately 2,000 feet of existing pipeline and installation of approximately 4,100 feet of new pipeline to convey San Vicente Creek water to the existing Denniston Reservoir pump station. In 2017, as part of phase 1 of the project, the District completed the installation of a new booster pump station and 3,460 feet of new pipeline along Bridgeport Drive, thereby augmenting water delivery from the Denniston WTP into the existing distribution system.

The Pilarcitos Creek infiltration well field, owned and operated by the District, is another key source of surface water supplies. The Pilarcitos Creek infiltration wells are located in Pilarcitos Creek Canyon between Pilarcitos Reservoir and Highway 92. Operation of this well field is limited by a State-issued water rights license for the period from November 1 through March 31 of each year. The license limits the maximum pumping rate to 673 GPM and annual production to 117 MG. Because the production of these wells is dependent upon infiltration from the Pilarcitos Creek stream flow, their yield is extremely low during drought years. Normal year supplies from the Pilarcitos Wells are anticipated to be about 75-100 MGY.

The District also utilizes 2 groundwater wells in the Denniston Well Field which is located in one of the San Francisco Bay Hydrologic Region groundwater basins known as the Half Moon Bay Terrace Basin (DWR Basin Number 2-22), as described in the Department of Water Resources (DWR) Bulletin 118. The Half Moon Bay Terrace Basin is located along the northern San Mateo coast and encompasses 9,150 acres. The Midcoast Groundwater Study (2010), commissioned by the County, indicates that precipitation is the largest contributor of groundwater recharge for higher elevation areas of the Half Moon Bay Terrace Basin and streams are the largest contributor at lower elevation areas. This groundwater basin is not adjudicated, and DWR has not identified the Half Moon Bay Terrace Basin as either in overdraft or expected to be in overdraft.

The location of the District's Denniston Well Field is also within the Airport Subbasin, a sub-area of the Half Moon Bay Terrace Basin. The most significant recharge of the Airport Subbasin is caused by infiltration recharge and groundwater inflow from Denniston Creek. Other subbasins contained within the District's service area include the El Granada Subbasin, the Arroyo de en Medio/Frenchman's Subbasin, and the Lower Pilarcitos Subbasin. The District has conducted a study of the potential for developing wells in the Lower Pilarcitos Subbasin.

The District's local surface water supplies from Denniston Creek and wells are treated at the District's Denniston Water Treatment Plant.

Sustainable Groundwater Management Act (SGMA). The Sustainable Groundwater Management Act ("SGMA") was passed in September 2014. The legislation provides a framework for sustainable management of groundwater supplies by local authorities, with a limited role for State intervention when necessary to protect the resource. The legislation lays out a process and a timeline for local authorities to achieve sustainable management of groundwater basins. It also provides tools, authorities, and deadlines to take the necessary steps to achieve the goal. SGMA

applies to basins or subbasins designated by the DWR as high or medium priority basins, based on a statewide ranking that uses criteria including population and extent of irrigated agriculture dependent on groundwater. For local agencies involved in implementation, the requirements are significant and can be expected to take years to accomplish. The SWRCB may intervene if local agencies do not form a GSA and/or fail to adopt and implement a Groundwater Sustainability Plan (GSP).

The Half Moon Bay Terrace Basin is currently prioritized as “very low priority” according to DWR criteria; accordingly, the District is not required to comply with the provisions of SGMA to form a groundwater sustainability agency or to prepare a groundwater sustainability plan do not currently apply.

Water Facilities

The District has 2 water treatment plants, 9 treated water storage tanks (with a combined storage capacity of 8 million gallons), 2 groundwater wells in the Denniston Well Field as well as a separate infiltration well field in Pilarcitos Canyon, and approximately 100 miles of distribution and transmission pipeline. Water delivered to customers receives full treatment at one of the District’s two water treatment facilities in accordance with federal and state standards. Approximately 70% of the District’s water is supplied by the SFPUC, with the remaining 30% coming from local surface water and groundwater sources.

The raw water purchased from SFPUC is treated at the District’s Nunes Water Treatment Plant, which is a conventional surface water treatment plant capable of treating up to 4.5 million gallons per day (mgd) of water from Pilarcitos Reservoir, Upper Crystal Springs Reservoir, and the infiltration wells in Pilarcitos Creek Canyon. The Nunes WTP was completed in 1982, with a major expansion in 1992 as part of the completion of the Crystal Springs Water Supply Project that gave the District direct access to SFPUC supplies in Upper Crystal Springs Reservoir. In 2024, the District completed a \$10 million renovation of the Nunes WTP, including adding a redundant sedimentation basin, filter improvements including underdrain system replacement and the addition of an air scour system, and electrical and instrumentation improvements.

The surface water from Denniston Creek and the local groundwater from Denniston Well Field are treated at the Denniston Water Treatment Plant. The Denniston WTP is specialized to remove iron and manganese. In 2013, the District completed a \$6 million renovation of the Denniston WTP, including installation of contact clarifiers; wash water handling system, solids drying beds; replacement of storage and chemical feed systems, and other structural, piping, electrical and control systems.

Regulatory Matters

The District is not aware of any environmental or regulatory issues that would adversely impact its ability to operate the Water System. District facilities, operations and delivered water are regulated by the U.S. Environmental Protection Agency, DWR and SWRCB.

Historical Water Production

Total water production for the last five fiscal years is shown in the following table.

Table 1
Coastside County Water District
Water Production (in millions of gallons) by Source⁽¹⁾
Fiscal Years Ending June 30,

<u>Water Source</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
SFPUC (Purchased)	372	528	350	259	318
Local Sources	295	135	227	223	194
Totals	667	663	577	482	512

(1) Increase in SFPUC purchased water in Fiscal Year ending June 30, 2021 due to inability of District to fully utilize local sources due to impacts of drought on the local watershed. Declines in SFPUC purchased water (and total water sources) for Fiscal Years ending June 30, 2022 and 2023 primarily due to mandatory water use reductions required by SFPUC during the drought for the District. (SFPUC declared a water shortage emergency/drought from 2021-2023.)

Source: *The District.*

Water Customers and Revenues

Water Customers. Total water service accounts for the last five fiscal years are shown in the following table.

Table 2
Coastside County Water District
Water Service Accounts by Type of User
As of June 30

<u>User Type</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Single-Family Residential	5,870	5,847	5,870	5,879	5,895
Multi-Family Residential	111	111	111	113	116
Commercial/Other	1,628	1,651	1,677	1,697	1,708
Totals	7,609	7,609	7,658	7,689	7,719

Source: *The District.*

Operating Revenues. Total operating revenues for the last five fiscal years is shown in the following table. (SFPUC declared a water shortage emergency/drought from 2021-2023.)

Table 3
Coastside County Water District
Water Service Charge Revenues by Type of User⁽¹⁾
Fiscal Years Ending June 30,

<u>User Type</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Single-Family Residential	\$7,167,000	\$7,561,000	\$6,933,000	\$6,764,000	\$7,344,000
Multi-Family Residential	600,000	627,000	604,000	619,000	666,000
Commercial/Other	5,115,000	5,229,000	5,146,000	4,060,000	4,492,000
Totals	\$12,882,000	\$13,417,000	\$12,683,000	\$11,443,000	\$12,502,000

(1) Audited through Fiscal Year ended June 30, 2023. Data for Fiscal Year ended June 30, 2024 are preliminary and unaudited.

Source: *The District.*

Top Ten Largest Customers. The following table shows the top 10 largest customers of the Water System for the most recently completed fiscal year.

Table 4
Coastside County Water District
Ten Largest Users – By Water Service Charge
Fiscal Year 2023-24

User No.	Customer	Type of Account	Service Charge Revenue	% of Service Charge Revenue ⁽¹⁾
1	Skylawn Memorial Garden	Cemetery	\$827,600	6.7%
2	Marriott-US Managed Properties	Hotel/Motel	281,600	2.3
3	MidPen- Housing Corporation	Multiple Dwelling	275,000	2.2
4	Canada Cove	Multiple Dwelling	210,900	1.7
5	Rocket Farms, Inc.	Agriculture	203,200	1.6
6	McCahon Floral	Agriculture	123,300	1.0
7	Ocean Colony Partners	Golf Course	81,400	0.7
8	San Mateo County Harbor District	Marine-related	75,700	0.6
9	Pillar Point Project Dev LLC	Hotel/Motel	73,800	0.6
10	Half Moon Bay Launderland	Laundry	72,500	0.6
Totals			\$2,225,000	18.0%

(1) Based on total water service charge revenue for Fiscal Year 2023-24 of \$12,343,476 (unaudited).
 Source: *The District*.

Water System Rates and Charges

Overview. In accordance with California law, the Board of Directors of the District has the power to fix, alter and collect monthly system access fees, commodity charges and other rates and charges related to the Water System. The District has the authority to establish these charges without the approval of any other governmental agency. It can terminate service to delinquent customers, require full payment of delinquent accounts, and impose reconnection fees to resume service. See “RISKS FACTORS – Proposition 218” herein for a discussion of applicable law governing the District’s setting of water rates and charges.

2024 Rate Study. In 2023, the District commissioned Water Resources Economics, LLC to prepare a Water Rate Study Report (the “**2024 Rate Study**”). Among other things, the 2024 Rate Study was developed to provide the District with an updated three-year schedule of water rates and water shortage rates to sufficiently fund the District’s water system expenses, allow the District to meet its financial goals within the study period, and comply with cost-of-service principles. The 2024 Rate Study (1) developed a long-term financial plan to sufficiently fund operating expenses, capital replacement and improvement costs and prudent reserve balances, (2) calculated water rates that fully recovered the District’s costs to serve customers and (3) designed water shortage rates that recovered all costs related to drought at each drought stage following the District’s usage reduction guidelines (including to pass-through wholesale water shortage rates or surcharges from SFPUC). The public hearing required by Proposition 218 regarding the increased rates occurred on November 12, 2024. The Board of Directors adopted water rates to achieve an 8% annual increase in operating revenue per year, effective January 2025, January 2026, and January 2027. See also “Water Shortage Rates” below.

Water Service Rates. The following table sets forth a summary of the Water System’s current water rates (which became effective January 2024), as well as the future water rates that

were adopted by the Board on November 12, 2024, whereby water rates will reflect annual increases in operating revenues of 8% per year, effective January 2025, January 2026, and January 2027.

**Table 5
Coastside County Water District
Water Service Rates and Charges
Current and Future Charges**

Monthly Base Charges (1)				
Meter Size (inches)	Current Rates	Effective 1/20/25	Effective 1/19/26	Effective 1/18/27
5/8	\$35.81	\$38.36	\$41.43	\$44.75
3/4	\$52.92	\$53.32	\$57.59	\$62.20
1	\$87.10	\$83.26	\$89.93	\$97.13
1.5	\$172.59	\$158.09	\$170.74	\$184.40
2	\$275.18	\$247.89	\$267.73	\$289.15
3	\$600.02	\$532.27	\$574.86	\$620.85
4	\$1,078.79	\$951.34	\$1,027.45	\$1,109.65
6	n/a	\$2,028.96	\$2,191.28	\$2,366.59
Water Quantity Charges (2), (3)				
Customer Classification	Current Rates	Effective 1/20/25	Effective 1/19/26	Effective 1/18/27
Single Family Residential – Tier 1	\$11.40	\$12.31	\$13.30	\$14.37
Single Family Residential – Tier 2	\$16.66	\$18.29	\$19.76	\$21.35
Single Family Residential – Tier 3	\$20.16	\$22.15	\$23.93	\$25.85
Multi-Family	\$15.19	\$14.69	\$15.87	\$17.14
All Other Customers	\$16.19	\$17.60	\$19.01	\$20.54
Monthly Fire Service Charges				
Meter Size (inches)	Current Rates	Effective 1/20/25	Effective 1/19/26	Effective 1/18/27
3/4	\$6.01	\$8.87	\$9.58	\$10.35
1	\$8.01	\$9.37	\$10.12	\$10.93
1.5	\$12.02	\$11.19	\$12.09	\$13.06
2	\$16.02	\$14.31	\$15.46	\$16.70
3	\$24.03	\$25.52	\$27.57	\$29.78
4	\$32.04	\$44.86	\$48.45	\$52.33
6	\$48.06	\$114.26	\$123.41	\$133.29
8	\$64.08	\$233.97	\$252.69	\$272.91
10	\$80.10	\$414.03	\$447.16	\$482.94

(1) Meters larger than 6-inches are subject to base charges as determined by the Board of Directors.

(2) Quantity charges are payable based on units, defined as 100 cubic feet (748 gallons) of water delivered.

(3) Residential Customers are single family homes, single family homes with one accessory dwelling unit, condominiums, townhouses and all residential buildings with individual meters for separate residential dwelling units. Residential buildings with a single "master meter" measuring consumption within multiple dwelling units are not "Residential Customers" but are classified as "Multi-Family".

Source: *The District*.

Water Shortage Rates. To ensure that the District receives sufficient revenues to cover its cost of providing water service when consumption decreases due to a Board-declared water shortage situation (such as a drought, natural disaster, or other water supply interruption), the Board, at its discretion, may implement "Water Shortage Rates." Water Shortage Rates are set

up incrementally to reflect the stages of a water shortage that the District has defined in its Urban Water Management Plan, specifically the Water Shortage Contingency Plan. The Water Shortage Rates show the maximum rate levels that could be charged per unit during each of the 6 water shortage stages that are described in the Water Shortage Contingency Plan.

Water Shortage Rates can be used as a tool that allows the District to reliably recover the necessary revenue to fully fund the water system in times of reduced water demand at each of the six Board declared water shortage stages and as included in the District's "Water Shortage Contingency Plan" adopted in June 2021 (required by California Water Code Section 10632.) Water Shortage Rates can only go into effect if the Board of Directors takes the following two actions: 1) A Water Shortage Stage must be declared by the Board; 2) The Board must take action to implement the Water Shortage Rates. In addition, the District is required to provide written notice of the proposed rates changes to all customers 30 days prior to their effective date. The 2024 Water Rate Study provided support for the approved Water Shortage Rates to be effective January 20, 2025, January 19, 2026, and January 18, 2027, adopted in accordance with substantive requirements of Proposition 218. The District Rate and Fee Schedule also includes a San Francisco Public Utility Commission (SFPUC) Pass-Through of Wholesale Water Shortage Rates or Surcharges if the SFPUC imposes an additional wholesale charge to the cost of water as a result of a water shortage, as detailed in the following subsection.

SFPUC Pass-Through Wholesale Water Shortage Rates or Surcharges. If SFPUC implements an additional unit wholesale charge to the cost of water as a result of a water shortage, the District may pass through this per unit wholesale charge to their customers based on the percentage of the District's total water supply purchased from SFPUC. The District's only other source of water is local surface and groundwater which does not require any additional water supply costs to obtain. Therefore, the proportion of the pass-through charge will be a direct proportion of how much SFPUC water is purchased to meet demand versus how much water is locally sourced. The equation below shows an example of how the SFPUC per unit wholesale charge related to a water shortage would be, with Board approval, passed through when SFPUC is charging an additional \$0.50 per unit of water and the District is purchasing 90% of its water from SFPUC and using 10% local water sources to meet the rest of demand ($\$0.50 * .90 = \0.45) pass-through charges to commodity rates.

The Board must take action to implement an SFPUC Pass-Through Wholesale Water Shortage Rate or Surcharges. The SFPUC Pass-Through Wholesale Water Shortage Rates or Surcharges may be implemented upon at least 30 days written notice to District customers. SFPUC Pass-Through Wholesale Water Shortage Rates or Surcharges would cease when the SFPUC no longer charges the District the additional unit wholesale charge to the cost of water as a result of a water shortage.

Connection Fees. Connection fees imposed by the District are subject to California's Mitigation Fee Act, embodied in Government Code 66000 et seq., which the State Legislature passed, starting with Assembly Bill 1600 in 1989. The Act prescribes the means by which public agencies may impose various types of fees, including water connection fees. The District has established a one-time connection fee (sometimes referred to as the "transmission and storage fee") to reflect the cost of existing infrastructure and planned improvements available to new services. The following table sets forth the District's current connection fee.

**Table 6
Coastside County Water District
Transmission and Storage Fee
Fiscal Year 2023-24**

Size of Service Connection	Fee⁽¹⁾
5/8 x 3/4 inch	\$16,030
3/4 inch	24,045
1 inch	40,075
1-1/2 inch	80,151
2 inch	128,241
3 inch	280,528
4 inch	480,903

(1) In accordance with Resolution 2013-03, effective July 15, 2013, July 1, 2014 and August 15, 2015, the Transmission and Storage Fee will be adjusted in accordance with the Engineering News Record Construction Cost Index (ENR CCI) for January of the current year. The new Transmission and Storage Fee for each connection size will be calculated by multiplying the then current Transmission and Storage Fee by the ratio of the current year January ENR CCI to the ENR CCI for January of the previous year. Meters larger than 4-inches are subject to a fee as determined by the Board.

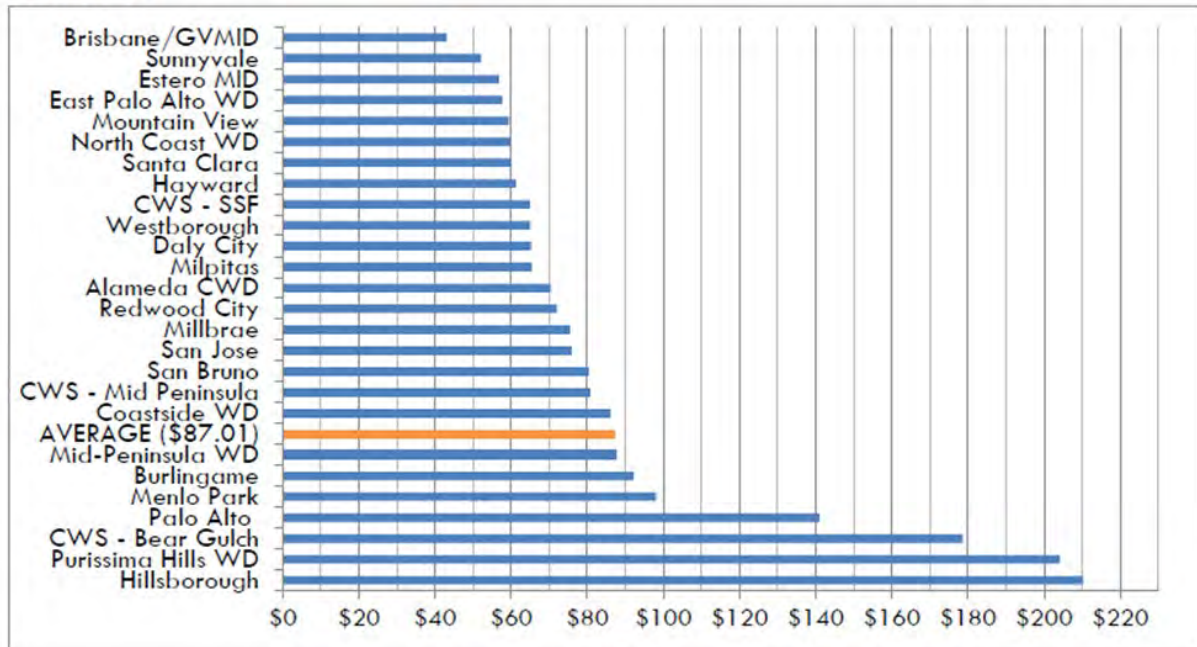
Source: *The District.*

Comparison of Water Service Rates. The table below sets forth a comparison of the average monthly water bill for a single family residential user within the District to those of similar water service providers.

**Table 7
Coastside County Water District
Comparative Water Rates⁽¹⁾**

BAWSCA Annual Survey – FY 2022-23

Figure 8A: Single Family Water Bills Based on Average Monthly Use Using Rates in Effect for FY 2022-23



(1) The table was produced in April, 2024 by the Bay Area Water Supply and Conservation Agency (BAWSCA), which was created on May 27, 2003 to represent the interests of 24 cities and water districts, and two private utilities, in Alameda, Santa Clara and San Mateo counties that purchase water on a wholesale basis from the San Francisco Regional Water System (SF RWS).
Source: Bay Area Water Supply and Conservation Agency.

Billing and Collection Procedures

All water services are metered and all meters are read on a monthly basis. Bills are rendered monthly and are mailed approximately 15 days after meter reading date. Periodic bills are due and payable on presentation, and 25 days are allowed after bills are mailed before the bill becomes delinquent. Except as prohibited by law, the District has the right to discontinue water service for the failure to make complete and timely payment of bills. The District will not discontinue residential service for non-payment until the subject account has been delinquent for at least 60 calendar days.

Property Tax Revenues

Overview. The District receives a portion of the County-wide 1% ad valorem property tax levy. The property tax collected on behalf of the District is limited to a maximum total levy, which is adjusted annually based on a cost of living factor and a population factor in accordance with Article XIII B of the California Constitution. The District requests an allocation of property tax revenues, up to the maximum, each year by resolution.

Historical Assessed Valuations. The following table sets forth the historical assessed values for taxable property in the District for the fiscal years shown.

Table 8
Coastside County Water District
Historical Assessed Valuations
Past Ten Fiscal Years

Fiscal Year	Secured	Utility	Unsecured	Total	Percentage Change
2014-15	\$3,717,226,184	\$0	\$51,108,934	\$3,768,335,118	--
2015-16	3,964,344,131	0	62,392,103	4,026,736,234	6.9%
2016-17	4,130,149,181	0	48,737,557	4,178,886,738	3.8
2017-18	4,372,174,956	0	49,018,772	4,421,193,728	5.8
2018-19	4,668,447,630	0	52,788,679	4,721,236,309	6.8
2019-20	4,942,930,811	0	47,761,054	4,990,691,865	5.7
2020-21	5,122,249,346	0	48,474,030	5,170,723,376	3.6
2021-22	5,302,995,506	0	54,303,308	5,357,298,814	3.6
2022-23	5,644,322,954	0	55,397,694	5,699,720,648	6.4
2023-24	5,931,265,595	0	58,370,172	5,989,635,767	5.1

Source: California Municipal Statistics.

Historical Property Tax Collections. The following table shows the property tax collections for the District for the fiscal years shown.

Table 9
Coastside County Water District
Property Tax Collections
Past Five Fiscal Years

Fiscal Year	Property Tax Collections	Percentage Change
2019-20	\$1,463,215	--
2020-21	1,516,333	3.6%
2021-22	1,720,333	13.5
2022-23	1,745,578	1.5
2023-24 ⁽¹⁾	1,859,572	6.5

(1) Unaudited.
Source: *The District.*

Top Twenty Secured Taxpayers. The following table shows the largest property taxpayers within the District for Fiscal Year 2023-24.

Table 10
Coastside County Water District
Largest Local Secured Taxpayers
Fiscal Year 2023-24

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2023-24 Assessed Valuation</u>	<u>% of Total ⁽¹⁾</u>
1. SHC Half Moon Bay LLC	Hotel	\$222,669,071	3.75%
2. Ocean Colony Partners LP	Golf Course	34,920,332	0.59
3. HMB Musich LLC	Shopping Center	31,715,732	0.53
4. Point Pillar Project Developer	Hotel	31,299,326	0.53
5. Half Moon Bay Lodge LLC	Hotel	23,508,000	0.40
6. Keet Nerhan	Hotel	20,121,670	0.34
7. Professional Peninsula Properties LLC	Office Building	14,995,532	0.25
8. Carnoustie LLC	Residential Properties	12,883,660	0.22
9. Longs Drug Store Inc.	Shopping Center	9,807,379	0.17
10. Estate of Helen Carey	Undeveloped	8,907,311	0.15
11. Bahram Abolmoluki Trust	Commercial	8,729,203	0.15
12. Castro Partners LLC	Office Building	7,911,679	0.13
13. Ping Feng Trust	Residence	6,910,500	0.12
14. Chun-Yi & Mei-Sun Chen Trust	Commercial	6,864,935	0.12
15. Cypress Group Development LLC	Apartments	6,821,672	0.12
16. Linda J. Andreini Trust	Industrial	6,689,271	0.11
17. Dover Crest LLC	Hotel	6,560,714	0.11
18. Stay Cal HMB LLC, Lessee	Hotel	6,337,226	0.11
19. Paul Charles Bensi Trust	Apartments	5,900,000	0.10
20. Schiller Trust	Residence	5,868,597	0.10
		<u>\$479,421,810</u>	<u>8.08%</u>

(1) 2023-24 Local Secured Assessed Valuation: \$5,931,265,595.
Source: *California Municipal Statistics.*

Property Tax Limitations; Article XIII A of the California Constitution. California voters, on June 6, 1978, approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash value of property to mean “the county assessor’s valuation of real property as shown on the 1975/76 tax bill under full cash value, or

thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or any reduction in the consumer price index or comparable local data, or any reduction in the event of declining property value caused by damage, destruction, or other factors. The amendment further limits the amount of any ad valorem tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978. In addition, an amendment to Article XIII A was adopted in June 1986 by initiative which exempts any bonded indebtedness approved by two-thirds of the votes cast by voters for the acquisition or improvement of real property from the 1% limitation.

Classifications of Property. In California, property which is subject to *ad valorem* taxes is classified as “secured” or “unsecured.” Secured and unsecured properties are entered on separate parts of the assessment roll maintained by the county assessor. The secured classification includes property on which any property tax levied by the County becomes a lien on that property sufficient, in the opinion of the county assessor, to secure payment of the taxes. Every tax which becomes a lien on secured property has priority over all other liens on the secured property, regardless of the time of the creation of other liens. A tax levied on unsecured property does not become a lien against the taxes on unsecured property, but may become a lien on certain other property owned by the taxpayer.

The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured property taxes in the absence of timely payment by the taxpayer: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts an order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder’s office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of the personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of property securing the taxes to the State for the amount of taxes which are delinquent. A 10% penalty also applies to delinquent taxes on property on the unsecured roll, and further, an additional penalty of 1 ½% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date.

The valuation of property is determined as of January 1 each year and equal installments of taxes levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due August 1 and become delinquent August 31.

Unitary Property. Commencing in fiscal year 1988-89, the Revenue and Taxation Code of the State of California changed the method of allocating property tax revenues derived from State assessed utility properties. It provides for the distribution of State assessed values to tax rate areas by a County-wide mathematical formula rather than assignment of State assessed value according to the location of those values in individual tax rate areas. The assessed value of all unitary property in the County has been assigned to this tax rate area and one tax rate is levied against all such property (“**Unitary Revenues**”).

The property tax revenue derived from the assessed value assigned to the County-wide tax rate area shall be allocated as follows: (1) each jurisdiction will be allocated up to 2% of the increase in Unitary Revenues on a pro rata basis county-wide; and (2) any decrease in Unitary Revenues or increases less than 2%, or any increase in Unitary Revenues above 2% will be allocated among jurisdictions in the same proportion of each jurisdiction’s Unitary Revenues

received in the prior year to the total Unitary Revenues county-wide. However, Counties must also transfer certain railroad properties into a countywide tax rate area from their existing tax rate area. Taxes on these properties are now distributed in a manner similar to other unitary properties, except that redevelopment agencies no longer share in the distribution.

Assessment Appeals. An assessee of locally assessed or State-assessed property may contest the taxable value enrolled by the county assessor or by the State Board of Equalization (“SBE”), respectively. The assessee of SBE-assessed property or locally-assessed personal property, the valuation of which is subject to annual reappraisal, actually contests the determination of the full cash value of property when filing an assessment appeal. Because of the limitations to the determination of the full cash value of locally assessed real property by Article XIII A, an assessee of locally assessed real property generally contests the original determination of the base assessment value of the parcel, i.e. the value assigned after a change of ownership or completion of new construction. In addition, the assessee of locally assessed real property may contest the current assessment value (the base assessment value plus the compounded annual inflation factor) when specified conditions have caused the full cash value to drop below the current assessment value.

At the time of reassessment, after a change of ownership or completion of new construction, the assessee may appeal the base assessment value of the property. Under an appeal of a base assessment value, the assessee appeals the actual underlying market value of the sale transaction or the recently completed improvement. A base assessment appeal has significant future revenue impact because a reduced base year assessment will then reduce the compounded value of the property prospectively. Except for the 2% inflation factor allowable under Article XIII A, the value of the property cannot be increased until a change of ownership occurs or additional improvements are added.

Under Section 51(b) of the Revenue and Taxation Code, the assessor may place a value on the tax roll lower than the compounded base assessment value if the full cash value of real property has been reduced by damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in the value. Reductions in value under Section 51(b), commonly referred to as Proposition 8 reductions, can be achieved either by formal appeal or administratively by assessor staff appraising the property. A reduced full cash value placed on the tax roll does not change the base assessment value. The future impact of a parcel subject to a Proposition 8 appeal is dependent upon a change in the conditions which caused the drop in value. In fiscal years following a successful Proposition 8 appeal, the assessor may determine that the value of the property has increased as a result of corrective actions or improved market conditions and enroll a value on the tax roll up to the parcel’s compounded base assessment value. Additionally, successful appeals regarding property on the unsecured rolls does not necessarily affect the valuation of such property in any succeeding fiscal year. Utility companies and railroads may contest the taxable value of utility property to the SBE. Generally, the impact of utility appeals is on the State-wide value of a utility determined by SBE. The actual valuation impact to the District from successful assessment appeals will occur on the assessment roll prepared after the actual valuation reduction.

Teeter Plan

Teeter Plan. The Board of Supervisors of San Mateo County has adopted the “Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds” (the “**Teeter Plan**”), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. The Teeter Plan provides for the allocation and distribution of property tax levies and collections and

of tax sale proceeds. Under this method, the County pays the District 100% of property tax due to the District and retains any penalties or delinquencies collected to offset such gross payment. There can be no assurance that the County will not discontinue the Teeter Plan or remove the District, or the property tax payable to the District, from the Teeter Plan in the future.

Historical Delinquencies. Due to the Teeter Plan, the District receives 100% of its property tax due each year, and no delinquency information is available.

Accounting and Budgetary Matters

Accounting Policies. The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water to its service area on a continuing basis be financed or recovered primarily through user charges (water sales), capital grants and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as water sales and water purchases, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's proprietary fund.

See APPENDIX A for a more complete summary of the District's accounting policies.

Annual Budget. The District operates with a Fiscal Year that begins July 1 and ends on June 30. Generally Accepted Accounting Principles require the use of accrual accounting. The annual budget is based on the same accrual approach as the District's audited financial statements with some minor differences. The annual budget is typically adopted in June of each year.

Audited Financial Statements. The audited financial statements of the District for the Fiscal Year Ended June 30, 2023, prepared by the District and audited by C.J. Brown & Company CPAs, Cypress, California, are attached as APPENDIX A. The audited financial statements should be read in their entirety. The District has not requested nor did the District obtain permission from the auditor to include the financial statements as an appendix hereto. Accordingly, the auditor has not performed any post-audit review of the financial condition or operations of the District.

Financial Policies

Reserve Policy. The Board of Directors of the District manages its reserves in order to anticipate and prepare for future funding requirements, unforeseen and unexpected emergencies, disasters, and other events, and to ensure adequate debt service coverage. The District maintains the following reserve funds:

Capital and Operating Reserve. The Capital and Operating Reserve is to be used only for unforeseen capital projects that are necessary to meet regulatory requirements, system reliability, and future needs; and (2) to cover cash flow shortages caused by a short-term, unexpected disruption of anticipated revenue or when expenses become due before the anticipated revenue to pay those expenses is received. The District's reserve target included in the 2024 Water Rate Study reflected: 1) 25% of O&M expenses; 2) 1 year of 5-year average CIP, and 3) 1 year of debt service.

In addition, the District maintains a *Rate Stabilization Fund*. The purpose of the Rate Stabilization Fund is to reduce water revenue requirements in order to smooth water rate adjustments over time. Withdrawal of funds from the Rate Stabilization Fund must be approved by the Board of Directors at the time of approving the annual budget and considering an amendment of the rate and fee schedule, and such approval must include a schedule for replenishing the funds withdrawn. It is the goal of the District to maintain a balance of at least \$250,000 in the Rate Stabilization Reserve.

Debt Management Policy. The Board of the District has adopted a debt management policy governing the incurrence and administration of debt, which complies with all California legal requirements.

Investment Policy. The Board of the District periodically reviews and adopts or ratifies an investment policy in accordance with Section 53600 of the Government Code of the State of California (the "**Investment Policy**"). The Investment Policy also governs surplus cash and investments of the District.

Capital Improvement Program (CIP)

The District is continually evaluating its capital needs. It has a current 10-year Capital Improvement Program ("**CIP**"), which covers Fiscal Years 2024-2025 through 2033-2034. The two biggest categories of CIP projects are: Pipeline Projects (estimated at \$25.7 million during the 10-year CIP period) and Pump Stations/Tanks/Wells (estimated at \$26.6 million during the 10-year CIP period and which includes the planned Carter Hill Tank Improvement project that will be partially funded by the District's issuance of debt).

With respect to the Pipeline Projects, the District will be focusing on aging infrastructure that requires pipeline replacement, including the replacement of the Highway 92 treated water pipeline which is one of the oldest pipelines in the District.

With respect to Pump Stations/Tanks/Wells Projects, the Carter Hill Tank Improvement and Seismic Upgrades Project is the primary project. Phase 1, which will begin in Fiscal Year 2024-25, includes the replacement of 2 existing steel tanks with a 2.1 MG prestressed concrete tank at an estimated construction cost of approximately \$9.4 million. See "FINANCING PLAN" for more details.

Parity Debt

The District has entered into the following long-term debt obligations, which are payable on a parity basis to the Installment Payments securing the 2024 Certificates.

2011 IBank ISA. On October 10, 2011, the District entered into an installment loan in the amount of \$6,765,500 from the California Infrastructure and Economic Development Bank (CIEDB) for the purpose of financing the construction of the Denniston Creek Water Treatment Plant improvement project. Terms of the loan included a 30-year term with semi-annual interest of 2.79% (plus an annual fee of 0.3%) which is payable on August 1 and February 1. Principal payments commenced on February 1, 2013, maturing in fiscal year 2042. On March 1, 2015, the District and IBank entered into a replacement installment loan agreement for the outstanding balance of \$6,143,789 for the purpose of reducing the semi-annual interest to 2.54%.

2016 IBank ISA. On May 1, 2016, the District entered into an installment loan in the amount of \$5,628,000 from CIEDB for the purpose of financing the District's Facilities Improvements project. Terms of the loan included a 30-year term with semi-annual interest of 3.44% (plus an annual fee of 0.3%) which is payable on August 1 and February 1. Principal payments commenced on August 1, 2017, maturing in fiscal year 2046.

2018 Loan Agreement. On July 23, 2018, the District entered into an installment loan agreement with J.P. Morgan Chase Bank in the amount of \$5,311,319 for purpose of refinancing (for debt service savings) the District's 2006 Series B Water Revenue Bonds (through the California Statewide Communities Development Authority), originally used to finance certain capital improvements to the District's water system. Terms of the loan include semi-annual interest of 2.85% which is payable on October 1 and April 1. Principal payments commenced on October 1, 2018, maturing in fiscal year 2033.

2022 Loan Agreement. On March 11, 2022, the District entered into an installment loan agreement with First Foundation Public Finance in the amount of \$7,071,903 for purpose of financing capital improvements to the District's water system. Terms of the loan include semi-annual interest of 2.23% which is payable on September 1 and March 1. Principal payments commenced on September 1, 2022, maturing in fiscal year 2043.

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Historical Revenues, Expenses and Coverage

The following table presents a 5-year summary of historical revenues, expenditures, and debt service coverage, based on the District's audited and unaudited financial statements for the years shown.

Table 11
Coastside County Water District
Historical Revenues, Expenses and Debt Service Coverage
Fiscal Years 2019-2020 through Fiscal Year 2023-24

	Audited Results				Preliminary
	FYE 2020	FYE 2021	FYE 2022	FYE 2023	FYE 2024
Operating Revenues					
Water Sales	\$12,881,120	\$13,416,671	\$12,682,875	\$11,442,912	\$12,504,037
Total Operating Revenues	a. \$12,881,120	\$13,416,671	\$12,682,875	\$11,442,912	\$12,504,037
Operating Expenses					
Source of Supply	b. \$1,934,685	\$2,924,366	\$1,973,872	\$1,865,181	\$2,312,772
Pumping	c. 1,409,139	1,486,583	1,664,481	865,188	1,195,548
Transmission and Distribution	2,290,538	1,987,166	2,327,598	2,351,239	2,518,476
General & Administrative	3,046,978	3,068,581	3,550,537	2,759,274	3,494,466
Total Operating Expenses	\$8,681,340	\$9,466,696	\$9,516,488	\$7,840,882	\$9,521,262
Operating income before depreciation and amortization expense	\$4,199,780	\$3,949,975	\$3,166,387	\$3,602,030	\$2,982,775
Depreciation and amortization expense	(2,258,142)	(2,429,117)	(2,547,547)	(2,572,572)	(2,648,382)
Operating Income	\$1,941,638	\$1,520,858	\$618,840	\$1,029,458	\$334,393
Non-Operating Revenue/Expense					
Property Taxes/ERAF	d. \$1,463,215	\$1,516,333	\$1,720,333	\$1,745,578	\$1,859,572
Interest expense	(489,598)	(458,905)	(505,721)	(601,521)	(560,204)
Other revenue/expense/capital contributions	e. 352,519	201,071	497,797	451,301	1,083,454
Total Non-Operating, Net	\$1,326,136	\$1,258,499	\$1,712,409	\$1,595,358	\$2,382,822
Net Income/Change in Net Position	\$3,267,774	\$2,779,357	\$2,331,249	\$2,624,816	\$2,717,215
Debt Service Coverage Calculation:					
Add: Depreciation and Amortization	\$2,258,142	\$2,429,117	\$2,547,547	\$2,572,572	\$2,648,382
Add: Interest expense	489,598	458,905	505,721	601,521	560,204
Cash Available for Debt Service	\$6,015,514	\$5,667,379	\$5,384,517	\$5,798,909	\$5,925,801
Debt Service (principal, interest, admin fees)					
CIEDB Installment Loan 2011	f. 335,977	335,625	335,669	335,508	335,343
CIEDB Installment Loan 2016	323,803	323,357	322,895	322,417	321,923
JP Morgan Chase Loan 2018	436,399	433,567	435,168	436,027	437,233
First Foundation Bank - 2022	0	0	0	495,510	417,501
COP 2024 (pending)					
Total Debt Service	\$1,096,179	\$1,092,549	\$1,093,732	\$1,589,462	\$1,512,000
Debt Service Ratio	549%	519%	492%	365%	392%

Source: The District.

Notes related to Table 11:

- a. Water sales declined during the drought experienced in FY 2021 to FY 2023. Conservation measures took hold and have been particularly present in irrigation volume reductions in residential and commercial customers.
- b. Water Shortage conditions in FYE2021 reduced the availability of local water sources, necessitating an increased reliance on SFPUC sources; in non-water shortage years, SFPUC tends to account for 65%-70% of the District's water production.
- c. A major contributor to pumping expense is the cost of electricity related to the District's Crystal Springs pump station, which pumps Hetch Hetchy water from the Crystal Springs reservoir over the Santa Cruz mountains to the District. Local sources, when available, and SFPUC's gravity-fed source, are relied upon to the extent possible, which is evident in FYE 2023 and FYE 2024.
- d. With the exception of FYE2023, which was impacted by the Covid pandemic, property values in San Mateo County have steadily increased.
- e. Other revenues largely reflects interest on cash balances (LAIF), lease income, and late payment penalties.
- f. Debt Service:
 - CIEDB Installment Loan 2011 - original principal of \$6.8 million at an interest rate of 2.54%; matures 8/1/2041
 - CIEDB Installment Loan 2016 - original principal of \$5.6 million at an interest rate of 3.44%; matures 8/1/2045
 - JP Morgan Chase Loan 2018 - original principal of \$5.3 million at an interest rate of 2.85%; matures 10/1/2032
 - First Foundation Bank - 2022 - original principal of \$7.1 million at an interest rate of 2.23%; matures 9/1/2042

Projected Revenues, Expenses and Coverage

The following table presents a 5-year summary of projected revenues, expenditures, and debt service coverage, based on the District's approved and projected rate increases as noted, current circumstances, and available information that the District believes to be reasonable. The assumptions may be affected by numerous factors and there can be no assurance that such projections will be achieved. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material. See "RISK FACTORS."

Table 12
Coastside County Water District
Projected Revenues, Expenses and Debt Service Coverage
Fiscal Years 2024-25 through Fiscal Year 2028-29*

	Budget +	Forecast			
	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Total Operating Revenues	\$14,159,000	\$16,051,485	\$17,335,604	\$18,722,452	\$20,220,248
Operating Expenses					
Source of Supply	\$2,587,024	\$2,870,122	\$2,959,762	\$3,178,882	\$3,293,422
Pumping	1,753,981	1,824,458	1,926,324	2,034,202	2,148,464
Transmission and Distribution	2,986,376	3,045,496	3,163,383	3,286,053	3,413,705
General & Administrative	4,124,848	4,263,602	4,422,025	4,586,663	4,757,772
Total Operating Expenses	\$11,452,230	\$12,003,679	\$12,471,494	\$13,085,800	\$13,613,364
Operating income before depreciation and amortization expense	\$2,706,770	\$4,047,806	\$4,864,110	\$5,636,652	\$6,606,884
Depreciation and amortization expense	(2,664,794)	(2,892,689)	(2,955,045)	(2,966,353)	(3,037,593)
Operating Income	\$41,976	\$1,155,117	\$1,909,064	\$2,670,299	\$3,569,291
Non-Operating Revenue/Expense					
Property Taxes/ERAF	\$1,692,000	\$1,736,000	\$1,781,000	\$1,828,000	\$1,877,000
Interest expense	(561,895)	(783,415)	(745,017)	(705,376)	(664,553)
Other revenue/expense/capital contributions	675,000	499,000	502,000	522,000	542,000
Total Non-Operating, Net	\$1,805,105	\$1,451,585	\$1,537,983	\$1,644,624	\$1,754,447
Net Income/Change in Net Position	\$1,847,081	\$2,606,702	\$3,447,047	\$4,314,923	\$5,323,738
Debt Service Coverage Calculation:					
Add: Depreciation and Amortization	\$2,664,794	\$2,892,689	\$2,955,045	\$2,966,353	\$3,037,593
Add: Interest expense	561,895	783,415	745,017	705,376	664,553
Cash Available for Debt Service	\$5,073,770	\$6,282,806	\$7,147,110	\$7,986,652	\$9,025,884
Debt Service (principal, interest, admin fees)					
CIEDB Installment Loan 2011	335,173	334,998	334,819	334,634	334,444
CIEDB Installment Loan 2016	321,412	320,883	320,337	319,771	319,186
JP Morgan Chase Loan 2018	432,821	432,880	437,180	435,634	432,944
First Foundation Bank - 2022	417,434	417,365	417,295	417,223	417,150
COP 2024 (pending)	0	606,000	606,000	606,000	606,000
Total Debt Service	\$1,506,840	\$2,112,126	\$2,115,631	\$2,113,262	\$2,109,724
Debt Service Ratio	337%	297%	338%	378%	428%

* Preliminary; subject to change with respect to debt service on the Certificates.
Source: The District.

Notes Related to Table 12:

- a. Forecasted operating revenues reflect Board-approved water service rate increases that will result in annual increases in operating revenues of 8% over each of the next three years. These increases are implemented through adjustments to Water Service Rates, scheduled to take effect on January 20, 2025 (Year 1), January 19, 2026 (Year 2), and January 18, 2027 (Year 3). Rate increases for years beginning January 2028 and January 2029 require future Board approval and are assumed based on continuation of an 8% annual increase in total operating revenues.
- b. Increases in rates for water procured from SFPUC are based on preliminary projections from SFPUC: 8.8% in FYE 2025, 1.4% in FYE 2026, 3.1% in FYE 2027, 7.4% in FYE 2028, and 3.6% in FYE 2029; SFPUC sources will account for 65% of the District's water production.
- c. A major contributor to pumping expense is the cost of electricity related to the District's Crystal Springs pump station, which pumps Hetch Hetchy water from the Crystal Springs reservoir over the Santa Cruz mountains to the District, and reliance on Crystal Springs is assumed to remain at or above FYE 2025 levels.
- d. Property tax revenues are assumed to grow at 4% per annum, while ERAF income is assumed to be flat.
- e. Other revenues largely reflects interest on cash balances (LAIF), lease income, and late payment penalties.
- f. Debt Service:
 - CIEDB Installment Loan 2011 - original principal of \$6.8 million at an interest rate of 2.54%; matures 8/1/2041
 - CIEDB Installment Loan 2016 - original principal of \$5.6 million at an interest rate of 3.44%; matures 8/1/2045
 - JP Morgan Chase Loan 2018 - original principal of \$5.3 million at an interest rate of 2.85%; matures 10/1/2032
 - First Foundation Bank - 2022 - original principal of \$7.1 million at an interest rate of 2.23%; matures 9/1/2042
 - COP 2024 (pending) - Assumes \$7.44 million of certificates of participation, a 20 year term, at an interest rate of 4.15%

RISK FACTORS

The following describes certain special considerations and risk factors affecting the payment of and security for the Certificates. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of any Certificates and the order presented does not necessarily reflect the relative importance of the various risks. Potential investors in the Certificates are advised to consider the following special factors along with all other information in this Official Statement in evaluating the Certificates. There can be no assurance that other considerations will not materialize in the future.

Net Revenues; Rate Covenant

Net Revenues are dependent upon the demand for water services, which can be affected by population factors, more stringent water standards, water regulations, water conservation, water shortages, problems with the Water System and other factors. There can be no assurance that water service demand will be consistent with the levels contemplated in this Official Statement. A decrease in demand could require an increase in rates or charges in order to comply with the rate covenants contained in the Installment Sale Agreement. The District's ability to meet its rate covenants is dependent upon its capacity to increase rates without driving down demand to a level insufficient to make the Installment Payments and pay debt service on the Parity Debt.

Projections

The projections in this Official Statement are not necessarily indicative of future performance. In addition, certain assumptions with respect to future business and financing decisions of the District are subject to change. No representation is made or intended, nor should any representation be inferred, with respect to the likely existence of any particular future set of facts or circumstances, and prospective purchasers of the Certificates are cautioned not to place undue reliance upon any projections or requirements for projections. If actual results are less favorable than the results projected or if the assumptions used in preparing such projections prove to be incorrect, the amount of Net Revenues may be materially less than expected and consequently, the ability of the District to make timely payment of the Installment Payments may be materially adversely affected.

Neither the auditor, nor any other independent accountants nor the Municipal Advisor have compiled, examined or performed any procedures with respect to the Net Revenues forecast, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the Net Revenues forecast, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the Net Revenue forecast.

Risks Related to Facilities and Operations

The operation of the Water System and physical condition of the facilities of the Water System are subject to a number of risk factors that could adversely affect the reliability of water service or increase the operating expenses of the Water System. Prolonged damage to the facilities of the Water System could interrupt the ability of the District to realize revenues sufficient to pay Installment Payments, require substantial increases in rates or charges in order to comply with the rate covenant in the Installment Sale Agreement (which could drive down demand for groundwater and related services), or require the District to increase expenditures for repairs

significantly enough to adversely impact the District's ability to pay Installment Payments and pay debt service on the Parity Debt. These factors could include, among others, the following.

Natural Calamities Generally. From time to time, the service area of the District may be subject to other natural disasters, including without limitation wildfires (see below), flooding and landslides, or man-made disasters that could interrupt operation of the Water System or adversely affect economic activity in the District's service area. There can be no assurance that the occurrence of any natural calamity would not cause substantial damage to the Water System, including exacerbated infiltration and/or inflow of ground and other waters into the Water System, or that the District would have insurance or other resources available to make repairs in order to generate sufficient Net Revenues to pay the Installment Payments and Parity Debt when due. The casualty and liability insurance maintained by the District may not cover damages and losses to the Water System due to earthquake, fire or flood. See also “– Droughts and Other Threats to Water Supply.”

Seismic Hazards. The County has various fault lines running through it, including the San Andreas Fault, and the North and South Hayward Faults. These faults have been in the past, and will continue in the future to be, the principal source of seismic activity affecting the County and the District. The epicenter of the 1989 magnitude 6.9 “Loma Prieta” earthquake was on the San Andreas fault roughly 56 miles south of San Francisco and 10 miles northeast of Santa Cruz, near mt. Loma Prieta in the Santa Cruz Mountains.” The current, projected impacts of a similarly-sized earthquake hitting in the same area include: landslides along major transportation routes; destructive fires due to gas line breaks; lengthy electrical transmission disruptions affecting large numbers of homes and businesses; significant bridge damage, including multiple failures; areas of liquefaction; and damage-driven isolation, which could make receiving needed supplies for survival and repair extremely challenging. Occurrence of future earthquakes could cause an interruption of deliveries of water to and from the District until repairs could be effected, thus possibly diminishing the Gross Revenues, the value of the Water System and the ability of property owners to pay the rates and charges billed and levied by the District.

Wildfires. In recent years, wildfires have caused extensive damage in various communities throughout the State, including in the County. Certain of these fires have burned thousands of acres and destroyed hundreds and in some cases thousands of homes. In some instances, entire neighborhoods have been destroyed. In November 2018, for example, the Camp Fire occurred in Butte County, California, to date the deadliest and most destructive wildfire in the recorded history of the State burning more than 150,000 acres and destroying more than 11,500 structures, including most of the structures in the City of Paradise, California. Several wildfires in recent years are believed to have been caused by power distribution and transmission lines coming into contact with dry trees and other vegetation during extreme weather events (such as high winds) and malfunctions in electric equipment. No assurance can be given regarding future wildfire activity within the service area of the District.

Statutory and Regulatory Compliance. The operation of the Water System is subject to a variety of federal and State statutory and regulatory requirements. Any failure by the District to comply with applicable laws and regulations could result in significant fines and penalties.

Droughts and Other Threats to Water Supply

The District is located in a coastal community with a mild climate typical of northern and central California. California is subject to multiple year droughts that can lead to water shortages. Since 1976, the District has experienced 11 years of mandatory water rationing due to water shortages

caused by drought. The most recent mandatory water rationing occurred in 2022 and 2023. During this same time period, the District experienced 11 years of voluntary water rationing due to drought conditions. The District is subject to state emergency proclamations regarding water shortages during drought conditions and is subject to San Francisco Public Utilities Commission (San Francisco Water) declarations of water shortages requiring mandatory water rationing.

[

Water System Expenses

There can be no assurance that Operations and Maintenance Costs of the Water System will be consistent with the levels described in this Official Statement. Changes in technology, increases in the cost of energy or other expenses would reduce Net Revenues, and could require substantial increases in rates or charges in order to comply with the rate covenant. The ability to adopt rate increases is subject to Proposition 218 and other factors; the inability to or failure to adopt rate increases could increase the likelihood of nonpayment. Increases in rates could also decrease demand and result in lower Net Revenues. See “– Proposition 218” below.

Limitations on Remedies Available

The ability of the District to comply with its covenants under the Installment Sale Agreement and generate sufficient Net Revenues may be adversely affected by actions and events outside of the control of the District or taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See “– Proposition 218” below. Furthermore, any remedies available to the owners of the Certificates upon the occurrence of an event of default under the Trust Agreement are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on remedies of the Owners of the Certificates contained in the Trust Agreement, the rights and obligations under the Certificates and the Trust Agreement may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of serving a significant and legitimate public purpose.

Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the Certificates to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

Proposition 218

General. On November 5, 1996, California voters approved Proposition 218, the so-called “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the State Constitution, which affect the ability of local governments to levy and collect both existing and future taxes, assessments, and property-related fees and charges. Proposition 218, which generally became effective on November 6, 1996, limited local governments’ authority to impose

or increase property-related “fee” or “charge,” which is defined as “any levy other than an ad valorem tax, a special tax or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service” (and referred to in this section as a “property-related fee or charge”).

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

Further, under Article XIID, revenues derived from a property-related fee or charge may not exceed the funds required to provide the “property-related service” and the entity may not use such fee or charge for any purpose other than that for which it imposed the fee or charge. The amount of a property-related fee or charge may not exceed the proportional cost of the service attributable to the parcel, and no property-related fee or charge may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question.

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

Judicial Interpretation of Proposition 218. After Proposition 218 was enacted in 1996, appellate court cases and an Attorney General’s opinion initially indicated that fees and charges for water services, which are based on the amount of services consumed, would not be considered property-related fees and charges, and thus not subject to the requirements of Article XIID. However, numerous subsequent court cases have held that certain types of water charges could be subject to the requirements of Proposition 218. These cases include, for example, *Capistrano Taxpayers Assoc., Inc. v. City of San Juan Capistrano* (186 Cal. Rptr. 3d 362 (Cal. App. 4th Distr. 2015)), *Bighorn-Desert View Water Agency v. Verjil* (46 Cal. Rptr. 3d 73 (Cal. 2006)), and *Howard Jarvis Taxpayers Assoc. v. City of Fresno* (26 Cal. Rptr. 3d 153 (Cal. App. 5th Distr. 2005)).

Under the *Bighorn* case, for example, the court held that under Article XIIC, local voters could adopt an initiative measure that could reduce or repeal a local agency’s rates and charges, though it is not clear whether (and California courts have not decided whether) any such reduction or repeal by initiative would be enforceable in a situation in which such rates and charges are pledged to the repayment of bonds or other indebtedness, as is the case with respect to the Installment Payments securing the Certificates.

Under the *City of San Juan Capistrano* case, the court held that tiered or inclined rates that go up progressively in relation to usage must correspond to the actual cost of providing water service at each tier (level of usage), and accordingly the pricing for any tier cannot exceed the cost of service to that tier.

District’s Current Practice Regarding Rates and Charges. The District’s practice in implementing increases in water rates and charges has been to comply with the requirements of

Article XIID, including the practice of providing property owners with a 45-day mailed notice and public hearing before the Board of Directors approves rate increases.

Conclusion. It is not possible to predict how courts will further interpret Article XIIC and Article XIID in future judicial decisions, and what, if any, further implementing legislation will be enacted. As noted above, under the *Bighorn* case, local voters could adopt an initiative measure that reduces or repeals the District's rates and charges, though it is not clear whether (and California courts have not decided whether) any such reduction or repeal by initiative would be enforceable in a situation in which such rates and charges are pledged to the repayment of bonds or other indebtedness, as is the case with respect to the Installment Payments. ***There can be no assurance that the courts will not further interpret, or the voters will not amend, Article XIIC and Article XIID to limit the ability of local agencies to impose, levy, charge and collect increased fees and charges for water, or to call into question previously adopted water rate increases. See also “– Future Initiatives; Change in Law.”***

Environmental Regulation

The supply of water by the District through the Water System is regulated, to a large extent, by the federal government and the State. Water treatment standards set forth in federal and State law control the operations of the Water System (and the wholesale water providers that supply water to the Water System) and mandate its use of technology. If the federal government, acting through the Environmental Protection Agency, or the State, acting through the Department of Health Services, or additional federal or State legislation, should impose stricter standards upon the Water System, the District's expenses related to the Water System could increase accordingly and rates and charges would have to be increased to offset those expenses. It is not possible to predict the direction which federal or State regulation will take with respect to water standards, although it is likely that both will impose more stringent standards with attendant higher costs.

Future Initiatives; Change in Law

The California electorate or Legislature could implement changes in California law having the effect of reducing revenues payable to, or collected by, the District. There is no assurance that the California electorate or Legislature will not at some future time approve additional limitations that could have the effect of reducing the Net Revenues and adversely affecting the security of the Installment Payments.

In particular, Articles XIIC and XIID of the California Constitution were adopted as measures that qualified for the ballot pursuant to California's initiative process. From time-to-time other initiatives could be proposed and adopted affecting the District's revenues or ability to increase revenues.

Limited Recourse on Default

If the District defaults on its obligation to pay the Installment Payments, the Trustee, as assignee of the District, has the right to accelerate the total unpaid principal amounts of the Certificates. However, in the event of a default and such acceleration there can be no assurance that the District will have sufficient Net Revenues to pay the accelerated Installment Payments.

Loss of Tax-Exemption

As discussed under the caption “TAX MATTERS,” the portion of the Installment Payments representing interest with respect to the Certificates could become includable in gross income for purposes of federal income taxation retroactive to the date the Certificates were issued, as a result of future acts or omissions of the District in violation of its covenants in the Installment Sale Agreement. Should such an event of taxability occur, the Certificates are not subject to special prepayment and will remain outstanding until maturity or until prepaid under other prepayment provisions set forth in the Trust Agreement.

Secondary Market for Certificates

There can be no guarantee that there will be a secondary market for the Certificates or, if a secondary market exists, that any Certificates can be sold for any particular price. Prices of issues for which a market is being made will depend upon then-prevailing circumstances. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

No assurance can be given that the market price for the Certificates will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Internal Revenue Code), or changes in interpretation of the Internal Revenue Code, or any action of the Internal Revenue Service, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the Certificates for audit examination, or the course or result of any Internal Revenue Service audit or examination of the Certificates or obligations that present similar tax issues as the Certificates.

Cyber Security

The District, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other sensitive electronic information, the District is potentially subject to multiple cyber threats, including without limitation hacking, viruses, ransomware, malware and other attacks. No assurance can be given that the District’s efforts to manage cyber threats and attacks will be successful in all cases, or that any such attack will not materially impact the operations or finances of the District, or the administration of the Certificates. The District is also reliant on other entities and service providers in connection with the administration of the Certificates, including without limitation the Trustee. No assurance can be given that the District and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Certificate Owners. The District maintains cybersecurity insurance. See “THE DISTRICT AND THE WATER SYSTEM – Water System Insurance” for a description of such insurance.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of the Underwriter and the beneficial owners of the Certificates to provide certain financial information and operating data relating to the District no later than nine months following the end of each Fiscal Year (the “**Annual Report**”), commencing on April 1, 2025 with the report for the Fiscal Year ending June 30, 2024, and to

provide notices of the occurrence of certain enumerated events on the Municipal Securities Rulemaking Board's EMMA website. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth below in APPENDIX D – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) (the "**Rule**") promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

The District has never previously been subject to an undertaking pursuant to the Rule.

NO LITIGATION

In connection with the execution and delivery of the Certificates, the District will certify that there is no litigation pending or, to the best knowledge of representatives of the District, threatened in any way to restrain or enjoin the execution or delivery of the Certificates, to contest the validity of the Certificates or the Installment Payments, the Trust Agreement or any proceedings of the District with respect thereto. Also in connection with the execution and delivery of the Certificates, representatives of the District will certify that, except as otherwise described in this Official Statement or in the Notes to Audited Financial Statements of the District's Financial Statements for the fiscal year ended June 30, 2023, there are no lawsuits or claims pending against the District that will materially affect the District's finances so as to impair the ability of the District to pay the Installment Payments when due.

RATING[S]

S&P Global Ratings ("**S&P**") has assigned its municipal bond rating of "___" to the Certificates. Such rating expresses only the views of S&P and is not a recommendation to buy, sell or hold the Certificates. This rating reflects only the views of S&P, and an explanation of the significance of the ratings, and any outlook assigned to or associated with these ratings, should be obtained from S&P. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The District has provided certain additional information and materials to S&P (some of which does not appear in this Official Statement). There is no assurance that the rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely, if in the judgment of the rating agency, circumstances so warrant. The Corporation, the District and the Trustee undertake no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal may have an adverse effect on the market price or marketability of the Certificates.

In providing a rating on the Certificates, S&P may have performed independent calculations of coverage ratios using its own internal formulas and methodology, which may not reflect the provisions of the Trust Agreement or the Installment Sale Agreement. The District makes no representations as to any such calculations, and such calculations should not be construed as a representation by the District as to past or future compliance with any financial covenants, the availability of particular revenues for the payment of debt service or for any other purpose.

TAX MATTERS

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to the qualifications set forth below, under existing law, the portion of Installment Payments designated as and comprising interest and received by the Owners of the Certificates is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Certificates may be subject to the corporate alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the “**Tax Code**”) that must be satisfied subsequent to the execution and delivery of the Certificates in order that the interest with respect thereto be, and continue to be, excludable from gross income for federal income tax purposes. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of execution and delivery of the Certificates.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a Certificate is sold is less than the amount payable at maturity thereof, then such difference constitutes “original issue discount” for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a Certificate is sold is greater than the amount payable at maturity thereof, then such difference constitutes “bond premium” for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and bond premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Certificate on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Certificates to determine taxable gain upon disposition (including sale, prepayment, or payment on maturity) of such Certificates. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Certificates who purchase the Certificates after the initial offering of a substantial amount of such maturity. Owners of such Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Certificates with original issue discount, including the treatment of purchasers who do not purchase in the original offering to the public at the first price at which a substantial amount of such Certificates is sold to the public.

Under the Tax Code, bond premium is amortized on an annual basis over the term of the Certificate (said term being the shorter of the Certificate’s maturity date or its call date). The amount of bond premium amortized each year reduces the adjusted basis of the owner of the Certificate for purposes of determining taxable gain or loss upon disposition. The amount of bond premium on a Certificate is amortized each year over the term to maturity of the Certificate on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Certificate premium is not

deductible for federal income tax purposes. Owners of premium Certificates, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Certificates.

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

Other Tax Considerations. Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest with respect to the Certificates to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to Certificates issued prior to enactment.

The opinions expressed by Special Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Special Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest with respect to the Certificates, or as to the consequences of owning or receiving interest with respect to the Certificates, as of any future date. Prospective purchasers of the Certificates should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Special Counsel expresses no opinion.

Owners of the Certificates should also be aware that the ownership or disposition of, or the accrual or receipt of interest with respect to, the Certificates may have federal or state tax consequences other than as described above. Other than as expressly described above, Special Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Certificates, the ownership, sale or disposition of the Certificates, or the amount, accrual or receipt of interest with respect to the Certificates.

CERTAIN LEGAL MATTERS

Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, will render an opinion substantially in the form of APPENDIX C hereto with respect to the validity of the Certificates. Special Counsel undertakes no responsibility for the accuracy, completeness or fairness of the Official Statement. Jones Hall, A Professional Law Corporation, is also serving as Disclosure Counsel to the District. Certain matters will also be passed upon for the District by Hanson Bridgett LLP, San Rafael, California, as general counsel to the District, and by Kutak Rock LLP as counsel to the Underwriter. *Payment of the fees and expenses of Special Counsel, Disclosure Counsel and Underwriter's counsel is contingent upon execution and delivery of the Certificates.*

UNDERWRITING

The Certificates were purchased through negotiation by D.A. Davidson & Co., as underwriter (the **“Underwriter”**).The Underwriter has agreed to purchase the Certificates at a price of \$_____, which is equal to the initial principal amount of the Certificates of \$_____ plus [net] original issue premium of \$_____, less an Underwriter’s discount of \$_____.

The Underwriter intends to offer the Certificates to the public at the offering prices set forth on the inside cover page of this Official Statement. The Underwriter may offer and sell to certain dealers and others at a price lower than the offering prices stated on the inside cover page hereof. The offering price may be changed from time to time by the Underwriter.

CONTINGENT FEES

Payment of the fees and expenses of Bond Counsel and Disclosure Counsel, the Municipal Advisor, the Underwriter, Underwriter’s Counsel, and the Trustee are contingent on the execution and delivery of the Certificates.

MUNICIPAL ADVISOR

The District has retained Backstrom McCarley Berry & Co. LLC, as its municipal advisor (the **“Municipal Advisor”**) in connection with the authorization, execution and delivery of the Certificates. The Municipal Advisor assumes no responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the portion of Installment Payments designated as and comprising interest and received by the Owners of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

EXECUTION

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

COASTSIDE COUNTY WATER DISTRICT

By: _____
General Manager

APPENDIX A

**AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2023**

APPENDIX B
SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX C

FORM OF SPECIAL COUNSEL OPINION

_____, 2024

Board of Directors
Coastside County Water District
766 Main Street
Half Moon Bay, CA 94019

OPINION: \$_____ Coastside County Water District
Water Revenue Certificates of Participation, Series 2024

Members of the Board of Directors:

We have acted as special counsel to the Coastside County Water District (the "District") in connection with the delivery by the District of the Installment Sale Agreement dated as of December 1, 2024 (the "Installment Sale Agreement") between the CSDA Finance Corporation (the "Corporation") as seller and the District as purchaser. Under the Trust Agreement dated as of December 1, 2024 (the "Trust Agreement") among the District, the Corporation and U.S. Bank Trust Company, National Association, as trustee (the "Trustee"), the Trustee has executed and delivered \$_____ aggregate principal amount of Water Revenue Certificates of Participation, Series 2024 (the "Certificates") evidencing the direct, undivided fractional interests of the owners thereof in installment payments to be made by the District under the Installment Sale Agreement (the "Installment Payments"), which have been assigned by the Corporation to the Trustee under the Trust Agreement. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

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

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The District is a county water district duly organized and validly existing under the laws of the State of California with the full power to enter into the Installment Sale Agreement and the Trust Agreement and to perform the agreements on its part contained therein.
2. The Installment Sale Agreement and the Trust Agreement have been duly authorized by the District and constitute valid and binding obligations of the District enforceable against the District in accordance with their respective terms.
3. The Certificates have been validly executed and delivered by the Trustee under the Trust Agreement and, by virtue of the assignment made under the Trust Agreement, the owners of the Certificates are entitled to the benefits of the Installment Sale Agreement.

4. The portion of the Installment Payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. It should be noted, however, that said interest may be subject to the corporate alternative minimum tax. The opinions set forth in the preceding sentences are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, relating to the exclusion from gross income for federal income tax purposes of interest with respect to obligations such as the Certificates. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of delivery of the Installment Sale Agreement.

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

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

The rights of the owners of the Certificates and the enforceability of the Installment Sale Agreement and the Trust Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in accordance with principles of equity or otherwise in appropriate cases.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Moreover, our opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or any court; rather, our opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ _____
Coastside County Water District
Water Revenue Certificates of Participation,
Series 2024

This Continuing Disclosure Certificate (this “**Disclosure Certificate**”) is executed and delivered by the Coastside County Water District (the “**District**”) in connection with the execution and delivery of the above-captioned certificates (the “**Certificates**”). The Certificates are being executed and delivered under a Trust Agreement dated as of December 1, 2024 (the “Trust Agreement”), among the District, the CSDA Finance Corporation and U.S. Bank Trust Company, National Association, as trustee (the “**Trustee**”). The District covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth above, in the Trust Agreement and in the Installment Sale Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms have the following meanings:

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

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

“*Dissemination Agent*” means the District, or any successor Dissemination Agent designated in writing by the District and which has filed with the District and the Trustee a written acceptance of such designation.

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

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

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

“*Participating Underwriter*” means D.A. Davidson & Co., the original underwriter of the Certificates required to comply with the Rule in connection with offering of the Certificates.

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

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Certificates and in order to assist the Participating Underwriter in complying with the Rule.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing April 1, 2025, with the report for the 2023-24 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and, subject to Section 4(a) hereof, later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) in a timely manner to the MSRB, in an electronic format as prescribed by the MSRB, a notice to such effect.

(c) With respect to each Annual Report, the Dissemination Agent shall:

- (i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and
- (ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The District's Annual Report shall contain or incorporate by reference the following:

(a) The audited financial statements of the District for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the audited financial statements of the District 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 become available.

(b) To the extent not contained in the audited financial statements filed pursuant to the preceding clause (a), the Annual Report shall contain an update for the last Fiscal Year only of the information in the following tables in the Official Statement: [REVIEW/DISCUSS]

- (i) Water Production by Source (Table 1);
- (ii) Water Service Accounts by Type of User (Table 2); and
- (iii) Historical Revenues, Expenses and Debt Service Coverage (Table 11).

(c) Any or all of the items listed above may be incorporated by reference from other documents, including Limited Offering Memorandums of debt issues of the District or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. If the document incorporated by reference is a final Limited Offering Memorandum, it must be available from the MSRB. The District shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Significant Events.

(a) Under 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 Certificates:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the securities, or other material events affecting the tax status of the securities,
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the District or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the District or an obligated person, or the sale of all or

substantially all of the assets of the District or an obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material.
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

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

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14) and (a)(15) of this Section 5 contain the qualifier “if material” and that subparagraph (a)(6) also contains the qualifier “material” with respect to certain notices, determinations or other events affecting the tax status of the Certificates. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event’s occurrence is material for purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(e) For purposes of Section 5(a)(15) and (16), “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The

term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with Rule 15c2-12.

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

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

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Applied Best Practices. Any Dissemination Agent may resign by providing thirty days written notice to the District and the Trustee.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Certificates, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Certificates in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of holders, or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Certificates.

The Dissemination Agent shall agree to any amendment so requested by the District; provided neither the Trustee nor the Dissemination Agent shall be obligated to enter into any amendment increasing or affecting its duties or obligations.

If the annual financial information or operating data to be provided in the Annual Report is amended under the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 4(b).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

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

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

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Section 15. Governing Law. This Disclosure Certificate is to be construed in accordance with and governed by the laws of the State of California.

Date: _____, 2024

COASTSIDE COUNTY WATER DISTRICT

By: _____
Mary Rogren
General Manager

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Certificates, payment of principal, interest and other payments on the Certificates to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Certificates and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Certificates (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Certificates (the “Agent”) take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Certificates, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Certificates (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Prepayment notices shall be sent to DTC. If less than all of the Securities within an issue are being prepaid, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as

possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Prepayment proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of prepayment proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

APPENDIX F

GENERAL INFORMATION ABOUT HALF MOON BAY AND SAN MATEO COUNTY

The following information concerning the City of Half Moon Bay (the “City”) and San Mateo County (the “County”) are included only for the purpose of supplying general information regarding a portion of the communities served by the District. The Certificates are not a debt of the City, the County, the State of California (the “State”) or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor.

General

The City. The City is approximately 25 miles south of San Francisco and a 45-minute drive from almost anywhere in the Bay Area and lies within the westernmost portion of the County. The City is the oldest settlement in the County receiving its current name in 1874 and was incorporated in 1959. The City is generally considered a thriving agricultural, fishing and tourism destination. The City offers a wide variety of public and private attractions. The Coastal Trail provides recreation for biking, pedestrian, and equestrian users. Golf can be enjoyed at two acclaimed golf courses and the City features lodging with ocean views, hotels, and cottages.

The County. The County is located on the California coast approximately 15 miles south of the City of San Francisco. The County is a major employment base, situated approximately 30 miles north of Silicon Valley via Interstate 280 or U.S. Highway 101. The County has an approximate total area of 741 square miles, of which 448 square miles is land and 293 square miles is water. It is the third-smallest county in California by land area.

The County was formed in 1856 after San Francisco County, one of the state's 18 original counties since California's statehood in 1850, was split apart. Until 1856, San Francisco's city limits extended west to Divisadero Street and Castro Street, and south to 20th Street. In response to the lawlessness and vigilantism that escalated rapidly between 1855 and 1856, the California government decided to divide the County. A straight line was then drawn across the tip of the San Francisco Peninsula just north of San Bruno Mountain; everything south of the line became the new San Mateo County.

Population

Population figures for the City, the County and the State for the last five years are shown in the following table.

CITY OF HALF MOON BAY, SAN MATEO COUNTY AND THE STATE OF CALIFORNIA
Population Estimates
Calendar Years 2020 through 2024, as of January 1

Calendar Year	City of Half Moon Bay	San Mateo County	State of California
2020	12,404	764,442	39,538,223
2021	11,589	756,636	39,327,868
2022	11,317	742,051	39,114,785
2023	11,328	745,302	39,061,058
2024	11,238	741,565	39,128,162

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

Employment and Industry

The unemployment rate in the San Francisco-Redwood City-South San Francisco MD was 3.9 percent in July 2024, down from a revised 3.6 percent in June 2024, and above the year-ago estimate of 3.3 percent. This compares with an unadjusted unemployment rate of 5.8 percent for California and 4.5 percent for the nation during the same period. The unemployment rate was 3.9 percent in San Francisco County, and 3.8 percent in San Mateo County.

The table below list employment by industry group for San Francisco and San Mateo Counties for the years 2019 to 2023.

SAN FRANCISCO-REDWOOD CITY-SOUTH SAN FRANCISCO MD (San Francisco and San Mateo Counties) Annual Average Labor Force and Employment by Industry (March 2023 Benchmark)

	2019	2020	2021	2022	2023
Civilian Labor Force ⁽¹⁾	1,036,400	997,600	979,800	1,017,100	1,008,700
Employment	1,014,100	923,000	932,000	991,300	976,800
Unemployment	22,300	74,700	47,800	25,800	31,900
Unemployment Rate	2.2%	7.5%	4.9%	2.5%	3.2%
<u>Wage and Salary Employment:</u> ⁽²⁾					
Agriculture	1,700	1,600	1,700	1,800	1,700
Mining and Logging	100	100	100	100	100
Construction	44,400	42,600	41,100	40,600	40,900
Manufacturing	40,800	37,500	36,900	37,600	35,700
Wholesale Trade	24,600	21,800	21,700	22,900	23,700
Retail Trade	79,200	67,800	66,400	66,600	64,400
Transportation, Warehousing, Utilities	51,200	46,100	45,500	45,700	43,200
Information	99,600	107,400	115,500	127,800	117,600
Finance and Insurance	60,100	59,900	61,300	63,500	60,500
Real Estate and Rental and Leasing	23,800	21,000	20,700	21,800	21,300
Professional and Business Services	296,800	285,800	288,300	309,700	299,600
Educational and Health Services	146,100	142,100	145,900	151,300	156,600
Leisure and Hospitality	144,600	87,200	89,900	114,900	124,200
Other Services	41,500	32,500	33,700	37,700	38,300
Federal Government	16,600	17,000	16,300	15,300	14,200
State Government	37,900	38,300	42,400	48,400	50,200
Local Government	77,100	73,300	72,600	73,100	74,800
Total, All Industries ⁽³⁾	1,185,900	1,081,900	1,100,100	1,178,900	1,166,900

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

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

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

Largest Employers

The following table lists the major employers within the County, listed in alphabetical order without regard to the number of employees, as of August 2024.

SAN MATEO COUNTY Major Employers As of August 2024

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
1 Tower Place SSF	San Francisco	Real Estate
Bart Station-Daly City	Daly City	Transit Lines
Box Inc	Redwood City	Prepackaged Software
Electric Charging Station	Menlo Park	Research Service
Electronic Arts Inc	Redwood City	Game Designers (mfrs)
Fisher Investments	San Mateo	Investment Management
Fisher Investments	Woodside	Investments
Forced Dump Debris Box Svc	Burlingame	Garbage Collection
Franklin Resources Inc	San Mateo	Asset Management
Genentech Inc	San Francisco	Biotechnology Products & Services
Gilead Sciences Inc	Foster City	Biological Products (mfrs)
Kaiser Permanente Redwood City	Redwood City	Hospitals
Kaiser Permanente South Sn	San Francisco	Hospitals
Lsa Global	Redwood City	Training Consultants
Menlo Park VA Medical Ctr	Menlo Park	Hospitals
Meta Platforms Inc	Menlo Park	Social Media & Blogs
Mills-Peninsula Medical Ctr	Burlingame	Hospitals
Plateau Systems	San Mateo	Software/Application/Platform Publishing
San Francisco Intl Airport-Sfo	San Francisco	Airports
San Mateo County Behavior	San Mateo	Government Offices-County
San Mateo County Tax Collector	Redwood City	Tax Return Preparation & Filing
San Mateo Medical Ctr	San Mateo	Hospitals
SRI International	Menlo Park	Engineers-Research
Visa Inc	Foster City	Credit Card & Other Credit Plans
Youtube LLC	San Bruno	Online Services

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2024 2nd Edition.

The following table lists the ten principal employers within the City, by number of employees, as of June 30, 2023.

**CITY OF HALF MOON BAY
Principal Employers
As of June 30, 2023**

<u>Employer Name</u>	<u>Number of Employees</u>
Ritz Carlton Hotel	150
New Leaf Community Market	105
Sam's Chowder House	98
Safeway Store	65
Rocket Farms Inc.	62
SP Plus	50
San Benito House	49
Pasta Moon Inc.	48
McMahon Floral	47
Beach House LLC	45

Source: City of Half Moon Bay Annual Comprehensive Financial Report for fiscal year ended June 30, 2023.

Commercial Activity

Summaries of historic taxable sales within the City and the County during the past five years in which data is available are shown in the following tables.

Total taxable sales during the first quarter of calendar year 2024 in the City were \$53,724,746, a 2.29% decrease over the total taxable sales of \$54,981,225 reported during the same comparable quarter of calendar year 2023.

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

	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2019	492	\$191,166	756	\$256,883
2020	490	166,308	759	200,051
2021	425	190,024	643	238,903
2022	414	210,155	663	269,995
2023	390	199,416	624	263,020

Source: State Department of Tax and Fee Administration.

Total taxable sales during the first quarter of calendar year 2024 in the County were reported to be \$4,968,910,761, a 0.26% decrease over the total taxable sales of \$4,955,973,035 reported during the same comparable quarter of calendar year 2023.

SAN MATEO COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2019	12,817	\$11,989,035	22,908	\$18,168,258
2020	13,350	10,542,136	23,985	15,940,068
2021	11,947	12,709,017	21,396	19,494,222
2022	11,838	13,969,703	21,402	21,851,586
2023	11,283	13,910,862	20,444	22,001,414

Source: State Department of Tax and Fee Administration.

Effective Buying Income

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

The following table summarizes the median household effective buying income for the City, the County, the State and the United States for the period 2020 through 2024.

CITY OF HALF MOON BAY, SAN MATEO COUNTY AND STATE OF CALIFORNIA Median Household Effective Buying Income 2020 through 2024

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (000's Omitted)</u>	<u>Median Household Effective Buying Income</u>
2020	City of Half Moon Bay	\$745,303	\$105,661
	San Mateo County	40,511,605	96,614
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303
2021	City of Half Moon Bay	\$732,481	\$111,443
	San Mateo County	43,397,132	102,641
	California	1,290,894,604	67,956
	United States	9,809,944,764	56,790
2022	City of Half Moon Bay	\$837,238	\$129,499
	San Mateo County	48,351,364	120,425
	California	1,452,426,153	77,058
	United States	11,208,582,541	64,448
2023	City of Half Moon Bay	\$794,966	\$127,432
	San Mateo County	46,729,979	123,273
	California	1,461,799,662	77,175
	United States	11,454,846,397	65,326
2024	City of Half Moon Bay	\$48,351,364	\$120,425
	San Mateo County	44,702,740	119,658
	California	1,510,708,521	80,973
	United States	11,987,185,826	67,876

Source: Claritas, LLC.

Building Activity

The tables below summarize building activity in the City and the County for the past five available years.

CITY OF HALF MOON BAY Building Permit Activity For Calendar Years 2019 through 2023 (Dollars in Thousands)

	2019	2020	2021	2022	2023
<u>Permit Valuation</u>					
New Single-family	\$3,102.5	\$9,260.0	\$2,619.7	\$5,987.7	\$5,449.3
New Multi-family	300.0	0.0	1,663.0	1,200.0	0.0
Res. Alterations/Additions	<u>4,490.8</u>	<u>5,824.6</u>	<u>6,950.4</u>	<u>6,149.3</u>	<u>6,785.4</u>
Total Residential	\$7,893.3	\$15,084.6	11,233.1	13,337.0	12,234.7
New Commercial	0.0	0.0	4.0	0.0	2,500.0
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	559.3	105.0	80.8	311.9	401.5
Com. Alterations/Additions	<u>323.0</u>	<u>514.7</u>	<u>1,278.6</u>	<u>2,404.2</u>	<u>868.9</u>
Total Nonresidential	\$882.3	\$619.7	\$1,363.4	\$2,716.1	\$1,272.9
<u>New Dwelling Units</u>					
Single Family	13	16	12	18	17
Multiple Family	<u>2</u>	<u>0</u>	<u>5</u>	<u>3</u>	<u>0</u>
TOTAL	15	16	17	21	17

Source: Construction Industry Research Board, Building Permit Summary.

SAN MATEO COUNTY Building Permit Activity For Calendar Years 2019 through 2023 (Dollars in Thousands)

	2019	2020	2021	2022	2023
<u>Permit Valuation</u>					
New Single-family	\$486,257.4	\$273,328.3	\$371,580.0	\$366,238.1	\$397,697.8
New Multi-family	322,896.6	154,590.5	223,839.7	439,433.6	282,471.4
Res. Alterations/Additions	<u>365,784.7</u>	<u>310,315.5</u>	<u>282,684.2</u>	<u>388,008.9</u>	<u>394,621.7</u>
Total Residential	1,174,938.7	738,234.3	878,103.9	1,193,680.6	1,074,790.9
New Commercial	737,402.4	391,778.1	305,651.8	1,108,910.7	716,995.2
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	63,741.5	64,772.4	149,595.8	162,712.7	303,808.1
Com. Alterations/Additions	<u>618,727.3</u>	<u>923,425.0</u>	<u>534,973.7</u>	<u>972,199.4</u>	<u>1,165,954.7</u>
Total Nonresidential	\$1,419,871.2	\$1,379,975.5	\$990,221.3	\$2,243,822.8	\$2,186,758.0
<u>New Dwelling Units</u>					
Single Family	497	548	657	645	681
Multiple Family	<u>1,049</u>	<u>439</u>	<u>638</u>	<u>2,067</u>	<u>1,085</u>
TOTAL	1,546	987	1,285	2,712	1,766

Source: Construction Industry Research Board, Building Permit Summary

Exhibit E

Certificate Purchase Agreement

\$ _____
**COASTSIDE COUNTY WATER DISTRICT
WATER REVENUE CERTIFICATES OF PARTICIPATION,
SERIES 2025**

CERTIFICATE PURCHASE AGREEMENT

_____, 2025

Coastside County Water District
766 Main Street
Half Moon Bay, CA 94109

Ladies and Gentlemen:

D.A. Davidson & Co. (the “**Underwriter**”), acting not as fiduciary or agent for you, but on behalf of itself, offers to enter into this Certificate Purchase Agreement (this “**Purchase Agreement**”) with the Coastside County Water District (the “**District**”), which upon acceptance will be binding upon the District and upon the Underwriter. This offer is made subject to the District’s acceptance by the execution of this Purchase Agreement and its delivery to the Underwriter at or before 11:59 p.m., Pacific Time, on the date of this Purchase Agreement and, if not, so accepted will be subject to withdrawal by the Underwriter upon notice delivered to the District at any time prior to the acceptance hereof by the District.

The District acknowledges and agrees that: (i) the purchase and sale of the Water Revenue Certificates of Participation, Series 2025 (the “**Certificates**”) pursuant to this Purchase Agreement is an arm’s-length commercial transaction between the District and the Underwriter, and that the Underwriter has financial and other interests that differ from those of the District; (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as principal and is not acting as a Municipal Advisor (as defined in Section 15B of the Securities Exchange Act of 1934, as amended); (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the District with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the District on other matters); (iv) the only obligations that the Underwriter has to the District with respect to the transaction contemplated hereby expressly are set forth in this Purchase Agreement; and (v) the District has consulted its own legal, accounting, financial and/or municipal, tax and other advisors to the extent that it has deemed appropriate for this transaction. The District acknowledges that it has previously provided the Underwriter with an acknowledgement of receipt of the required Underwriter disclosure under Rule G-17 of the Municipal Securities Rulemaking Board (the “**MSRB**”).

Section 1. Obligation to Purchase.

Upon the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the District hereby agrees to cause to be executed and delivered by U.S.

Bank Trust Company, National Association (the “**Trustee**”), \$_____ aggregate principal amount of Certificates pursuant to a Trust Agreement, dated as of _____ 1, 2025 (the “**Trust Agreement**”), by and among the District, the CSDA Finance Corporation (the “**Corporation**”), and the Trustee, and the Underwriter hereby agrees to purchase all of the Certificates for offering to the public. The Certificates shall be delivered in the form of current interest certificates and shall represent the fractional undivided interests of the Owners thereof in installment payments payable by the District (the “**Installment Payments**”) under an Installment Sale Agreement, dated as of _____ 1, 2025 (the “**Installment Sale Agreement**”), by and between the District and the Corporation, representing principal installments and interest payments payable at the rates per annum set forth in Appendix A hereto. Pursuant to the Trust Agreement, the Corporation has assigned to the Trustee the Corporation’s right to receive and collect the Installment Payments from the District and other amounts payable by the District to the Corporation.

Interest with respect to the Certificates will be payable on each March 1 and September 1, commencing March 1, 2025. The Certificates shall also represent principal payments due on the dates and in the amounts set forth in Appendix A. The Certificates shall be as described in, shall be subject to prepayment and shall be executed and delivered under and pursuant to the Trust Agreement. Capitalized terms used in this Purchase Agreement and not otherwise defined herein shall have the respective meanings set forth for such terms in the Trust Agreement.

The Underwriter agrees to make a bona fide initial public offering of all the Certificates at a price not in excess of the initial public offering prices or yields not less than the yields to be set forth in the Official Statement (defined below). Subsequent to the initial public offering, the Underwriter reserves the right to change the public offering prices or yields as it deems necessary in connection with the marketing of the Certificates, provided that the Underwriter shall not change the interest rates set forth on Appendix A hereto.

The obligation of the District to make Installment Payments as set forth in the Installment Sale Agreement constitutes an obligation payable from Net Revenues, consisting primarily of all income and revenue received by the District from the operation or ownership of the District’s water system (the “**Water System**”) remaining after payment of Operation and Maintenance Costs.

Neither the Certificates nor the obligation of the District to make the Installment Payments constitutes a debt or indebtedness of such District, the Corporation, the County of San Mateo (the “**County**”), the State of California (the “**State**”) or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction, or constitutes a pledge of the full faith and credit of any of the District, the Corporation, the County, the State or any of its political subdivisions.

The District will, pursuant to a Continuing Disclosure Certificate (the “**Continuing Disclosure Certificate**”), dated as of the Closing Date (defined below), undertake to provide certain annual financial information and notices of the occurrence of certain listed events under federal securities laws. A description of this undertaking is set forth in the Preliminary Official Statement and the Official Statement (each as described herein).

The Certificates are being executed and delivered to: (i) finance the acquisition and construction of capital improvements to the District’s Water System; and (ii) pay the costs of executing and delivering the Certificates.

[The scheduled payment of principal and interest with respect to the Certificates when due will be guaranteed under a municipal bond insurance policy (the “**Insurance Policy**”) to be issued concurrently with the execution and delivery of the Certificates by _____ (the “**Insurer**”). The Insurer will also issue, simultaneously with the execution and delivery of the Certificates, a municipal bond debt service reserve insurance policy (the “**Reserve Policy**”) to be deposited into the Reserve Fund for the Certificates.]

Section 2. Purchase Price.

The purchase price of the Certificates shall be \$_____ (which represents the total aggregate principal amount with respect to the Certificates originally sold and delivered, plus/less a net original issue premium/discount of \$_____, less an Underwriter’s discount of \$_____).

Section 3. Official Statement.

(a) The Underwriter hereby represents that it has received and reviewed the Preliminary Official Statement with respect to the Certificates dated _____, 2025 (as amended or supplemented, the “**Preliminary Official Statement**”). The District represents that it has deemed the Preliminary Official Statement to be “final” for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1) promulgated under the Securities Exchange Act of 1934, as amended (the “**Rule**”), except for the omission of certain information permitted to be omitted by such Rule, which generally includes the offering price(s), interest rate(s), selling compensation, aggregate principal or issue amount, principal amount per maturity, delivery date and rating(s) of and/or on the Certificates.

(b) The Underwriter agrees that prior to the time a final Official Statement relating to the Certificates is available, the Underwriter will send to any potential purchaser of the Certificates, upon the request of such potential purchaser, a copy of the most recent Preliminary Official Statement relating to the Certificates. Such Preliminary Official Statement shall be sent by first class mail (or other equally prompt means) not later than the first business day following the date such request is received.

(c) The District hereby ratifies, confirms and approves the use and distribution by the Underwriter before the date hereof of the Preliminary Official Statement and hereby authorizes the Underwriter to use and distribute, in connection with the offer and sale of the Certificates: the Preliminary Official Statement, the Official Statement, the District Agreements (defined below) and other documents or contracts to which the District is a party in connection with the transactions contemplated by this Purchase Agreement, including this Purchase Agreement and all information contained herein, and all other documents, certificates and statements furnished by the District to the Underwriter in connection with the transactions contemplated by this Purchase Agreement.

(d) Within seven (7) business days from the date hereof, and in any event not later than two (2) business days before the Closing (defined below), the District shall deliver to the Underwriter a final Official Statement relating to the Certificates dated the date hereof (such Official Statement, including the cover page and all appendices attached thereto, together with all information previously permitted to have been omitted by the Rule and any amendments or supplements and statements incorporated by reference therein or attached thereto, as have been approved by the District, Special Counsel (defined below), and the Underwriter, is referred to herein as the “**Official Statement**”) and such additional conformed copies thereof as the Underwriter may reasonably request in sufficient quantities to comply with the Rule, rules of the Municipal Securities Rulemaking Board

(the “**MSRB**”), and to meet potential customer requests for copies of the Official Statement. An authorized officer of the District shall execute the Official Statement. Such final Official Statement shall be substantially in the form of the Preliminary Official Statement, with only such changes therein as shall have been accepted by the Underwriter and the District who hereby authorizes the Underwriter to use and distribute the final Official Statement in connection with the offering and sale of the Certificates. The District shall prepare the Official Statement, including any amendments thereto, in word-searchable PDF format as described in the MSRB’s Rule G-32 and shall provide the electronic copy of the word-searchable PDF format of the Official Statement to the Underwriter no later than one (1) business day prior to the Closing Date to enable the Underwriter to comply with MSRB Rule G-32.

(e) The Underwriter agrees to file the Official Statement with the MSRB through its Electronic Municipal Market Access (“**EMMA**”) system or as otherwise provided by the Securities Exchange Commission or MSRB within one business day after receipt thereof from the District, but in no event later than the Closing Date.

(f) References herein to the Preliminary Official Statement and the final Official Statement include the cover page, inside cover page and all appendices, exhibits, maps, reports and statements included therein or attached thereto.

Section 4. Closing.

(a) At or before 9:00 a.m., Pacific Time, on _____, 2025, or at such other time or on such earlier or later date as the parties hereto shall agree (the “**Closing Date**”), the District will deliver or cause to be delivered to the Underwriter through the facilities of The Depository Trust Company (“**DTC**”), or at such other place upon which the Underwriter and the District may mutually agree, the Certificates in the form of a single fully registered Certificate (which may be printed, copied photostatically or typewritten) for each of the maturities of the Certificates, duly executed, and, at the offices of Special Counsel (defined herein) in San Francisco, California, or at such other place as may be mutually agreed upon, the other documents mentioned below (the “**Closing**”). Upon satisfaction of all conditions to the Closing set forth herein, the Underwriter will accept such delivery and pay the purchase price thereof in immediately available funds (by check, wire transfer or other manner of payment as to which the Underwriter may mutually agree) to the order of the Trustee.

(b) The Certificates shall be executed and delivered under and in accordance with the provisions of this Purchase Agreement and the Trust Agreement. The Certificates shall bear CUSIP Service Bureau numbers, but the failure to print any such number on any of the Certificates shall not constitute cause for a failure or refusal by the Underwriter to accept delivery of, or pay for, the Certificates in accordance with this Purchase Agreement. The Certificates duly executed shall be made available to the Underwriter, electronically, for inspection at least two (2) business days prior to the Closing Date.

Section 5. Representations and Warranties of the District.

The District represents and warrants to the Underwriter that:

(a) The District is a county water district that is duly organized and existing pursuant to the County Water District Law of the State of California and has all necessary power and authority to adopt the resolution dated December 10, 2024 (the “**Resolution**”) relating to the Certificates and to enter into and perform its duties under the Installment Sale Agreement, Trust

Agreement, Continuing Disclosure Certificate and this Purchase Agreement (collectively, the “**District Agreements**”), and, when validly authorized, executed and delivered by the other respective parties thereto, the District Agreements will constitute legal, valid and binding obligations of the District enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, moratorium or other similar laws or equitable principles relating to or limiting, creditors’ rights generally.

(b) The execution and delivery by the District of the District Agreements and compliance with the provisions thereof have been duly authorized by all necessary official action on the part of the District and will not in any material respect conflict with or constitute a breach of or default under any law, administrative regulation, court decree, resolution, charter, bylaw or any agreement to which the District is subject or by which it is bound or by which its properties may be affected, in each case which breach or default has or would have a material adverse effect upon the ability of the District to perform its obligations under the District Agreements.

(c) Except as described in or contemplated by the Preliminary Official Statement or the Official Statement or as may be required under Blue Sky or other securities laws of any state, there is no consent, approval, authorization or other order, filing with, or certification by, any regulatory authority having jurisdiction over the District required for the execution and delivery of the Certificates or the entering into by the District of the District Agreements or the consummation by the District of the transactions contemplated thereby and by this Purchase Agreement, except as have already been obtained or will be obtained on or prior to the Closing Date.

(d) To the best of the District’s knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending with respect to which proper notice has been duly served upon and received by the District, or threatened against the District: (i) in any way questioning the corporate existence of the District or the titles of the officers of the District to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance of any of the Certificates, or in any way contesting or affecting the validity of the Certificates or the District Agreements or the consummation of the transactions contemplated thereby, or contesting the exclusion of the interest component of the Installment Payments from gross income for federal income tax purposes or contesting the powers of the District to enter into the District Agreements; (iii) which, except as described in the Preliminary Official Statement and the Official Statement, may result in any material adverse change to the financial condition of the District or to its ability to pay the Installment Payments when due; or (iv) 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 to the best of the District’s knowledge, there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in this paragraph.

(e) Preparation and distribution of the Official Statement pertaining to the Certificates has been duly authorized by the District and the information contained therein as of the date hereof and as of the Closing Date, as to the District and the Water System, is and will be true and correct in all material respects and such information does not and will not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(f) The District agrees that if at any time prior to the End of the Underwriting Period, as defined under the Rule, any event occurs as a result of which the Official Statement as then in effect would include any untrue statement of a material fact or omit to state any fact necessary to make the statements made therein not misleading in any material respect, the District shall cooperate with the Corporation in promptly preparing an amendment or supplement that will correct such statement or omission. The District will advise the Underwriter promptly of any proposal to so amend or supplement the Official Statement and will effect such amendment or supplement in a form and manner approved by the Underwriter, which approval shall not be unreasonably withheld. The Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which made, not misleading.

(g) The District agrees to cooperate with the Underwriter in endeavoring to qualify the Certificates for offering and sale under the securities or Blue Sky laws of such jurisdictions of the United States as the Underwriter may reasonably request; provided, however, that the District shall not be required to subject itself to service of process in any jurisdiction in which it is not so subject as of the date hereof.

(h) The District will, pursuant to its Continuing Disclosure Certificate, agree to provide or cause to be provided to the MSRB through its EMMA system and any public or private repository or entity designated by the Securities and Exchange Commission for purposes of the Rule certain annual financial information and operating data, and, in a timely manner, notice of certain listed events respecting the Certificates in order to assist the Underwriter in complying with the Rule. As disclosed in the Preliminary Official Statement and Official Statement, the District has not, within the past five years, been subject to any undertaking to provide annual reports and notices of enumerated events pursuant to the Rule.

(j) As of the date thereof, the Preliminary Official Statement did not contain any untrue statement of a material fact or omit (other than as permitted by the Rule) 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.

(k) Except as described in the Preliminary Official Statement and the Official Statement, the District does not have outstanding any other indebtedness which indebtedness is secured by a lien on the Net Revenues on a basis superior to or on a parity with the lien of the Installment Payments on the Net Revenues.

(l) Between the date of this Purchase Agreement and the Closing Date, and except as otherwise disclosed in the Preliminary Official Statement and 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 Net Revenues.

(m) The financial statements of, and other financial information regarding the District, in the Official Statement fairly present the financial position and results of the District as of the dates and for the periods therein set forth. Prior to the Closing, there will be no adverse change of a material nature in such financial position, results of operations or condition, financial or otherwise, of the District. The District is not a party to any litigation or other proceeding pending or, to its

knowledge, threatened which, if decided adversely to the District, would have a materially adverse effect on the financial condition of the District.

Section 6. Establishment of Issue Price.

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

(b) Except as otherwise set forth in Appendix A, the District will treat the first price at which 10% of each maturity of the Certificates (the “**10% test**”) is sold to the public as the issue price of that maturity. At or promptly after the execution of this Purchase Agreement, the Underwriter shall report to the District the price or prices at which it has sold to the public each maturity of Certificates. If at that time the 10% test has not been satisfied as to any maturity of the Certificates, the Underwriter agrees to promptly report to the District the prices at which it sells the unsold Certificates of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until either: (i) the Underwriter has sold all Certificates of that maturity; or (ii) the 10% test has been satisfied as to the Certificates of that maturity, provided that the Underwriter’s reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the District or Special Counsel. For purposes of this Section, if Certificates mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Certificates.

(c) The Underwriter confirms that it has offered the Certificates to the public on or before the date of this Purchase Agreement at the offering price or prices (the “**initial offering price**”), or at the corresponding yield or yields, set forth in Appendix A attached hereto. Appendix A also sets forth, as of the date of this Purchase Agreement, the maturities, if any, of the Certificates for which the 10% test has not been satisfied and for which the District and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the District to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “**hold-the-offering-price rule**”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Certificates, the Underwriter will neither offer nor sell unsold Certificates of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth business day after the sale date; or
- (2) the date on which the Underwriter has sold at least 10% of the maturity of the Certificates to the public 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 business day after the sale date whether it has sold 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public.

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

(d) The Underwriter confirms that: (i) any selling group agreement and any third-party distribution agreement relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable: (A)(1) to report the prices at which it sells to the public the unsold Certificates of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Certificates of that maturity allocated to it have been sold or it is notified by the Underwriter that the 10% test has been satisfied as to the Securities 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 (2) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter; (B) to promptly notify the Underwriter of any sales of Certificates that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Securities 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; and (ii) any selling group agreement relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Certificates to the public to require each broker-dealer that is a party to such third-party distribution agreement to: (A) report the prices at which it sells to the public the unsold Certificates of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Certificates of that maturity allocated to it have been sold or it is notified by the Underwriter or the dealer that the 10% test has been satisfied as to the Certificates of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter or the dealer; and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter or the dealer and as set forth in the related pricing wires.

(e) The Underwriter acknowledges that sales of any Certificates to any person that is a related party to the Underwriter shall not constitute sales to the public for purposes of this Section. Further, for purposes of this Section:

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

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

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

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

Section 7. Conditions to the Obligations of the Underwriter.

The obligation of the Underwriter to accept delivery of and pay for the Certificates on the Closing Date shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the representations, warranties and agreements on the part of the District contained herein and in the Installment Sale Agreement, as of the date hereof and as of the Closing Date, to the accuracy in all material respects of the statements of the officers and other officials of the Trustee, the Corporation and the District made in any certificates or other documents furnished pursuant to the provisions hereof or of the District Agreements, and to the performance by the Trustee, the Corporation and the District of their respective obligations to be performed hereunder and under the District Agreements on or prior to the Closing Date, and to the following additional conditions:

(a) As of the Closing Date, the District Agreements and the Official Statement shall have been duly authorized, executed and delivered by the respective parties thereto, in substantially the forms heretofore submitted to the Underwriter with only such changes as shall have been agreed to in writing by the Underwriter, and said agreements shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter, and there shall have been taken in connection therewith, with the execution and delivery of the Certificates and with the transactions contemplated thereby and by this Purchase Agreement, all such actions as Special Counsel shall deem to be necessary and appropriate in order to permit it to render the opinion set forth in Appendix C to the Official Statement.

(b) As of the Closing Date, the Official Statement shall not have been amended, modified or supplemented, except as may have been agreed to by the Underwriter, the District and the Corporation.

(c) Marketability Between the Date Hereof and the Closing. The market price or marketability or the ability of the Underwriter to enforce contracts of the sale of the Certificates, at the

initial offering prices set forth in the official statement, in the reasonable opinion of the Underwriter, shall not have been materially adversely affected by reason of any of the following:

(1) Legislation enacted or introduced in the Congress or passed by either House of Congress, or favorably reported for passage to either House of Congress by any Committee of such House to which such legislation has been referred for consideration, or introduced in the Congress recommended for passage by the President of the United States, or a decision rendered by a court established under Article III of the Constitution of the United States or by the United States Tax Court, or an order, ruling, regulation (final, temporary or proposed) or official statement or made:

(i) by or on behalf of the United States Treasury Department or by or on behalf of the Internal Revenue Service, with the purpose or effect, directly or indirectly, of causing inclusion in gross income for purposes of federal income taxation of the Installment Payments as would be received by the Corporation or the Trustee under the Installment Sale Agreement or upon such interest portion of the Installment Payments as would be received by the owners of the Certificates; or

(ii) by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction over the subject matter thereof, to the effect that the Certificates, or obligations of the general character of the Certificates, including any and all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Trust Agreement is not exempt from qualification under the Trust Indenture Act of 1939, as amended;

(2) the declaration of war or engagement in or escalation of major military hostilities by the United States or any other national emergency or international calamity relating to the effective operation of the government or the financial community in the United States;

(3) the declaration of a general banking moratorium by federal, New York or California authorities, or the general suspension of trading on any national securities exchange;

(4) the imposition by the New York Stock Exchange, other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the Certificates, or obligations of the general character of the Certificates, or securities generally, or the material increase of any such restrictions now in force;

(5) an order, decree or injunction of any court of competent jurisdiction, or order, filing, regulation or official statement by the Securities and Exchange Commission, or any other governmental agency issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Certificates, or the issuance, offering or sale of the Certificates, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws, as amended and then in effect;

(6) after the date hereof, up to and including the time of the Closing, there has occurred any change in or particularly affecting the District, the District Agreements or the Net Revenues as the foregoing matters are described in the Official Statement, which in the reasonable professional judgment of the Underwriter materially impairs the investment quality of the Certificates;

(7) any event occurring, or information becoming known which, in the reasonable judgment of the Underwriter, makes untrue in any material adverse respect any statement or information contained in the Official Statement, or has the effect that 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 made therein, in light of the circumstances under which they were made, not misleading;

(8) the withdrawal, suspension, negative change or downgrading or placement on credit watch of any underlying rating of the District's outstanding indebtedness by a national rating agency;

(9) [any rating of the Certificates or other obligations of the Insurer by a national rating agency shall have been withdrawn or downgraded or placed on negative outlook or negative watch;]

(10) there shall have occurred any materially adverse change in the affairs or financial condition of the District;

(11) the occurrence of a major financial crisis, a material disruption in commercial banking or securities settlement or clearance services, or a material disruption or deterioration in the fixed income or municipal securities market which, in the Underwriter's reasonable judgment, materially adversely affects the marketability or market price of the Certificates;

(12) legislation enacted by the State legislature or a decision rendered by a State Court, or a ruling, order or regulation (final or temporary) made by a State authority, would have the effect of changing, directly or indirectly, the consequences of interest on obligations of the general character of the Certificates in the hands of the holders thereof; or

(13) any fact or event shall exist or have existed that, in the Underwriter's reasonable judgment, requires or has required an amendment of or supplement to the Official Statement.

(d) On or prior to the Closing Date, the Underwriter shall receive satisfactory evidence that the Certificates have been assigned the ratings set forth on the cover of the Official Statement, and that such ratings have not been lowered, withdrawn or placed under review or "Credit Alert" prior to the Closing Date.

(e) On or prior to the Closing Date, the Underwriter shall have received the following documents, in each case satisfactory in form and substance to the Underwriter:

(1) the District Agreements, each duly executed and delivered by the respective parties thereto, with such amendments, qualifications or supplements as may have been agreed to in writing by the Underwriter;

(2) an approving opinion of Jones Hall, A Professional Law Corporation ("**Special Counsel**") substantially in the form included as Appendix C to the Official Statement, dated the Closing Date and addressed to the District, and a reliance letter addressed to the Underwriter and Trustee, of Special Counsel, together with an additional supplemental opinion in a form acceptable to the Underwriter, dated the Closing Date and addressed to the Underwriter, to the effect that:

(i) the District has full right and lawful authority to enter into and perform its duties under the District Agreements, and the District Agreements have been duly authorized, executed and delivered by the District and, assuming due authorization, execution and delivery by the other respective parties thereto, constitute legal, valid and binding obligations of the District, enforceable in accordance with their terms, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditor's rights or remedies and are subject to general principals of equity (regardless of whether such enforceability is considered in equity or at law);

(ii) the statements contained in the Official Statement in the sections entitled "INTRODUCTION," "THE CERTIFICATES," "SECURITY FOR THE CERTIFICATES," "TAX MATTERS" and "CONTINUING DISCLOSURE" and "APPENDIX B – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS," insofar as such statements purport to summarize certain provisions of the Certificates, the Installment Sale Agreement, the Trust Agreement, the Continuing Disclosure Certificate and the form and content of Special Counsel's approving opinion with respect to the exclusion from gross income for federal income tax purposes and exemption from present State of California personal income taxes of the interest component of Installment Payments, present a fair and accurate summary of such provisions therein; and

(iii) the Certificates are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Trust Agreement is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended;

(3) a letter of Jones Hall, A Professional Law Corporation, San Francisco, California, as disclosure counsel ("**Disclosure Counsel**") addressed to the Underwriter, the District and the Corporation, to the effect that, based upon the information provided to such counsel in the course of their participation in the preparation of the Preliminary Official Statement and the Official Statement, and without having undertaken to determine independently the accuracy or completeness of the statements contained in the Preliminary Official Statement or the Official Statement, such counsel have no reason to believe that the Preliminary Official Statement, as of its date or the date of this Purchase Agreement, or the Official Statement, as of its date and as of the Closing Date (except for any financial statements and other financial, statistical or engineering data, numbers, charts, estimates, projections, assumptions or expressions of opinion, any information about valuation, appraisals, absorption, archeological or environmental matters included therein, the appendices thereto, and information relating to [the Insurer, the Insurance Policy, the Reserve Policy,] The Depository Trust Company and its book-entry only system, as to which no view need be expressed) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(4) an opinion of counsel to the Trustee, addressed to the Underwriter, together with a reliance letter addressed to the Corporation and the District, dated the Closing Date to the effect that:

(i) the Trustee has been duly organized and is validly existing and in good standing as a national banking association under the laws of the United States with full corporate power to undertake the trust of the Trust Agreement;

(ii) assuming the corporate power and legal authority of, and the due authorization, execution and delivery by the Corporation and the District of the Trust Agreement, the Trust Agreement constitutes the legal, valid and binding agreement of the Trustee, enforceable against the Trustee in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, moratorium, reorganization or other similar laws or equitable principles relating to or limiting creditors' rights generally;

(iii) the Certificates have been validly authorized, executed and delivered by the Trustee; and

(iv) exclusive of federal or state securities laws' requirements, no authorization, approval, action or other filing with any governmental agency or, to such counsel's knowledge, any other person or corporation is required for the valid authorization, execution and delivery of the Trust Agreement;

(5) an opinion of general counsel to the District, addressed to the District, the Trustee and the Underwriter, dated the Closing Date, to the effect that:

(i) the District is duly organized and validly existing as a county water district under the laws of the State of California;

(ii) the Resolution was duly adopted at a meeting of the governing body of the District which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout;

(iii) except as disclosed in the Official Statement, 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 with respect to which proper notice has been duly served upon and received by the District or, to the best of our knowledge, threatened against the District which would materially adversely affect the ability of the District to perform its obligations under the District Documents, the Certificates, or seeking to restrain or to enjoin the execution and delivery of the Certificates, or the application of the proceeds thereof in accordance with the Trust Agreement, or in any way contesting or affecting the validity or enforceability of the District Documents or the Certificates or the accuracy of the Official Statement, or any action of the District contemplated by any of said documents; and

(iv) to the best of such counsel's knowledge after due inquiry, the execution and delivery of the District Documents by the District and compliance by the District with the provisions thereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the District a breach of or default under any agreement or other instrument applicable to or binding upon the District, or any existing law, regulation, court order, or consent decree to which the District is subject, in each case which breach or default has or would have a material adverse effect upon the ability of the District to perform its obligations under the District Agreements;

(6) an opinion of counsel to the Corporation, addressed to the Corporation, the Trustee and the Underwriter, dated the Closing Date, to the effect that:

(i) the Corporation is duly organized and validly existing as a nonprofit public benefit corporation under the laws of the State of California and is possessed of full power to own and hold real and personal property and to lease and sell the same;

(ii) the resolution of the Corporation approving and authorizing the execution and delivery of the Trust Agreement and the Installment Sale Agreement (collectively, the “**Corporation Documents**”) was duly adopted at a meeting of the governing body of the Corporation 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 Corporation Documents have been duly authorized, executed and delivered by the Corporation and, assuming due authorization, execution and delivery by the other respective parties thereto, constitute legal, valid and binding obligations of the Corporation, enforceable in accordance with their terms, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditor’s rights or remedies and are subject to general principles of equity (regardless of whether such enforceability is considered in equity or at law);

(iv) except as disclosed in the Official Statement, 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 with respect to which proper notice has been duly served upon and received by the Corporation or, to the best of our knowledge, threatened against the Corporation which would materially adversely affect the ability of the Corporation to perform its obligations under the Corporation Documents, or in any way contesting or affecting the validity or enforceability of the Corporation Documents or the accuracy of the Official Statement, or any action of the Corporation contemplated by any of said documents; and

(v) to the best of such counsel’s knowledge after due inquiry, the execution and delivery of the Corporation Documents by the Corporation and compliance by the Corporation with the provisions thereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the Corporation a breach of or default under any agreement or other instrument applicable to or binding upon the Corporation, or any existing law, regulation, court order, or consent decree to which the Corporation is subject, in each case which breach or default has or would have a material adverse effect upon the ability of the Corporation to perform its obligations under the Corporation Documents;

(7) a certificate of the District, dated the Closing Date, signed by an official of the District as may be acceptable to the Underwriter, and in form and substance satisfactory to the Underwriter, to the effect that:

(i) the District is a county water district that is duly organized and validly existing pursuant to the laws of the State of California;

(ii) the District Agreements have been validly authorized and duly executed and delivered by an authorized officer of the District designated for such purpose in the applicable Resolution, and constitute the valid and binding limited obligations of the District enforceable in accordance with their respective terms; provided, however, that the representation as to enforceability may be limited by bankruptcy, moratorium, insolvency or other laws affecting creditor’s rights and may be subject to general principles of equity;

(iii) the representations and agreements of the District contained in the District Agreements, as the case may be, are true and correct in all material respects as of the Closing Date;

(iv) the District has complied with all agreements, covenants and conditions to be complied with by the District on or prior to the Closing Date under the District Agreements;

(v) the information contained in the Official Statement (except as to the Insurer, the Insurance Policy, the Reserve Policy, DTC and its book-entry only system) is true and correct and does not contain any untrue statement of material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect;

(vi) insofar as it will have a material adverse effect on the ability of the District to enter into, carry out or perform its obligations under the District Documents or to consummate the transactions contemplated thereby, the District is not in material breach of or default under any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the District is a party or to which the District or any of its property or assets is otherwise subject, and, to the best of such authorized representative's knowledge, no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and

(vii) the District has obtained insurance as required by the Installment Sale Agreement, such policies are in full force and effect and have not been revoked or rescinded and, in compliance with the Installment Sale Agreement;

(8) a certificate of the Corporation, dated the Closing Date, signed by an authorized representative of the Corporation as may be acceptable to the Underwriter, and in form and substance satisfactory to the Underwriter, to the effect that:

(i) the Corporation Documents have each been validly authorized and duly executed and delivered by the officers of the Corporation designated for such purpose in the Resolution of the Board of Directors of the Corporation and each constitutes the valid and binding limited obligations of the Corporation enforceable in accordance with their respective terms; provided, however, that the representation as to enforceability may be limited by bankruptcy, moratorium, insolvency or other laws affecting creditor's rights and may be subject to general principles of equity;

(ii) the representations and agreements of the Corporation contained in the Corporation Documents, as the case may be, are true and correct in all material respects as of the Closing Date;

(iii) the Corporation has complied with all agreements, covenants and conditions to be complied with by the Corporation on or prior to the Closing Date under the Corporation Documents; and

(iv) the information contained in the Official Statement as to the Corporation is true and correct and does not contain any untrue statement of material fact or omit to

state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect;

(9) a certificate of the Trustee, dated the Closing Date, signed by a duly authorized officer of the Trustee, and in form and substance satisfactory to the Underwriter, to the effect that:

(i) to the knowledge of the Trustee, the representations and agreements of the Trustee in the Trust Agreement are true and correct in all material respects as of the Closing Date;

(ii) to the knowledge of the Trustee, no litigation is pending or threatened against the Trustee (either in state or federal courts): (A) seeking to restrain or enjoin the execution or delivery by the Trustee of any of the Certificates; or (B) in any way contesting or affecting any authority of the Trustee for the execution or delivery of the Certificates or the validity or enforceability of the Certificates or the Trust Agreement;

(iii) the Trustee has duly executed and delivered the Certificates to or upon the order of the Underwriter; and

(iv) assuming the corporate power and legal authority of, and the due authorization, execution and delivery by the Corporation and the District of the Trust Agreement, the Trust Agreement constitutes the valid and binding agreement of the Trustee, enforceable against the Trustee in accordance with their terms, except as enforcement may be limited by bankruptcy, insolvency, moratorium, reorganization or other similar laws or equitable principles relating to or limiting creditors' rights generally;

(10) certified copies of resolutions of the Trustee, the District and the Corporation, as the case may be, authorizing, as applicable, the execution, sale and delivery of the Certificates and the Installment Sale Agreement, the Trust Agreement, the Continuing Disclosure Certificate and this Purchase Agreement, the distribution of the Preliminary Official Statement, and the distribution of the Official Statement;

(11) a tax certificate or agreement of the District in form and substance satisfactory to Special Counsel;

(12) evidence that the federal tax information form 8038-G has been prepared by Special Counsel for filing in connection with the Certificates;

(13) a copy of the filings made for the Certificates and the Installment Sale Agreement with the California Debt and Investment Advisory Commission in accordance with Sections 8855 and 53583, as applicable, of the California Government Code;

(14) a certificate of Backstrom McCarley Berry & Co. LLC, San Francisco, California, municipal advisor to the District (the "**Municipal Advisor**"), dated the Closing Date and addressed to the District and the Underwriter, to the effect that while the Municipal Advisor has not independently verified or undertaken an independent investigation of the information in the Preliminary Official Statement and the Official Statement, based on its participation in the preparation and review of the Preliminary Official Statement and Official Statement, no information has come to

its attention which would lead it to believe that the information contained in the Preliminary Official Statement, as of its date and as of the date of this Purchase Agreement and the Official Statement, as of its date and the Closing Date, is not true or correct in all material respects, or that the Preliminary Official Statement, as of its date and as of the date of this Purchase Agreement and the Official Statement, as of its date and the Closing Date contains any untrue statement of a material fact or omits to state a material fact where necessary to make a statement not misleading in light of the circumstances under which it was made (except that no opinion or belief need be expressed as to any financial statements or other financial, statistical or engineering data or forecasts, numbers, charts, estimates, projections, assumptions, or expressions of opinion, any information about valuation, appraisals, absorption, archeological or environmental matters, or any information with respect to DTC and its book-entry-only system).

(15) evidence satisfactory to the Underwriter that the Certificates shall have received the underlying and insured ratings as set forth in the Official Statement and that any such ratings have not been revoked or downgraded;

(16) [the Insurance Policy and Reserve Policy, each duly executed by the Insurer;

(17) a certificate or certificates of the Insurer, dated the Closing Date, as to the accuracy of the information relating to the Insurer and the Insurance Policy included in the Official Statement and such other matters reasonably requested by the Underwriter and Special Counsel;

(18) an opinion of counsel to the Insurer, dated the Closing Date, addressed to the District and the Underwriter, in form and substance satisfactory to the Underwriter and Special Counsel;]

(19) the opinion of Kutak Rock LLP, Irvine, California, counsel to the Underwriter (“**Underwriter’s Counsel**”), dated the Closing Date, addressed to the Underwriter, in form and substance satisfactory to the Underwriter;

(20) one or more parity debt certificate(s) of the District and associated verification certificate of a certified public account, as applicable;

(21) an executed Blanket Issuer Letter of Representations between the District and DTC; and

(22) such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter or Special Counsel may reasonably request.

(f) Notwithstanding anything to the contrary herein contained, if for any reason whatsoever the Certificates shall not have been delivered by the District to the Underwriter prior to the close of business, California time, on the Closing Date, then the obligation to purchase Certificates hereunder shall terminate and be of no further force or effect.

If the District shall be unable to satisfy the conditions to the Underwriter’s obligations contained in this Purchase Agreement or if the Underwriter’s obligations shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement may be cancelled by the Underwriter at, or at any time prior to, the time of Closing. Notice of such cancellation shall be given,

to the District in writing, or by telephone or telegraph, confirmed in writing. Notwithstanding any provision herein to the contrary, the performance of any and all obligations of the District hereunder and the performance of any and all conditions contained herein for the benefit of the Underwriter may be waived by the Underwriter in writing at its sole discretion.

Section 8. Changes in Official Statement.

After the Closing Date: (a) neither the Corporation nor the District will adopt any amendment of or supplement to the Official Statement to which, after having been furnished with a copy, the Underwriter shall object in writing; and (b) if any event relating to or affecting the Trustee, District or the Corporation shall occur as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement to make the Official Statement not misleading in light of the circumstances existing at the time such is delivered to a purchaser, the Corporation and the District shall cause to be forthwith prepared and furnished to the Underwriter (at the expense of the District for twenty-five (25) days from the Closing Date and otherwise at the expense of the Underwriter) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to the Underwriter) that will amend or supplement the Official Statement so that it will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances existing at the time it is delivered to a purchaser, not misleading.

Section 9. Expenses.

(a) All expenses and costs of the Corporation or the District incident to the performance of their obligations in connection with the authorization, execution, sale and delivery of the Certificates to the Underwriter, including: (i) the cost of preparation, printing, execution and delivery of the Certificates; (ii) the acceptance fees of the Trustee and any fees and expenses of Trustee's counsel; (iii) any fees charged by any rating agency in connection with obtaining a rating for the Certificates, including interstate travel, expenses and fees; (iv) the cost of preparation, distribution and delivery of the Preliminary Official Statement and the final Official Statement; (v) the fees and expenses of Special Counsel and Disclosure Counsel; (vi) the fees and expenses of Municipal Advisor to the District; (vii) any premium or fees charged by a credit provider for the credit enhancement of the Certificates; [(viii) the premiums for the Insurance Policy and Reserve Policy due to the Insurer] and (ix) expenses for travel, lodging, and subsistence related to rating agency visits and other meetings connected to the authorization, sale, issuance and distribution of the Certificates, shall be paid by the District, as set forth in the Trust Agreement.

(b) The District has agreed to pay the Underwriter's discount set forth in Section 2 of this Purchase Agreement, and inclusive in the expense component of the Underwriter's discount are expenses incurred or paid for by the Underwriter on behalf of the District in connection with the marketing, execution, and delivery of the Certificates, including, but not limited to, advertising expenses, fees and expenses of Underwriter's Counsel, the costs of any Preliminary and Final Blue Sky Memoranda, CUSIP fees, the California Debt and Investment Advisory Commission fee, and transportation, lodging, and meals for the District's employees and representatives.

If this Purchase Agreement shall be terminated by the Underwriter because of any failure or refusal on the part of the District to comply with the terms or to fulfill any of the conditions of this Purchase Agreement, or if for any reason the District shall be unable to perform its obligations under this Purchase Agreement, the District will reimburse the Underwriter for all out-of-pocket expenses

(including the fees and disbursements of Underwriter's Counsel) reasonably incurred by the Underwriter in connection with this Purchase Agreement or the offering contemplated hereunder.

Section 10. Notices.

Any notices to be given to the Underwriter shall be given in writing to D.A. Davidson & Co., 2901 Douglas Blvd., Suite 2555, Roseville, CA 95661, Attention: Public Finance Department. Any notices to be given to the District shall be given in writing to 766 Main Street, Half Moon Bay, CA 94109, Attention: General Manager.

Section 11. No Assignment.

This Purchase Agreement has been executed by the District and the Underwriter, and shall inure to the benefit of the District and the Underwriter and their respective successors or assigns and no persons other than the foregoing shall acquire or have any right under or by virtue of this Purchase Agreement. All of the representations, warranties and agreements contained in this Purchase Agreement shall survive the delivery of and payment for the Certificates and any termination hereof.

Section 12. Applicable Law.

This Purchase Agreement shall be interpreted, governed and executed in accordance with the laws of the State of California applicable to contracts made and performed in such state.

Section 13. Effectiveness.

This Purchase Agreement shall become effective upon the execution hereof by the Underwriter and the District and shall be valid and enforceable from and after the time of such execution.

Section 14. Severability.

In the event any provision of this Purchase Agreement shall be declared invalid or unenforceable by any court of competent jurisdiction, such shall not invalidate or render unenforceable any other provision hereof.

Section 15. Execution in Counterparts; Electronic Signatures and Electronic Records.

This Purchase Agreement may be executed and entered into in several counterparts, including counterparts that are manually executed and counterparts that are executed with an electronic signature, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument. The person associated with any such signature shall be deemed to have had the intent to sign this Purchase Agreement with an electronic signature and agrees that execution of this Purchase Agreement by electronic signature is attributable to such person. All parties executing this Purchase Agreement expressly agree under the California Uniform Electronic Transactions Act ("UETA") (California Civil Code §1633.1 et seq.), that this Purchase Agreement and all other agreements, certificates, opinions and similar records ("documents") relating to the Certificates constitute a "transaction" under the UETA and expressly agree to allow all aspects of the transaction to which the UETA can apply to be conducted by electronic means. For these purposes, a signature by fax, e-mail, or other electronic technology on a document relating to the Certificates shall constitute an "electronic signature" to an "electronic record" under the UETA with respect to this specific transaction.

An electronic signature means a signature that is executed by symbol attached to or logically associated with a record and includes facsimile signatures or signatures transmitted by electronic mail in so-called PDF format. All parties to this Purchase Agreement: (a) agree that an electronic signature, whether digital or encrypted, of a party to this Purchase Agreement or any other electronic record associated with the Certificates is intended to authenticate this writing and to have the same force and effect as a manual signature; (b) intended to be bound by the signatures (whether original, faxed, or electronic) on any document relating to the Certificates sent or delivered by facsimile or electronic mail or other electronic means; (c) are aware that the other party(ies) will rely on such signatures; and, (d) hereby waive any defenses to the enforcement of the terms of this Purchase Agreement or any other document related to the Certificates based on the foregoing forms of signature.

[Remainder of Page Intentionally Left Blank.]

IN WITNESS WHEREOF, each of the undersigned has executed this Purchase Agreement by its duly authorized officer, effective as of the day and year first above written.

D.A. DAVIDSON & CO., as Underwriter

By _____
Authorized Officer

Accepted as of the date hereof:

COASTSIDE COUNTY WATER DISTRICT

By _____
Authorized Officer

Time of Execution: _____ p.m.
California time

APPENDIX A

MATURITY SCHEDULE

\$_____
COASTSIDE COUNTY WATER DISTRICT
WATER REVENUE CERTIFICATES OF PARTICIPATION,
SERIES 2025

<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Component</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	10% Test Satisfied as of <u>Sale Date</u> *	Hold-the- Offering- Price Rule <u>Applies</u>
20__	\$	%	%			

^(D) Term Certificate.

^(C) Yield to the first optional prepayment date of September 1, 20__ at [par].

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

APPENDIX B

FORM OF ISSUE PRICE CERTIFICATE

\$_____

**COASTSIDE COUNTY WATER DISTRICT
WATER REVENUE CERTIFICATES OF PARTICIPATION,
SERIES 2025**

The undersigned, D.A. Davidson & Co. (“D.A. Davidson”) based on the information available to it, hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Certificates”).

A. Issue Price.

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

2. ***Defined Terms.***

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

(b) ***Issuer*** means the Coastside County Water District.

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

(d) ***Public*** means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to the Underwriter.

(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 Certificates to the Public; and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Certificates to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Certificates to the Public).

(f) ***Related Party*** means any entity if the Underwriter and such entity are subject, directly or indirectly, to: (i) more than 50 percent 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 percent 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 percent 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).

We understand that the representations contained herein may be relied upon by the Issuer in making certain of the representations contained in the Tax Certificate, and we further understand that Jones Hall, A Professional Law Corporation, as special counsel, may rely upon this certificate, among other things, in providing an opinion with respect to the exclusion from gross income of interest on the Certificates pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). D.A. Davidson is certifying only as to facts in existence on the date hereof. Nothing herein represents D.A. Davidson's interpretation of any laws; in particular the regulations under the Code, or the application of any laws to these facts. The certifications contained herein are not necessarily based on personal knowledge, but may instead be based on either inquiry deemed adequate by the undersigned or institutional knowledge (or both) regarding the matters set forth herein. Except as expressly set forth above, the certifications set forth herein may not be relied upon or used by any third party or for any other purpose.

The undersigned is authorized to execute this certificate on behalf of D.A. Davidson, which certifications are not necessarily based on personal knowledge, but may instead be based on either inquiry deemed adequate by the undersigned or institutional knowledge (or both) regarding the matters set forth herein.

D.A. DAVIDSON & CO., as Underwriter

By: _____
Authorized Officer

**SCHEDULE A
SALES PRICES**

[TO BE ATTACHED]



Coastside County Water District



Board Update & COP Overview

Provided by:

Backstrom McCarley Berry & Co., LLC



December 10, 2024

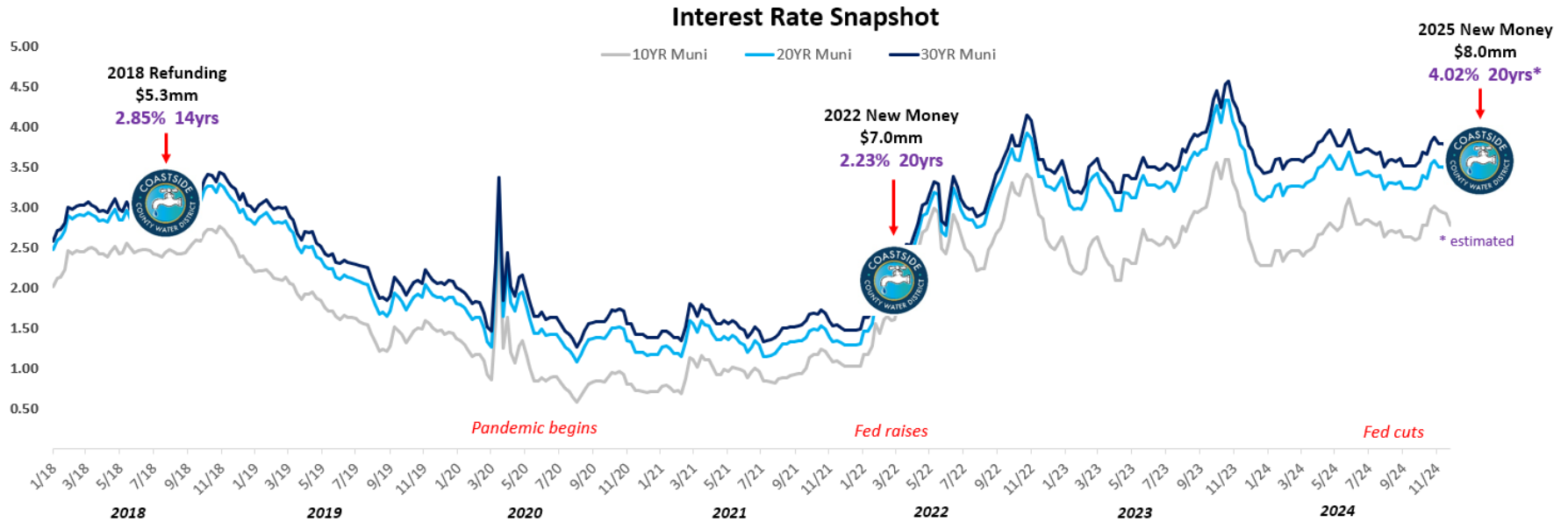


- Fixed income markets stable – post election stability
- Fed cautious, not in a hurry to lower rates (inflation, “tariffs”, economy)
- Yield curve showing signs of steepening (front end coming down)
- Investor demand and fund inflows remain positive
- January historically strong reinvestment month for municipal debt
- Finance team working hard on district’s inaugural issuance
- Good momentum and market tone – positive environment

Interest Rate Snapshot

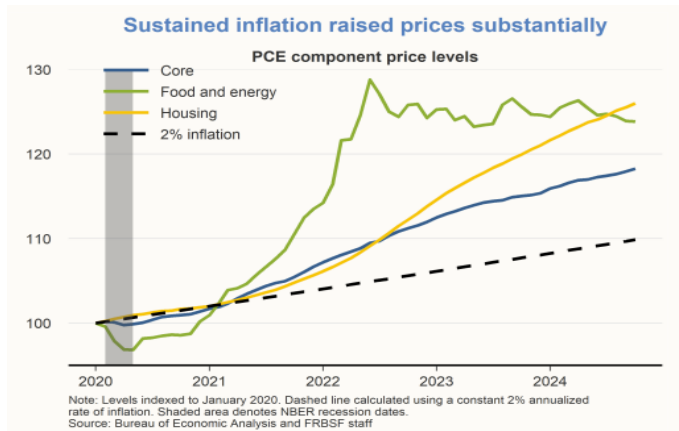


Source: TM3



	Fed Funds	Municipal Market			Treasury Market		
		10yr	20 yr	30yr	10yr	20yr	30yr
Wednesday, September 18, 2024	5.25	2.63	3.22	3.50	3.70	4.08	4.03
Thursday, December 5, 2024	4.50	2.73	3.29	3.57	4.17	4.42	4.34
<i>change</i>	<i>-0.75</i>	<i>+0.10</i>	<i>+0.07</i>	<i>+0.07</i>	<i>+0.47</i>	<i>+0.47</i>	<i>+0.47</i>

Markets anticipate another 25bps rate cut at December 18th FOMC meeting (for a total of 100bps in 2024)



Source: FRB SF



COP vs. Bank Loan



CCWD 2025 COP Financing (comparison)	COP 20yr Bond	Bank 20yr Loan
Sources of Funds		
Loan Amount	\$7,360,000	\$8,090,000
Reoffering Premium	\$942,837	
Total Sources	\$8,302,837	\$8,090,000
Uses of Funds		
Costs of Issuance	\$300,897	\$90,000
Deposit to Project Fund	\$8,000,000	\$8,000,000
Rounding Contingency	\$1,940	
Total Uses	\$8,302,837	\$8,090,000
Bond Statistics		
Maturity Structure	2025-2044	2025-2044
All-In TIC	4.02%	4.53%
Avg. Annual Debt Service (Principal & Interest)	\$599,352	\$626,365
Total Interest Cost	\$4,329,022	\$4,125,867
Total Debt Service Costs	\$11,689,022	\$12,215,867

The above numbers are based on indicative rates as of 12/9/24. Tonight's board documentation has rates as of 11/20/24. Final numbers and interest rates will not be "locked in" until pricing date = 1/16/24

COP vs. Bank Loan



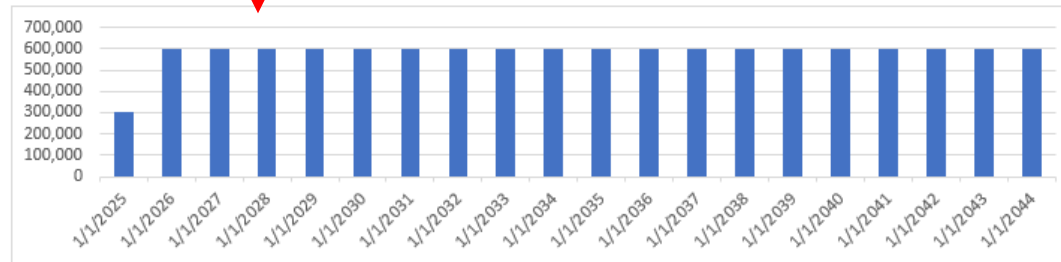
20yr COP

Date	Principal	Interest	Total P+I
8/1/2025	115,000	185,022	300,022
8/1/2026	235,000	362,250	597,250
8/1/2027	250,000	350,500	600,500
8/1/2028	260,000	338,000	598,000
8/1/2029	275,000	325,000	600,000
8/1/2030	290,000	311,250	601,250
8/1/2031	305,000	296,750	601,750
8/1/2032	320,000	281,500	601,500
8/1/2033	335,000	265,500	600,500
8/1/2034	350,000	248,750	598,750
8/1/2035	370,000	231,250	601,250
8/1/2036	385,000	212,750	597,750
8/1/2037	405,000	193,500	598,500
8/1/2038	425,000	173,250	598,250
8/1/2039	445,000	152,000	597,000
8/1/2040	470,000	129,750	599,750
8/1/2041	495,000	106,250	601,250
8/1/2042	515,000	81,500	596,500
8/1/2043	545,000	55,750	600,750
8/1/2044	570,000	28,500	598,500
Total	7,360,000	11,689,022	

20yr Bank Loan

Date	Principal	Interest	Total P+I
8/1/2025	135,954	178,969	314,923
8/1/2026	276,388	349,978	626,366
8/1/2027	288,549	337,817	626,366
8/1/2028	301,245	325,121	626,366
8/1/2029	314,499	311,866	626,365
8/1/2030	328,337	298,028	626,365
8/1/2031	342,784	283,581	626,365
8/1/2032	357,867	268,499	626,366
8/1/2033	373,613	252,753	626,366
8/1/2034	390,052	236,314	626,366
8/1/2035	407,214	219,151	626,365
8/1/2036	425,132	201,234	626,366
8/1/2037	443,837	182,528	626,365
8/1/2038	463,366	162,999	626,365
8/1/2039	483,754	142,611	626,365
8/1/2040	505,039	121,326	626,365
8/1/2041	527,261	99,104	626,365
8/1/2042	550,461	75,905	626,366
8/1/2043	574,681	51,685	626,366
8/1/2044	599,967	26,399	626,366
Total	\$8,090,000		\$12,215,867

COP
level debt service



Next Steps



- Approve all required legal documentation and resolution, authorizing staff to proceed with entering capital markets to facilitate the sale of the COPs
- Finance team and staff meet with S&P rating analysts later this week - obtain strong rating for investor outreach and to lower borrowing costs
- Underwriter (D.A. Davidson) will continue with investor outreach and distribute POS in early January
- Finance team will receive investor feedback, create optimal pre-sale marketing approach, and price (i.e., sell) the COPs in mid-January (16th)
- District receives \$8MM end of January or early February (closing)
- Underwriter will prepare final pricing book (report) with sale information and investor results (including final % costs) for February board meeting