PAJARO VALLEY WATER MANAGEMENT AGENCY

36 BRENNAN STREET • WATSONVILLE, CA. 95076
TEL: 831) 722-9292 FAX: 831) 722-3139
email: info@pvwater.org • https://www.pvwater.org

ADMINISTRATION & FINANCE COMMITTEE MEETING
PV Water, 36 Brennan Street, Watsonville
Tuesday, April 11, 2023, 3:00 p.m.
MEETING AGENDA

1. Call to Order and Roll Call:

   Committee members: Bob Culbertson (Chair), Abel Sanchez (Vice-Chair), Amy Newell

2. Director Comments

3. Public Comments

4. Consider Approval of March 7, 2023 Administration & Finance Committee Meeting Minutes

5. Consider Authorization of the Issuance of the 2023 Certificates of Participation to Finance a portion of the Cost of the College Lake Integrated Resources Management Project

6. Consider Policy on Aromas Water District Annexation Service Extension Requests

7. Consider Preliminary Budget for Fiscal Year Ending June 30, 2024

8. Consider Accepting Quarterly Reports
   a. Billing Summary
   b. Account Adjustments

9. Consider Accepting Financial Reports
   a. Activity Report
   b. Investment Report

10. Consider Accepting Cash Flow Reports
    a. A/R Aging Update
    b. A/P Report

11. Discuss future agenda items and next meeting date – Tuesday, May 9, 2023, 3:00 p.m.

Adjourn

PV Water is a state-chartered local Agency formed "to efficiently and economically manage existing and supplemental water supplies in order to prevent further increase in, and to accomplish continuing reduction of, long-term overdraft and to provide and insure sufficient water supplies for present and anticipated needs within the boundaries of the Agency. It is anticipated that long-term overdraft problems may not be solved unless supplemental water supplies are provided. The water management Agency should, in an efficient and economically feasible manner, utilize supplemental water and available underground storage and should manage the groundwater supplies to meet the future needs of the basin." This agenda is subject to revision and may be amended prior to the scheduled meeting. If amended, a Final Agenda will be posted at the PV Water offices at 36 Brennan Street, Watsonville, 72 hours prior to the meeting. Copies of the Final Agenda will be available at the Board Meeting. This Agenda shall be made available upon request in alternative formats to persons with a disability, as required by the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132) and the Ralph M. Brown Act (Cal. Govt. Code Sec. 54954.2). Persons requesting a disability-related modification or accommodation should contact PV Water at (831) 722-9292 during regular business hours, at least 24 hours prior to the time of the meeting.

TELECONFERENCE ACCESS INFORMATION

Join the Administration & Finance Committee meeting from your computer, tablet or smartphone.
https://www.gotomeet.me/PVWater/pv-water-administration-finance-committee

You can also dial in using your phone.
United States (Toll Free): 1 877 309 2073
Access Code: 392-853-285

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ADMINISTRATION & FINANCE COMMITTEE
DRAFT MEETING MINUTES of
Tuesday, March 7, 2023, 3:00 p.m.
PV Water, 36 Brennan Street, Watsonville

The teleconference meeting was called to order at 3:04 p.m.

1. **Roll Call of Committee Members**:
   Committee Members Present: Bob Culbertson (Chair), Abel Sanchez (Vice Chair) (3:20p.m.arrival), Amy Newell
   Staff Present: Brian Lockwood, General Manager (GM), Nancy Trevino, Finance & Administration Services Manager (FASM)
   Others Present: None

2. **Director Comments:** None

3. **Public Comments:** None

4. **Consider Approving Minutes of February 7, 2023 Committee Meeting:**
   Action: Director Newell moved to approve the February 7, 2023 minutes; seconded by Director Culbertson.

   The motion carried following roll call vote:

   Ayes: **Culbertson, Newell**
   Noes: **None**
   Abstain: **None**
   Absent: **Sanchez**

5. **Consider Capital Projects Financing Strategies:**
   Received presentation provided by NHA Advisors (copy available in packet)
   Action: No action taken.

6. **Consider Draft Resolution of Intention to Reimburse Expenditures for the College Lake Integrated Resources Management Project:**
   Action: Director Newell moved to recommend the Board adopt the Resolution of Intention to Reimburse Expenditures for the College Lake Integrated Resources Management Project, and place it on the consent agenda; seconded by Director Sanchez.

   The motion carried following roll call vote:

   Ayes: **Culbertson, Newell, Sanchez**
   Noes: **None**
   Abstain: **None**
   Absent: **None**

7. **Consider Draft Debt Management Policy:**
   Action: Director Newell moved to recommend the Board adopt the Debt Management Policy, and place it on the consent agenda; seconded by Director Sanchez.

   The motion carried following roll call vote:

   Ayes: **Culbertson, Newell, Sanchez**
   Noes: **None**
   Abstain: **None**
   Absent: **None**

8. **Consider Accepting Financial Reports:**
   Action: Director Newell moved to accept the Financial Reports and recommend the Board approve, and place on the consent agenda; seconded by Director Sanchez.

   The motion carried following roll call vote:

   Ayes: **Culbertson, Newell, Sanchez**
   Noes: **None**
   Abstain: **None**
   Absent: **None**

9. **Consider Accepting Cash Flow Reports:**
   Action: Director Newell moved to accept the Cash Flow Reports and recommend the Board approve, and place on the consent agenda; seconded by Director Sanchez.

   The motion carried following roll call vote:

   Ayes: **Culbertson, Newell, Sanchez**
   Noes: **None**
   Abstain: **None**
   Absent: **None**

10. **Discuss Future Agenda Items and Next Meeting Date:** Preliminary Budget for Fiscal Year 2023-24. The next regular meeting date is set for Tuesday, April 11, 3:00 p.m.

    Adjournment: 4:32 p.m.

MEMORANDUM

DATE: April 6, 2023
MEETING OF: April 11, 2023
TO: Administration & Finance Committee
FROM: General Manager
RE: **ITEM 5:** Authorization of the Issuance of the 2023 Certificates of Participation to Finance a Portion of the Cost of the College Lake Integrated Resources Management Project

INTRODUCTION

The Pajaro Valley Water Management Agency (Agency) is in the midst of two capital projects: the College Lake Integrated Resources Management Project (the "College Lake Project") and Watsonville Slough System Managed Aquifer Recharge and Recovery Project ("WSS-MARR"). Each project will provide critical new water sources to the Pajaro Valley. These projects are estimated to cost approximately $135 million in total. The Agency Board has previously approved the contract for the College Lake Project and anticipates expenditures to begin in the next 60-90 days.

Agency staff is focused on minimizing the financial impact of the implementation of these projects and has focused on funding them using Agency reserves, grants, a low-interest rate Water Infrastructure Finance and Innovation Act ("WIFIA") loan, and the issuance of additional Agency debt. During the March 15, 2023, meeting of the Board of Directors, the Board received a presentation from the Agency's municipal advisor, NHA Advisors, summarizing these financing strategies.

This agenda item is related to the issuance of obligations to fund a portion of the College Lake Project. The financing will be captioned the "Pajaro Valley Water Management Agency 2023 Water Revenue Certificates of Participation" ("2023 COPs"), and is expected to raise up to $44.5 million to cover a portion of the cost of College Lake Project. The 2023 COPs will be sold through the public bond markets through a municipal underwriter and will require the approval of certain legal, disclosure, and sale documents, all as discussed further below.

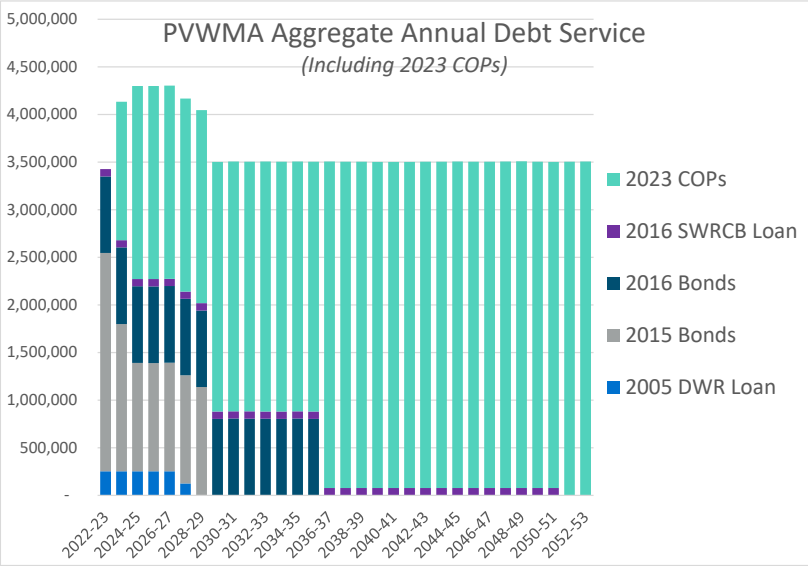
Agency staff anticipate that the 2023 COPs will be delivered by mid-June 2023, at which time funds will be available for use.

DISCUSSION

The Agency has previously issued public debt in 2015 and 2016. Because both of those bond issuances were for the purpose of refinancing prior obligations, they were structured as refunding bonds as permitted under California law. The current issuance is intended to raise "new money" for capital projects and will need to be structured as certificates of participation under California law. Under this structure, the Agency will enter into an installment sale arrangement with the Pajaro Valley Water Management Agency Financing Corporation (the "Corporation") for the purchase of College Lake Project in installments, and the Corporation will assign the installment payments to a bond trustee who will execute and deliver the 2023 COPs, which will be sold to investors to provide funding for the College Lake Project.

The 2023 COPs are expected to raise up to $44.5 million for College Lake Project costs, with the remaining costs anticipated to be funded with a WIFIA loan and the other sources discussed above, as needed. Agency staff have submitted grant applications for additional construction funding. The final par

amount of the 2023 COPs will be reduced to the extent that the Agency is awarded additional grant funding or to the extent that the Agency contributes additional reserves to the College Lake Project.



The 2023 COPs will be structured with a 30-year term and the amortization will be structured to "wrap around" the Agency's other debt in order to make the aggregate debt service repayments as level as possible. The 2023 COPs will be fixed rate debt and the interest rates on the 2023 COPs will not change once they are priced.

The 2023 COPs will be sold to the public markets through a bond underwriter, and Agency staff and financing team are in the midst of a credit rating evaluation process with S&P. The Agency's current credit rating with S&P is "A" – which is considered a strong investment grade rating. We anticipate that the Agency will complete the credit rating process by early May.

The 2023 COPs will also require the Agency Board to approve certain legal, disclosure and sale documents, which are summarized below:

Authorizing Resolutions – there are two authorizing resolutions, one for the Agency Board and one for the Agency Board acting as the Board of Directors of the Corporation. These Authorizing Resolutions approve the financing plan, authorize execution and delivery of the 2023 COPs, and approve the other documents described below. Those resolutions also authorize Agency staff to execute those documents, provided the final terms of the 2023 COPs do not exceed a maximum principal amount of $50 million; a maximum true interest cost of 4.75%, and a maximum underwriting discount of 0.5%. These amounts are conservatively set to provide the Agency with the flexibility to adjust the structuring on the 2023 COPs as needed in the days leading up to the sale. The actual par of the 2023 COPs may be less than the $50 million not-to-exceed amount to the extent that the Agency is awarded additional grant funding or applies additional Agency cash to the Project.

Installment Sale Agreement –under this agreement, the Corporation provides financing for the College Lake Project and sells the College Lake Project to the Agency in exchange for semiannual installment payments to be made by the Agency. These installment payments will be made from and secured by a pledge of the net revenues of the Agency's water enterprise. In furtherance of this pledge of security, the Agency covenants to raise rates or reduce expenses as needed to ensure that there is a minimum 110% debt service coverage on the 2023 COPs. The Agency's outstanding debt also requires the Agency to maintain net revenues equal to 110% of annual debt service payments. The Installment Sale Agreement for the 2023 COPs contains covenants and provisions designed to mirror similar provision in the issuance documents for the Agency's outstanding refunding bonds, since the 2023 COPs are being issued on a parity basis with those bonds.

Trust Agreement – the Trust agreement establishes the relationship between the Agency, the Corporation, and the Bank of New York Mellon Trust Company, which will serve as trustee for the 2023 COPs. This agreement sets forth key terms and conditions for the 2023 COPs, including the allocation of the financing proceeds, prepayment provisions, covenants, the role of the Trustee,

and the form of the 2023 COPs. Under the Trust Agreement, the Corporation assigns and transfers its rights to receive installment payments from the Agency over to the Trustee. The Trustee will then use those installment payments to make interest and principal payments to the owners of the 2023 COPs.

Preliminary Official Statement - this is the primary disclosure document for the 2023 COPs and provides potential investors with information about the Agency, the security and sources of payment for the 2023 COPs, the state of the water enterprise and the Agency's finances and operations, and outlines key risk factors for potential investors to consider. Under federal securities laws, the Preliminary Official Statement must include all information regarding the 2023 COPs that would be material to an investor in making an investment decision in the 2023 COPs, and may not make any misstatement of material information. Following a careful review by the Agency Board, staff, and financing team, this document will be distributed by the underwriter to the investing public during the marketing period for the 2023 COPs.

Continuing Disclosure Certificate - this is attached as an appendix to the Preliminary Official Statement and sets out the Agency's obligation to provide ongoing reporting to the investors in the 2023 COPs and the larger municipal securities marketplace regarding the status of the 2023 COPs and the Agency's water enterprise and finances.

Purchase Contract – this agreement sets forth the terms and conditions under which the Underwriter (Hilltop Securities) will purchase the 2023 COPs on the closing date and then sell the 2023 COPs to investors.

All of these documents will be presented to the Board for approval as to form, and will contain certain blanks related to the terms that will be finalized when the 2023 COPs are priced (such as principal amount, interest rates, amortization, and redemption terms) because those amounts will be a function of market conditions on the day the 2023 COPs are priced.

Following the Agency Board's approval of the resolutions, disclosure, and legal documents, and following the completion of the credit rating process, Agency staff anticipate that the 2023 COPs will be priced in mid-May, at which point the interest rates and amortization of the 2023 COPs will be finalized. After the pricing date, the 2023 COPs will close in mid-June 2023, at which point funds will be available to the Agency for College Lake Project costs.

FISCAL IMPACT

The 2023 COPs will be structured with debt service that steps up over time. This structure uses interest-only payments through Fiscal Year ("FY") 2028-29 to "wrap" the debt service on the 2023 COPs around the debt service on the Agency's other outstanding obligations. There is a step up in FY 2029-30 as the 2023 COPs start amortizing principal and a second step-up in FY 2036-37 to further increase the principal payments as the debt service on other Agency obligations begins to fall away.

Annual debt service on the 2023 COPs is estimated to be $2 million per year through FY 2028-29, $2.6 million per year from FY 2029-30 through FY 2035-36, and $3.4 million per year from FY 2036-37 through FY 2052-53. These amounts assume a true interest cost on the 2023 COPs of 4.41%, though this interest rate is subject to change until the 2023 COPs are priced.

Since the costs of issuing the 2023 COPs will be paid out of the proceeds of the 2023 COPs, the annual debt service estimates here already include all issuance costs.

STAFF RECOMMENDATION

That the Administration and Finance Committee recommends that the Agency Board approve the enclosed "Resolution of the Board of Directors of the Pajaro Valley Water Management Agency Authorizing the Execution, Delivery and Sale of Water Revenue Certificates of Participation to Finance Capital Improvement Projects, and Approving Related Documents and Actions."

Further, that the Administration and Finance Committee also recommends that the Corporation Board approve the enclosed Resolution of the Board of Directors of the Pajaro Valley Water Management Agency Financing Corporation Authorizing the Execution, Delivery and Sale of Water Revenue Certificates of Participation to Finance Capital Improvement Projects of the Pajaro Valley Water Management Agency, and Approving Related Documents and Actions

ATTACHMENTS

1. Presentation
2. Agency Resolution
3. Corporation Resolution
4. Installment Sale Agreement
5. Trust Agreement
6. Preliminary Official Statement (available on website prior to the meeting)
7. Purchase Contract

PAJARO VALLEY WATER MANAGEMENT AGENCY

2023 WATER REVENUE CERTIFICATES OF PARTICIPATION

PRESENTATION TO ADMINISTRATION & FINANCE COMMITTEE

NHA | ADVISORS
Financial & Policy Strategies.
Delivered.

April 11, 2023

Agency's Financing Team

Pajaro Valley Water Management Agency	• Issuer for the 2023 COPs
NHA Advisors	• Agency's municipal financial advisor
Jones Hall	• Bond & Disclosure Counsel
Hilltop Securities	• Underwriter
BNY Mellon	• Bond trustee

Background and Financing Need

- PVWMA Board approved $87.2M in contracts for the College Lake Integrated Resources Management Project (CLIRMP) on February 1, 2023
  - WIFIA Loan is expected to fund 49% of this cost (~$42.7 million) , with 51% coming from the Agency (~$44.5 million)
- Anticipated maximum financing need for CLIRMP is $44.5 million
  - Actual par of the 2023 COPs will be higher to cover the costs of issuance and to fund for a debt service reserve, if needed
- Agency staff have applied for some additional construction grants to offset these costs
  - ***If PVWMA is awarded all or a portion of these grants, we will reduce the financing amount accordingly***

College Lake Integrated Resources Management Project Current Funding Sources	
2023 COPs	$44,488,049
WIFIA Loan	$42,743,420
Grants (Pending Award)	TBD
Total CLIRMP Construction Contract	$87,231,468

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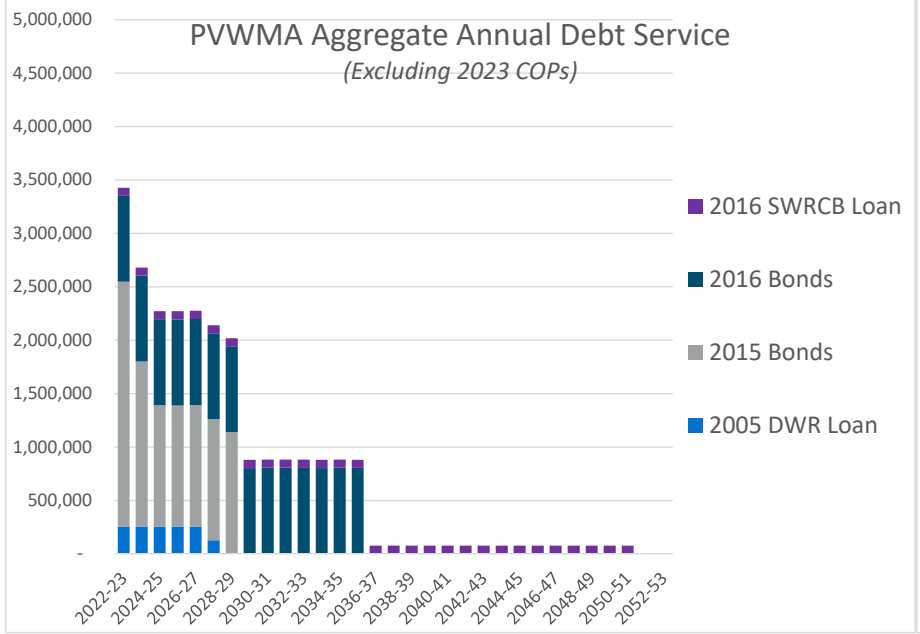
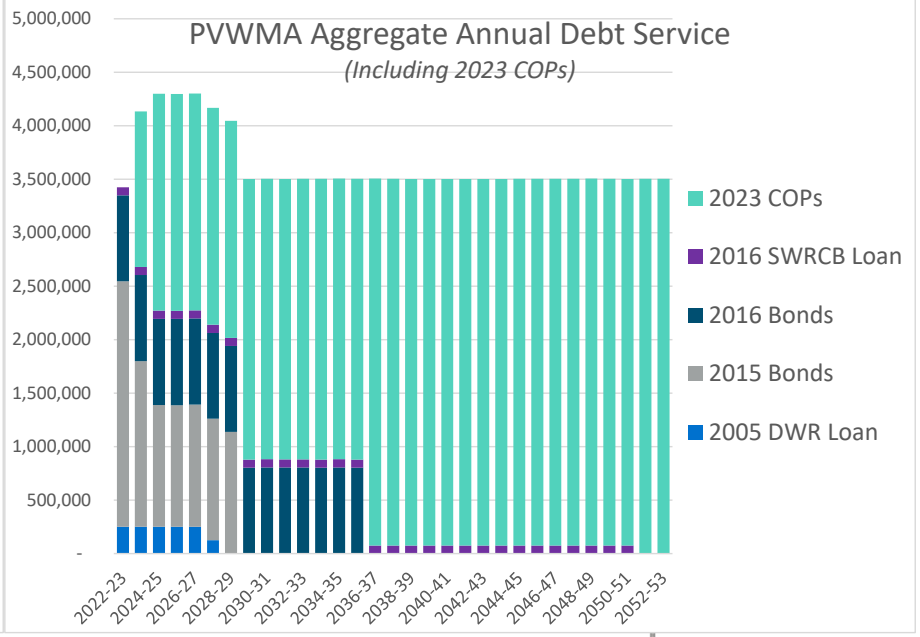
Anticipated Structure

- 2023 COPs are being structured to wrap around the Agency's other outstanding debt (see teal series in graph to the right below)
  - Interest-only for the first few years, followed by step-ups in 2029-30 and 2036-37
- Fixed-rate debt, 30-year amortization, prepayment option after 10 years

Before the 2023 COPs



After the 2023 COPs



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Summary of Legal and Disclosure Documents

Authorizing Resolutions

- Approve the financing plan, legal and disclosure documents, and authorize Agency staff to deliver the 2023 COPs
- Outlines Not-to-Exceed amounts for the 2023 COPs

Installment Sale Agreement

- Outlines relationship between PVWMA and PVWMA Financing Corporation (corporation provides financing for project and sells project to PVWMA in exchange for installment payments)
- 110% debt service coverage agreement

Trust Agreement

- Relationship between PVWMA, PVWMA Financing Corporation and BNY Mellon (Trustee)
- Sets forth key terms and conditions for COPs – allocation of proceeds, prepayment terms, covenants, form of 2023 COPs, role of Trustee

Preliminary Official Statement

- Primary disclosure document for 2023 COPs, providing investors with information about PVWMA, security for the bonds, state of Agency finances and operations, and outlines key risks
- Must contain all relevant material information that an investor would make in deciding to invest in the 2023 COPs

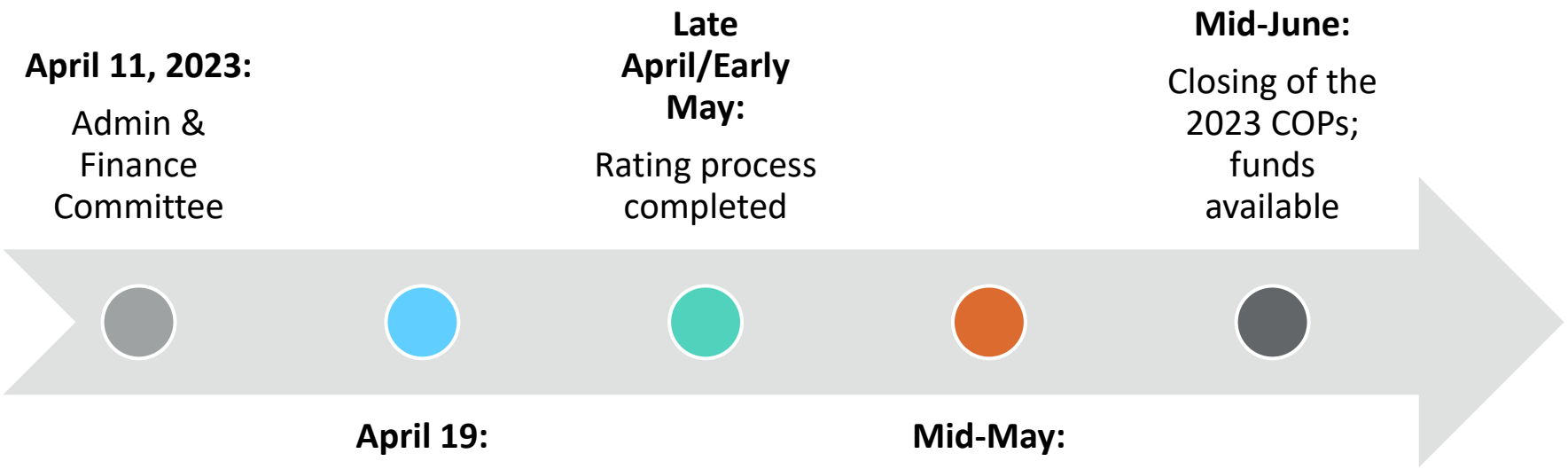
Continuing Disclosure Agreement

- Attached as an Appendix to the Preliminary Official Statement; sets forth the Agency's obligation to provide ongoing reporting
- Agency already subject to this requirement under 2015 and 2016 Bonds

Purchase Contract

- Sets forth terms and conditions under which underwriter (Hilltop Securities) will purchase the 2023 COPs and sell the 2023 COPs to investors

Anticipated Timing



ANY QUESTIONS?

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Resolution 2023-09

A Resolution of the Board of Directors of the Pajaro Valley Water Management Agency

Authorizing the Execution, Delivery and Sale of Water Revenue Certificates of Participation to Finance Capital Improvement Projects, and Approving Related Documents and Actions

---

The Board of Directors of the Pajaro Valley Water Management Agency does resolve as follows**:**

WHEREAS, the Pajaro Valley Water Management Agency (the "Agency") owns and operates a public enterprise for the protection, reclamation and replenishment of groundwater and provision of water within its service area (the "Water Enterprise").

WHEREAS, the Agency is proceeding to finance certain capital improvement projects for the Water Enterprise known as the College Lake Integrated Resources Management Project, which will consist of the development of College Lake as a water storage and supply source, as specified in more detail in the hereinafter-defined Installment Sale Agreement (collectively, the "Project").

WHEREAS, the Pajaro Valley Water Management Agency Financing Corporation (the "Corporation") is a nonprofit public benefit corporation previously formed by the Agency for the purpose of assisting the Agency in the financing of public capital improvements.

WHEREAS, in order to provide funds to finance the Project, the Corporation has proposed to enter into an Installment Sale Agreement (the "Installment Sale Agreement"), between the Corporation as seller and the Agency as purchaser, under which the Corporation agrees to provide financing for the Project and to sell the completed Project to the Agency in consideration of the agreement by the Agency to pay the purchase price of the Project in semiannual installments (the "Installment Payments").

WHEREAS, for the purpose of obtaining the moneys required to provide financing to the Agency in accordance with the terms of the Installment Sale Agreement, the Corporation, and the Agency have agreed to enter into a Trust Agreement (the "Trust Agreement") with The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), under which the Corporation will assign and transfer certain of its rights under the Installment Sale Agreement to the Trustee, and the Trustee will agree to execute and deliver Certificates of Participation (the "Certificates"), evidencing direct, undivided fractional interests in the Installment Payments.

WHEREAS, California Government Code Section 5852.1 requires that certain financial information be obtained and disclosed with respect to the Certificates by the Board of Directors of the Agency, and this information is set forth in Exhibit A attached hereto.

WHEREAS, this Board of Directors has duly considered such transactions and wishes at this time to approve said transactions in the public interests of the Agency.

NOW, THEREFORE, BE IT RESOLVED by the Pajaro Valley Water Management Agency Board of Directors, that:

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Section 1. Approval of Financing Plan and Related Documents. The Board of Directors hereby approves the execution, delivery and sale of the Certificates in the maximum principal amount of $50,000,000 for the purpose of providing funds to finance the Project and pay all the costs of delivering the Certificates. To that end, the Board of Directors hereby approves each of the following financing documents in substantially the respective forms on file with the Secretary, together with any changes therein or additions thereto approved by the Chair of the Board, the Vice Chair of the Board, or the General Manager or a designee or successor of any of them (each, an "Authorized Officer"), and the execution thereof by an Authorized Officer shall be conclusive evidence of such approval:

- Installment Sale Agreement between the Agency and the Corporation, under which the Corporation agrees to provide funds to finance the Project in consideration of semi-annual payments to be made by the Agency from the net revenues of the Water Enterprise; and

- Trust Agreement among the Agency, the Corporation and the Trustee, whereby the Trustee agrees to execute and deliver the Certificates and to apply the proceeds thereof to accomplish the purposes of the financing.

Each Authorized Officer, acting alone, is hereby authorized and directed for and in the name and on behalf of the Agency to execute the final form of each of the foregoing documents, and the Secretary is hereby authorized and directed to attest to the final form of each of the foregoing documents, if necessary. The schedule of semiannual 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.

Section 2. Approval of Preliminary Official Statement. The Board of Directors hereby authorizes and approves the form of Preliminary Official Statement describing the Agency, the Water Enterprise and the Certificates on file with the Secretary, together with such changes or alterations as may be approved by an Authorized Officer. The Board hereby approves and deems nearly final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, the Preliminary Official Statement in the form on file with the Secretary, together with such modifications thereto as may be approved by an Authorized Officer. An Authorized Officer is hereby authorized and directed to (a) execute and deliver to the purchaser of the Certificates a certificate deeming the Preliminary Official Statement to be final, as of its date, within the meaning of such Rule, (b) approve any changes in or additions to cause the Preliminary Official Statement to be put in final form, and (c) execute the Final Official Statement for and in the name and on behalf of the Agency. The Board of Directors hereby authorizes the distribution of the Preliminary Official Statement and the Final Official Statement.

Section 3. Approval of Continuing Disclosure Certificate. The Board of Directors hereby approves the Continuing Disclosure Certificate in substantially the form attached as an appendix to the Preliminary Official Statement, together with any changes therein or additions thereto deemed advisable by an Authorized Officer, such approval to be conclusively evidenced by the execution and delivery thereof. An Authorized Officer is hereby authorized and directed to execute the final form of the Continuing Disclosure Certificate, for and in the name and on behalf of the Agency. The Board of Directors hereby authorizes the delivery and performance of the Continuing Disclosure Certificate.

Section 4. Approval of Certificate Purchase Contract. The Board of Directors hereby authorizes and approves the negotiated sale of the Certificates to Hilltop Securities, Inc., as underwriter (the "Underwriter") pursuant to a Purchase Contract among the Agency, the

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Corporation and the Underwriter in the form on file with the Secretary, together with such changes or alterations as may be approved by an Authorized Officer; provided, that the principal amount of the Certificates shall not exceed $50,000,000 the true interest cost of the Certificates shall not exceed 4.75% and the Underwriter's discount (exclusive of any original issue discount) shall not exceed 0.5% of the principal amount of the Certificates. 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 5. Professional Services. In connection with the sale, execution and delivery of the Certificates, the Board of Directors hereby confirms the engagement of NHA Advisors, LLC to act as municipal advisor to the Agency, and the firm of Jones Hall, A Professional Law Corporation, to act as bond counsel and disclosure counsel to the Agency. Any Authorized Officer is hereby authorized and directed to execute an agreement with each such firm, in the respective forms on file with the Secretary of the Board.

Section 6. Official Actions. The Chair of the Board, the Vice Chair of the Board, the General Manager, the Secretary of the Board, and any and all other officers of the Agency are hereby authorized and directed, for and in the name and on behalf of the Agency, to do any and all things and take any and all actions, including execution and delivery of any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the transactions described herein. Any such actions previously taken by such officers in furtherance of this resolution are hereby ratified and confirmed. Whenever in this Resolution any officer of the Agency is authorized 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 if such officer is absent or unavailable.

Section 7. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

PASSED AND ADOPTED by the Pajaro Valley Water Management Agency, County of Santa Cruz, State of California, the day of , , by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Amy Newell, Chair

Attest:

Laura R. Taay, Board Secretary

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Resolution 2021-XX

A Resolution of the Board of Directors of the Pajaro Valley Water Management Agency Financing Corporation

Authorizing the Execution, Delivery and Sale of Water Revenue Certificates of Participation to Finance Capital Improvement Projects of the Pajaro Valley Water Management Agency, and Approving Related Documents and Actions

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WHEREAS, the Pajaro Valley Water Management Agency Financing Corporation (the "Corporation") is a nonprofit public benefit corporation previously formed by the Pajaro Valley Water Management Agency (the "Agency") for the purpose of assisting the Agency in the financing of public capital improvements.

WHEREAS, the Agency owns and operates a public enterprise for the protection, reclamation and replenishment of groundwater and provision of water within its service area (the "Water Enterprise").

WHEREAS, the Agency is proceeding to finance certain capital improvement projects for the Water Enterprise known as the College Lake Integrated Resources Management Project, which will consist of the development of College Lake as a water storage and supply source, as specified in more detail in the hereinafter-defined Installment Sale Agreement (collectively, the "Project").

WHEREAS, in order to provide funds to finance the Project, the Corporation has proposed to enter into an Installment Sale Agreement (the "Installment Sale Agreement"), between the Corporation as seller and the Agency as purchaser, under which the Corporation agrees to provide financing for the Project and to sell the completed Project to the Agency in consideration of the agreement by the Agency to pay the purchase price of the Project in semiannual installments (the "Installment Payments").

WHEREAS, for the purpose of obtaining the moneys required to provide financing to the Agency in accordance with the terms of the Installment Sale Agreement, the Corporation, the Agency have agreed to enter into a Trust Agreement (the "Trust Agreement") with The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), under which the Corporation will assign and transfer certain of its rights under the Installment Sale Agreement to the Trustee, and the Trustee will agree to execute and deliver Certificates of Participation (the "Certificates"), evidencing direct, undivided fractional interests in the Installment Payments.

WHEREAS, this Board of Directors has duly considered such transactions and wishes at this time to approve said transactions in the public interests of the Agency.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Pajaro Valley Water Management Agency Financing Corporation as follows:

Section 1. Approval of Financing Plan and Related Documents. The Board of Directors hereby approves the execution, delivery and sale of the Certificates in the maximum principal amount of $50,000,000 for the purpose of providing funds to finance the Project and pay all the costs of delivering the Certificates. To that end, the Board of Directors hereby approves each of the following financing documents in substantially the respective forms on file with the Secretary,

together with any changes therein or additions thereto approved by the President, any Vice President, or the Chief Financial Officer or a designee or successor of any of them (each, an "Authorized Officer"), and the execution thereof by an Authorized Officer shall be conclusive evidence of such approval:

- Installment Sale Agreement between the Agency and the Corporation, under which the Corporation agrees to provide funds to finance the Project in consideration of semi-annual payments to be made by the Agency from the net revenues of the Water Enterprise; and

- Trust Agreement among the Agency, the Corporation and the Trustee, whereby the Trustee agrees to execute and deliver the Certificates and to apply the proceeds thereof to accomplish the purposes of the financing.

Each Authorized Officer, acting alone, is hereby authorized and directed for and in the name and on behalf of the Corporation to execute the final form of each of the foregoing documents, and the Secretary is hereby authorized and directed to attest to the final form of each of the foregoing documents, if necessary.

Section 2. Approval of Preliminary Official Statement. The Board of Directors hereby authorizes and approves the form of Preliminary Official Statement describing the Agency, the Corporation, the Water Enterprise and the Certificates on file with the Secretary, together with such changes or alterations as may be approved by an Authorized Officer. The Board hereby approves and deems nearly final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, the Preliminary Official Statement in the form on file with the Secretary, together with such modifications thereto as may be approved by an Authorized Officer. An Authorized Officer is hereby authorized and directed to (a) execute and deliver to the purchaser of the Certificates a certificate deeming the Preliminary Official Statement to be final, as of its date, within the meaning of such Rule, (b) approve any changes in or additions to cause the Preliminary Official Statement to be put in final form, and (c) execute the Final Official Statement for and in the name and on behalf of the Corporation. The Board of Directors hereby authorizes the distribution of the Preliminary Official Statement and the Final Official Statement.

Section 3. Approval of Certificate Purchase Contract. The Board of Directors hereby authorizes and approves the negotiated sale of the Certificates to Hilltop Securities, Inc., as underwriter (the "Underwriter") pursuant to a Purchase Contract among the Agency, the Corporation and the Underwriter in the form on file with the Secretary, together with such changes or alterations as may be approved by an Authorized Officer; provided, that the principal amount of the Certificates shall not exceed $50,000,000 the true interest cost of the Certificates shall not exceed 4.75% and the Underwriter's discount (exclusive of any original issue discount) shall not exceed 0.5% of the principal amount of the Certificates. 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 4. Official Actions. The President, any Vice President, the Chief Financial Officer, the Secretary, and any and all other officers of the Corporation are hereby authorized and directed, for and in the name and on behalf of the Corporation, to do any and all things and take any and all actions, including execution and delivery of any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the transactions described herein. Any such actions previously taken by such officers in furtherance of this resolution are hereby ratified and confirmed. Whenever in this Resolution any officer of the

Corporation is authorized 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 if such officer is absent or unavailable.

Section 5. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

PASSED AND ADOPTED by the Pajaro Valley Water Management Agency, County of Santa Cruz, State of California, the day of , , by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

_____
Amy Newell, Chair

Attest:

_____
Laura R. Taay, Board Secretary

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INSTALLMENT SALE AGREEMENT

by and between

PAJARO VALLEY WATER MANAGEMENT AGENCY

and

PAJARO VALLEY WATER MANAGEMENT AGENCY FINANCING CORPORATION

Dated as of May 1, 2023

Relating to

$_____
Pajaro Valley Water Management Agency
2023 Water Revenue Certificates of Participation

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INSTALLMENT SALE AGREEMENT

This INSTALLMENT SALE AGREEMENT (this "Agreement"), dated as of May 1, 2023, is between the PAJARO VALLEY WATER MANAGEMENT AGENCY, a special district organized and existing under the Pajaro Valley Water Management Agency Act (Act 760, 1984 chapter 257, of the California Water Code) (the "Agency"), as purchaser, and the PAJARO VALLEY WATER MANAGEMENT AGENCY FINANCING CORPORATION, a nonprofit public benefit corporation organized and existing under the laws of the State of California (the "Corporation"), as seller.

B A C K G R O U N D :

1. The Agency owns and operates a public enterprise for the protection, reclamation and replenishment of groundwater and provision of water within its service area (the "Water Enterprise").

2. The Agency is proceeding to finance certain capital improvement projects for the Water Enterprise known as the College Lake Integrated Resources Management Project, which will consist of the development of College Lake as a water storage and supply source, as specified in more detail in Appendix A hereto (collectively, the "Project").

3. The Corporation has been formed for the purpose of assisting the Agency in the financing of public capital improvements, and in order to provide funds to finance the Project the Corporation has proposed to enter into this Agreement under which the Corporation agrees to provide financing for the Project and to sell the completed Project to the Agency in consideration of the agreement by the Agency to pay the purchase price of the Project in semiannual installments (the "Installment Payments").

4. The Installment Payments will be payable from and secured by a pledge of and lien on the net revenues received by the Agency from the Water Enterprise, on a parity basis with the payments of debt service on outstanding Parity Obligations of the Agency (as defined in the Trust Agreement).

5. For the purpose of obtaining the moneys required to finance the Project in accordance with the terms of this Agreement, the Corporation, the Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), have entered into a Trust Agreement dated as of May 1, 2023 (the "Trust Agreement"), under which the Corporation has assigned and transferred certain of its rights under this Agreement to the Trustee, and the Trustee has executed and delivered the Certificates (as defined in the Trust Agreement), evidencing direct, undivided fractional interests in the Installment Payments, the proceeds of which will be applied to finance the Project as provided herein and in the Trust Agreement.

A G R E E M E N T :

In consideration of the above premises and of the mutual covenants hereinafter contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

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ARTICLE I

DEFINITIONS; RULES OF INTERPRETATION

SECTION 1.1. *Definitions.* Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms used in this Agreement have the respective meanings given them in Appendix A attached to the Trust Agreement.

SECTION 1.2. *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 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.

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

SECTION 2.1. *Representations, Covenants and Warranties of the Agency*. The Agency represents, covenants and warrants to the Corporation as follows:

(a) Due Organization and Existence. The Agency is a special district duly organized and validly existing under the Pajaro Valley Water Management Agency Act (Act 760, 1984 chapter 257, of the California Water Code), 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 Agency has duly authorized the execution and delivery of this Agreement and the Trust Agreement.

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

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(c) Valid, Binding and Enforceable Obligations. This Agreement and the Trust Agreement have been duly authorized, executed and delivered by the Agency and constitute the legal, valid and binding agreements of the Agency enforceable against the Agency 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 Agency 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 Agency, 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 or the Trust Agreement or the financial condition, assets, properties or operations of the Agency, including but not limited to the performance of the Agency'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 Agency or of the voters of the Agency, 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 Agency after reasonable investigation, threatened against or affecting the Agency or the assets, properties or operations of the Agency which, if determined adversely to the Agency 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 Agency, and the Agency 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

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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 Agency, including but not limited to the payment and performance of the Agency's obligations under this Agreement and the Trust Agreement.

(g) No Senior Obligations. The Agency has not issued or incurred any obligations which are currently outstanding that are secured by a pledge of the Gross Revenues or the Net Revenues on a basis that is senior to the pledge of the Net Revenues to the Installment Payments hereunder.

SECTION 2.2. *Representations, Covenants and Warranties of the Corporation*. The Corporation represents, covenants and warrants to the Agency as follows:

(a) Due Organization and Existence. The Corporation is a nonprofit public benefit corporation 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, 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 or 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.

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ARTICLE III

EXECUTION AND DELIVERY OF CERTIFICATES; APPLICATION OF PROCEEDS; ACQUISITION AND CONSTRUCTION OF PROJECTS

SECTION 3.1. *The Certificates*. The Corporation shall cause the Certificates to be executed and delivered under the Trust Agreement in the aggregate principal amount of $_____. The Agency hereby approves the Trust Agreement, the assignment thereunder to the Trustee of certain rights of the Corporation, and the execution and delivery of the Certificates.

SECTION 3.2. *Deposit and Application of Funds*. The Trustee shall deposit the proceeds received by it from the sale of the Certificates to the Original Purchaser in the respective funds and accounts, and in the respective amounts, as set forth in Section 3.01 of the Trust Agreement.

SECTION 3.3. *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 and Construction of the Project in accordance with the plans and specifications, purchase orders, construction contracts and other documents relating thereto and approved by the Agency. All contracts for, and all work relating to, the Acquisition and Construction of the Project are subject to all applicable provisions of law relating to the acquisition and construction of public works by the Agency. The Corporation expects that the Acquisition and Construction of the Project will be completed on or before _____, 20___. If the Corporation fails to complete the Project by that date, such failure will not constitute an Event of Default hereunder or a grounds for termination hereof, nor shall will failure result in the diminution, abatement or extinguishment of the obligations of the Agency hereunder to pay the Installment Payments when due hereunder.

SECTION 3.4. *Appointment of Agency as Agent*. The Corporation hereby appoints the Agency as its agent to carry out all phases of the Acquisition and Construction of the Project under and in accordance with the provisions hereof. The Agency hereby accepts such appointment and assumes all rights, liabilities, duties and responsibilities of the Corporation regarding the Acquisition and Construction of the Project. The Agency, as agent of the Corporation hereunder, shall enter into, administer and enforce all purchase orders or other contracts relating to the Acquisition and Construction of the Project. The Agency shall pay the Project Costs from amounts held by it in the accounts within the Construction Fund or other Agency funds in accordance with the provisions of this Agreement and the provisions of the Trust Agreement.

SECTION 3.5. *Plans and Specifications*. The Agency has the right to specify the exact scope, nature and identification of the Project and the respective components thereof. Before any payment is made for the Project or any component thereof from amounts on deposit in the accounts within the Construction Fund, the Agency must prepare detailed plans and specifications relating thereto. The Agency may from time to time amend any such plans and specifications, and may thereby change or modify the description of the Project or any component thereof.

SECTION 3.6. *Certificate of Project Completion*. Upon the completion of the Acquisition and Construction of the Project, but in any event not later than 30 days following such completion, the Agency Representative shall execute and deliver to the Corporation and the Trustee a written certificate of the Agency Representative 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 accounts within the Construction Fund for payment of future Project Costs.

ARTICLE IV

SALE OF PROJECT; INSTALLMENT PAYMENTS

SECTION 4.1. *Sale*. The Corporation hereby sells the Project to the Agency, and the Agency 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 commences on the Closing Date, and ends on May 1, 2053, 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. *Title*. Title to the Project, and each component thereof, shall be deemed conveyed to and vested in the Agency immediately following the completion of the Project as evidenced in accordance with Section 3.7. The Corporation and the Agency shall execute, deliver and cause to be recorded any and all documents reasonably required by the Agency to consummate such transfers of title.

SECTION 4.4. *Installment Payments.*

(a) Purchase Price of Project. The Agency 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 B hereto.

(b) Payment Provisions. The Agency shall deposit the Installment Payments with the Trustee, as assignee of the Corporation under the Trust Agreement, on the Installment Payment Date preceding each Interest 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 the Installment Payment coming due and payable on that Interest Payment Date. The Installment Payments will be secured by and payable solely from the sources specified in Section 4.5.

(c) Effect of Prepayment. If the Agency prepays all remaining Installment Payments in full under Sections 7.2 or 7.3, the Agency's obligations under this Agreement shall thereupon cease and terminate, including but not limited to the Agency's obligation to pay Installment Payments under this Section 4.4; except that the Agency's obligations to compensate and indemnify the Trustee under Sections 4.7 and 5.2 shall survive such

prepayment. If the Agency prepays the Installment Payments in part but not in whole under Sections 7.2 or 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.

(d) Rate on Overdue Payments. If the Agency fails to make any of the payments required in this Section 4.4 or Section 4.7, the payment in default shall continue as an obligation of the Agency until the amount in default has been fully paid, and the Agency agrees to pay the same with interest thereon, from the date of default to the date of payment, at the Overdue Rate.

(e) Assignment. The Agency 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 Agency hereby consents to such assignment. The Corporation hereby directs the Agency, and the Agency hereby agrees, to pay to the Trustee at its Trust Office, all payments payable by the Agency under this Section 4.4 and all amounts payable by the Agency under Article VII.

SECTION 4.5. *Pledge and Application of Net Revenues*.

(a) Pledge and Assignment 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, are hereby irrevocably pledged to the punctual payment of the Installment Payments. Such pledge 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 hereof. Such pledge and lien on, and security interest in, the Net Revenues shall be on a parity with the pledge, lien and security interest which secures any Parity Obligations.

(b) Receipt, Deposit and Application of Gross Revenues and Net Revenues.

(i) Water Fund; Gross Revenues. The Agency has previously established the Water Fund, which it will continue to hold and maintain for the purposes and uses set forth herein. The Agency shall deposit all Gross Revenues in the Water Fund promptly upon the receipt thereof, and shall apply amounts in the Water Fund solely for the uses and purposes set forth herein and purposes set forth in the Parity Obligation Documents.

(ii) Payments from Net Revenues. In addition to withdrawals required to pay principal of and interest on the outstanding Parity Obligations when due, the Agency shall withdraw amounts on deposit in the Water Fund and apply such amounts at the times and for the purposes, and in the priority, as follows:

(A) Payment of Installment Payments and Parity Obligations. On or before each Installment Payment Date, the Agency shall withdraw from the Water Fund and transfer to the Trustee for deposit in the Installment Payment Fund an

amount of Net Revenues which, together with the balance then on deposit in the Installment Payment Fund, is equal to the aggregate amount of the Installment Payment coming due and payable on the next succeeding Interest Payment Date. In addition, the Agency shall withdraw from the Water Fund and pay the principal of and interest on any Parity Obligations from Net Revenues, without preference or priority among the Installment Payments and Parity Obligations. If the amount of Net Revenues on deposit in the Water Fund is at any time insufficient to enable the Agency to pay when due the Installment Payments and the principal of and interest on the Parity Obligations, such payments shall be made on a pro rata basis.

(B) Reserve Fund Deposits and Transfers. Promptly upon receipt by the Agency of knowledge that the amount on deposit in the Reserve Fund is below the Reserve Requirement or any reserve fund established for any Parity Obligation has fallen below the amount required to be on deposit therein (or that there is an amount due to any provider of an insurance policy on deposit in any reserve fund), the Agency shall promptly (I) withdraw such amount due from available Net Revenues on deposit in the Water Fund, and (II) transfer such amount for deposit in the Reserve Fund or such Parity Obligations reserve fund (or to the provider of such insurance policy). If the amount of Net Revenues on deposit in the Water Fund is any time insufficient to enable the Agency to pay when due all amounts required by this subsection (B), such payments shall be made on a pro rata basis.

(iii) Other Permitted Uses of Net Revenues. The Agency shall manage, conserve and apply moneys in the Water Fund in such a manner that all deposits required to be made under this Section and under the Parity Obligation Documents 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 Agency may at any time use and apply moneys in the Water Fund for any one or more of the following purposes:

(A) the payment of the Operation and Maintenance Costs of the Water Enterprise,

(B) the acquisition and construction of extensions and betterments to the Water Enterprise;

(C) the redemption of any of the Bonds or Parity Obligations that are then subject to redemption or the purchase thereof from time to time in the open market, at prices and in such manner, either at public or private sale, or otherwise, as the Agency in its discretion may determine; or

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(D) any other lawful purpose of the Agency relating to the Water Enterprise.

SECTION 4.6. *Special Obligation of the Agency; Obligations Absolute.* The Agency's obligation to pay the Installment Payments and any other amounts coming due and payable hereunder are a special obligation of the Agency limited solely to the Net Revenues and the other amounts pledged under this Agreement. Under no circumstances is the Agency 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, nor are any other funds or property of the Agency be liable for the payment of the Installment Payments and any other amounts coming due and payable hereunder.

The obligations of the Agency to make the Installment Payments from the Net Revenues and to perform and observe the other agreements contained herein are absolute and unconditional and are 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 Agency or otherwise with respect to the Water Enterprise, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the Agency by the Corporation or the Trustee. Until such time as all of the Installment Payments, all of the Additional Payments and all other amounts coming due and payable hereunder have been fully paid or prepaid, the Agency (a) will not suspend or discontinue payment of any Installment Payments, Additional Payments or such other amounts, (b) will perform and observe all other agreements contained in this Agreement, and (c) will 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 Enterprise, sale of the Water Enterprise, the taking by eminent domain of title to or temporary use of any component of the Water Enterprise, commercial frustration of purpose, any change in the 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 shall release the Corporation from the performance of any of its agreements contained herein or in the Trust Agreement. If the Corporation fails to perform any such agreements, the Agency may institute such action against the Corporation as the Agency deems necessary to compel performance so long as such action does not abrogate the obligations of the Agency contained in the preceding paragraph. The Agency may, however, at the Agency's own cost and expense and in the Agency's own 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 Agency deems reasonably necessary in order to secure or protect the Agency's rights hereunder, and in such event the Corporation will cooperate fully with the Agency and take such action necessary to effect the substitution of the Agency for the Corporation in such action or proceeding if the Agency shall so request.

SECTION 4.7. *Additional Payments*. In addition to the Installment Payments, the Agency shall pay when due the following amounts to the following parties:

(a) to the Corporation, all costs and expenses incurred by the Corporation to comply with the provisions of this Agreement and the Trust Agreement; and

(b) to the Trustee upon request therefor, all of its costs 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;

(c) to the Corporation and the Trustee, all amounts required to indemnify the Corporation and the Trustee under Section 5.2 hereof and under Section 10.03 of the Trust Agreement; and

(d) all costs and expenses of auditors, engineers and accountants of the Agency related to the Project.

Subject to the provisions of Section 7.03 of the Trust Agreement, the Additional Payments shall be 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 Agency under this Section, shall survive the termination of this Agreement.

ARTICLE V

COVENANTS OF THE AGENCY

SECTION 5.1. *Disclaimer of Warranties*. The Corporation 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 Agency 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 shall the Corporation be liable for incidental, indirect, special 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. *Release and Indemnification Covenants*. The Agency shall indemnify the Corporation and the Trustee, and their respective officers, agents, successors and assigns, against all claims, losses and damages, including legal fees and expenses, arising out of (a) the use, maintenance, condition or management of, or from any work or thing done on or about the Water Enterprise by the Agency, (b) any breach or default on the part of the Agency in the performance of any of its obligations under this Agreement or the Trust Agreement, (c) any act or omission of the Agency or of any of its agents, contractors, servants, employees or licensees with respect to the Water Enterprise, or (d) any act or omission of any lessee of the Agency with respect to the Water Enterprise. No indemnification is made under this Section 5.2 or elsewhere in this Agreement for willful misconduct or negligence under this Agreement by the Corporation or the Trustee, or their respective officers, agents, employees, successors or assigns. The provisions of this Section 5.2 shall survive the expiration of the Term of this Agreement.

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SECTION 5.3. *Sale or Eminent Domain of Water Enterprise*.

(a) Except as provided herein, the Agency covenants that the Water Enterprise will not 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 Agency to pay the principal of or interest on the Bonds and the Parity Obligations, or would materially adversely affect its ability to comply with the terms of this Indenture or the Parity Obligation Documents.

The Agency may not enter into any agreement that impairs the operation of the Water Enterprise or any part of it necessary to secure adequate Net Revenues to pay the Bonds and the Parity Obligations, or which otherwise would impair the rights of the Bond Owners with respect to the Net Revenues.

If any substantial part of the Water Enterprise is sold, the payment therefor must either (i) be used for the acquisition or construction of improvements and extensions or replacement facilities of the Water Enterprise, or (ii) be applied to redeem the Bonds or any Parity Obligations in accordance with this Indenture and the Parity Obligation Documents, respectively.

(b) Any amounts received as awards as a result of the taking of all or any part of the Water Enterprise by the lawful exercise of eminent domain, if and to the extent that such right can be exercised against such property of the Agency, must either (i) be used for the acquisition or construction of improvements and extension of the Water Enterprise, or (i) be applied to redeem the Bonds or any Parity Obligations in accordance with this Indenture and the Parity Obligation Documents, respectively.

SECTION 5.4. *Insurance*. The Agency will at all times maintain with responsible insurers all such insurance on the Water Enterprise as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to the Water Enterprise. If any useful part of the Water Enterprise is damaged or destroyed, such part must be restored to usable condition.

All amounts collected from insurance against accident to or destruction of any portion of the Water Enterprise shall be used to repair or rebuild such damaged or destroyed portion of the Water Enterprise, and to the extent not so applied, shall (i) be used for the acquisition or construction of improvements and extensions or replacement facilities of the Water Enterprise, or (ii) be applied to redeem the Bonds or any Parity Obligations in accordance with this Indenture and the Parity Obligation Documents, respectively.

The Agency 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 Agency, the Trustee and the Owners of the Bonds.

SECTION 5.5. *Records and Accounts*. The Agency will keep proper books of record and accounts of the Water Enterprise, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the Water Enterprise. Said books shall, upon reasonable request, be subject to the

inspection of the Trustee (who shall have no duty to inspect) and the Owners of not less than 10% of the Outstanding Bonds or their representatives authorized in writing.

The Agency will cause the books and accounts of the Water Enterprise to be audited annually by an Independent Accountant and will make available for inspection by the Bond Owners at the Office of the Trustee, upon reasonable request, a copy of the report of such Independent Accountant. The Agency will furnish a copy of such statements, upon reasonable request, to the Trustee (who shall have no duty to inspect) and any Bond Owner.

SECTION 5.6. *Rates and Charges*.

(a) Covenant Regarding Gross Revenues. The Agency shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water Enterprise during each Fiscal Year that are at least sufficient, after making allowances for contingencies and error in the estimates, to pay the following amounts in the following order:

(i) all Operation and Maintenance Costs estimated by the Agency to become due and payable in the Fiscal Year;

(ii) the principal of and interest on all outstanding Bonds and Parity Obligations, as they become due and payable during the Fiscal Year, without preference or priority;

(iii) all amounts, if any, required to restore the balance in the Reserve Fund and any reserve funds established for any Parity Obligations to their required levels; and

(iv) all payments required to meet any other obligations of the Agency that are charges, liens, encumbrances upon, or that are otherwise payable from, the Gross Revenues or the Net Revenues during such Fiscal Year.

(b) Covenant Regarding Net Revenues. In addition to the covenant set forth in the preceding subsection (a), the Agency shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water Enterprise during each Fiscal Year that are sufficient to yield Net Revenues (including any amounts transferred from a Rate Stabilization Fund) at least equal to 110% of the following:

(i) The principal of and interest on all outstanding Bonds and Parity Obligations, as they become due and payable during the Fiscal Year, without preference or priority; and

(ii) All payments required to meet any other obligations of the Agency that are charges, liens, encumbrances upon, or that are otherwise payable from, the Net Revenues during such Fiscal Year.

provided, however, that if the actual collection of Net Revenues based on such rates, fees and charges is insufficient to yield Net Revenues that meet such requirement, such event

shall not constitute an Event of Default unless it has continued uncured for a period of at least 12 months.

SECTION 5.7. *Issuance of Parity Obligations*. The Agency may issue or incur additional Parity Obligations from time to time in such principal amount as it determines, subject to the following conditions precedent:

(a) No Event of Default (or no event with respect to which notice has been given and which, once all notice of grace periods have passed, would constitute an Event of Default) has occurred and is continuing.

(b) The amount of Net Revenues (excluding amounts derived from the Rate Stabilization Fund, if any) as shown by the books of the Agency for the most recent completed Fiscal Year for which audited financial statements of the Agency are available or for any more recent consecutive 12-month period selected by the Agency, in either case verified by an Independent Accountant or a Financial Consultant or shown in the audited financial statements of the Agency, plus at the option of the Agency any Additional Revenues, are at least equal to 110% of the amount of Maximum Annual Debt Service.

(c) The issuance of such Parity Obligations shall comply with all conditions to the issuance thereof as set forth in the applicable provisions of the respective Parity Obligation Documents.

(d) The Agency shall deliver to the Trustee a certificate of an Agency Representative certifying, and an opinion of Bond Counsel stating, that the conditions precedent to the issuance of such Parity Obligations set forth in the foregoing subsections (a), (b) and (c) of this Section have been satisfied.

SECTION 5.8. *Superior and Subordinate Obligations*. The Agency shall not issue or incur any additional bonds or other obligations having any priority in payment of principal or interest out of the Gross Revenues or the Net Revenues over the Bonds.

Nothing herein limits or affects the ability of the Agency to issue or incur (a) Parity Obligations under Section 5.7, or (b) obligations that are either unsecured or secured by an interest in the Net Revenues that is junior and subordinate to the pledge of and lien upon the Net Revenues established hereunder.

SECTION 5.9. *Operation of Water Enterprise in Efficient and Economical Manner*. The Agency covenants and agrees to operate the Water Enterprise in an efficient and economical manner and to operate, maintain and preserve the Water Enterprise in good repair and working order.

SECTION 5.10. *Assignment and Amendment Hereof.* This Agreement may not be assigned by the Agency in whole or in part. This Agreement may be amended by the Agency and the Corporation, but only (a) for the purpose of providing for the issuance of Parity Obligations under Section 5.8, or (b) otherwise under the circumstances and to the extent permitted under Sections 8.01 or 8.02 of the Trust Agreement.

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SECTION 5.11. *Compliance with Parity Obligation Documents.* The Agency will observe and perform all of the covenants, agreements and conditions on its part required to be observed and performed under the Parity Obligation Documents. The Agency 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 any Parity Obligation Documents.

SECTION 5.12. *Rate Stabilization Fund.* The Agency 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 Agency with respect to the Water Enterprise. From time to time the Agency 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 Bonds and any Parity Obligations, as the Agency may determine.

The Agency may, but is not be required to, withdraw from any 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 principal of and interest on the Bonds or any Parity Obligations coming due and payable in such Fiscal Year. Amounts so transferred from the Rate Stabilization Fund to the Water Fund will constitute Gross Revenues for such Fiscal Year (except as otherwise provided herein), 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 Bonds or any Parity Obligations. All interest or other earnings on deposits in the Rate Stabilization Fund will be retained therein or, at the option of the Agency, be applied for any other lawful purposes. The Agency may at any time withdraw any or all amounts on deposit in the Rate Stabilization Fund and apply such amounts for any other lawful purposes of the Agency.

ARTICLE VI

EVENTS OF DEFAULT

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

(a) Failure by the Agency to pay any Installment Payment when due and payable hereunder.

(b) Failure by the Agency to pay any Additional Payment when due and payable hereunder, and the continuation of such failure for a period of 60 days.

(c) Failure by the Agency 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 clauses (a) or (b), for a period of 60 days after written notice specifying such failure and requesting that it be remedied has been given to the Agency by the Corporation or

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the Trustee; *provided, however,* that if the Agency notifies the Corporation and the Trustee that in its reasonable opinion the failure stated in the notice can be corrected, but not within such 60-day period, such failure will not constitute an Event of Default if the Agency commences to cure such failure within such 30-day period and thereafter diligently and in good faith cures such failure in a reasonable period of time, such period of time not to exceed 180 days after the delivery date of such notice of failure.

(d) The filing by the Agency of a voluntary petition in bankruptcy, or failure by the Agency promptly to lift any execution, garnishment or attachment, or adjudication of the Agency as a bankrupt, or assignment by the Agency for the benefit of creditors, or the entry by the Agency into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Agency 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 occurrence of any event which constitutes a default under any Parity Obligation, it being understood that the Installment Payments are payable on a parity basis with the payment of the Parity Obligations for all purposes and at all times, including following an Event of Default or a default under any Parity Obligation.

SECTION 6.2. *Remedies on Default*. Whenever any Event of Default has happened 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) Acceleration. 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, and before any judgment or decree for the payment of the moneys due has been obtained or entered, the Agency deposits 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 fees and 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 extends to or affects any subsequent

default, or impairs or exhausts 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) Action at Law or in Equity. 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 Agency under this Agreement.

(c) Appointment of Receiver. 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 Gross Revenues and other amounts pledged hereunder, with such powers as the court making such appointment shall 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 VI, it is not necessary to give any notice, other than such notice as may be required in this Article VI 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 nondefaulting party, the Trustee or the Owner of any Certificates employs attorneys or incurs 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 nondefaulting party, the Trustee 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 6.4 shall survive the expiration of the Term of this Agreement.

SECTION 6.5. *No Additional Waiver Implied by One Waiver*. If the Agency or the Trustee breaches any agreement contained in this Agreement and thereafter the other party waives the breach, the waiver shall be limited to the particular breach so waived and shall 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 VI have been assigned by the Corporation to the Trustee under the Trust Agreement, to which assignment the Agency hereby consents. Such rights and remedies shall be exercised by the Trustee and the Owners of the Certificates as provided in the Trust Agreement.

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ARTICLE VII

PREPAYMENT OF INSTALLMENT PAYMENTS

SECTION 7.1. *Security Deposit*. Notwithstanding any other provision of this Agreement, the Agency 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 in such amount as will, in the opinion of an Independent Certified Public Accountant, together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay all such Installment Payments when due under Section 4.4(a).

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

SECTION 7.2. *Optional Prepayment*. The Agency is hereby granted an option to prepay the principal components of the Installment Payments in whole or in part on any date on or after May 1, 2031. This prepayment option shall be exercised by payment of a prepayment price equal to the sum of (i) the aggregate principal components of the Installment Payments to be prepaid, (ii) the interest component of the Installment Payment required to be paid on or accrued to such date, and (iii) the premium (if any) then required to be paid upon the corresponding prepayment of the applicable Certificates pursuant to Section 4.01 of the Trust Agreement. Such prepayment price shall be deposited by the Trustee in the Installment Payment Fund to be applied to the prepayment of Certificates pursuant to Section 4.01 of the Trust Agreement. If the Agency prepays the Installment Payments in part but not in whole, the principal components thereof shall be prepaid among such maturities and in such integral multiples of $5,000 as the Agency designates in written notice to the Trustee, and if the Agency fails to designate, by lot, within a maturity. The Agency shall give the Trustee written notice of its intention to exercise its option not less than 30 days in advance of the date of exercise, or such shorter period of time as may be agreed to by the Trustee.

SECTION 7.3. *Credit for Amounts on Deposit*. In the event of prepayment of the Installment Payments in full under Section 7.2, 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.

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ARTICLE VIII

MISCELLANEOUS

SECTION 8.1. *Further Assurances*. The Agency 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 hereunder shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by electronic mail or other form of telecommunication, at its number or electronic mail address set forth below. Notice shall be effective either (a) upon transmission by electronic mail or other form of telecommunication, (b) upon actual receipt after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Agency, the Corporation or 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.

If to the Agency: *or the Corporation*	Pajaro Valley Water Management Agency 36 Brennan Street Watsonville, California 95076 Attention: General Manager Email: info@pvwater.org
If to the Trustee:	The Bank of New York Mellon Trust Company, N.A. 100 Pine Street, Suite 3150 San Francisco, CA 94111 Attention: Corporate Trust Department

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 shall be binding upon the Corporation, the Agency 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 held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Agreement and such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement, and this Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Corporation and the Agency 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,

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paragraphs, sentences, clauses or phrases of this Agreement may be held illegal, invalid or unenforceable.

SECTION 8.6. *[Reserved]*.

SECTION 8.7. *Payment on Non-Business Days*. Whenever any payment is required to be made by the Agency hereunder on a day which is not a Business Day, such payment shall be made on the immediately preceding Business Day.

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

SECTION 8.9. *Waiver of Personal Liability*. No member of the Board of Directors, officer, agent or employee of the Agency shall be individually or personally liable for the payment of Installment Payments or Additional Payments or 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.

Remainder of page intentionally left blank. Signatures on following page.

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

PAJARO VALLEY WATER MANAGEMENT AGENCY, *as purchaser*

By _____
General Manager

Attest

_____
Secretary

PAJARO VALLEY WATER MANAGEMENT AGENCY FINANCING CORPORATION, *as seller*

By _____
Chief Executive Officer

Attest

_____
Secretary

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APPENDIX A

DESCRIPTION OF THE PROJECT

The Project consist of the following facilities, equipment and other properties, together with other capital expenditures approved by the Board of Directors of the Agency:

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APPENDIX B

SCHEDULE OF INSTALLMENT PAYMENTS

Installment Payment Date[(1)]	Principal Component	Interest Component	Total Installment Payment
Totals			

(1) Installment Payment Dates are the third Business Day immediately preceding each Interest Payment Date shown in the table.

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TRUST AGREEMENT

by and among

PAJARO VALLEY WATER MANAGEMENT AGENCY

PAJARO VALLEY WATER MANAGEMENT AGENCY FINANCING CORPORATION

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee

Dated as of May 1, 2023

Relating to

$_____
Pajaro Valley Water Management Agency
2023 Water Revenue Certificates of Participation

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TRUST AGREEMENT

This TRUST AGREEMENT (this "Trust Agreement"), dated as of May 1, 2023, is among the PAJARO VALLEY WATER MANAGEMENT AGENCY, a special district organized and existing under the Pajaro Valley Water Management Agency Act (Act 760, 1984 chapter 257, of the California Water Code) (the "Agency"), the PAJARO VALLEY WATER MANAGEMENT AGENCY FINANCING CORPORATION, a nonprofit public benefit corporation organized and existing under the laws of the State of California (the "Corporation"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association organized and existing under the laws of the United States of America, with a corporate trust office in San Francisco, California, and being qualified to accept and administer the trusts hereby created (the "Trustee").

B A C K G R O U N D :

1. The Agency owns and operates a public enterprise for the protection, reclamation and replenishment of groundwater and provision of water within its service area (the "Water Enterprise").

2. The Agency is proceeding to finance certain capital improvement projects for the Water Enterprise known as the College Lake Integrated Resources Management Project, which will consist of the development of College Lake as a water storage and supply source, as specified in more detail in the hereinafter-defined Installment Sale Agreement (collectively, the "Project").

3. The Corporation has been formed for the purpose of assisting the Agency in the financing of public capital improvements, and in order to provide funds to finance the Project the Corporation has proposed to enter into an Installment Sale Agreement dated as of May 1, 2023 (the "Installment Sale Agreement"), between the Corporation as seller and the Agency as purchaser, under which the Corporation agrees to provide financing for the Project and to sell the completed Project to the Agency in consideration of the agreement by the Agency to pay the purchase price of the Project in semiannual installments (the "Installment Payments").

4. The Installment Payments will be payable from and secured by a pledge of and lien on the net revenues received by the Agency from the Water Enterprise, on a parity basis with the payments of debt service on outstanding Parity Obligations of the Agency (as defined herein).

5. For the purpose of obtaining the moneys required to provide financing to the Agency in accordance with the terms of the Installment Sale Agreement, the Corporation, the Agency and the Trustee have agreed to enter into this Trust Agreement under which the Corporation assigns and transfers certain of its rights under the Installment Sale Agreement to the Trustee, and the Trustee agrees to execute and deliver the Certificates (defined herein), evidencing direct, undivided fractional interests in the Installment Payments as provided herein and in the Installment Sale Agreement.

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A G R E E M E N T :

In consideration of the premises and the material covenants contained herein, the Agency, the Corporation and the Trustee hereby agree as follows:

ARTICLE I

DEFINITIONS; LEGAL AUTHORITY; RULES OF INTERPRETATION

SECTION 1.01. *Definitions*. Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms used in this Trust Agreement have the respective meanings given them in Appendix A attached to this Trust 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.

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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, the Certificates in an aggregate principal amount of $_____. The Certificates evidence the direct, undivided fractional interests of the Owners thereof in the Installment Payments.

SECTION 2.02. *Calculation of Interest*. Each Certificate shall be dated as of the Closing Date, and interest represented thereby 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 shall be payable from the Closing Date; or

(c) interest represented by such Certificate is in default as of the date of execution of such Certificate, 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.

Interest represented by the Certificates is payable on each Interest Payment Date to and including the date of maturity or prepayment, whichever is earlier. Said interest represents the portion of the 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 is 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 2.03. *Payment*. Payment of interest represented by any Certificate on any Interest Payment Date shall be made 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, such interest to be paid by check mailed to such Owner, by first class mail postage prepaid, at such Owner's address as it appears on the Registration Books; *provided, however*, that at the written request of the Owner of Certificates in an aggregate principal amount of at least $1,000,000 on file with the Trustee as of the Record Date preceding any Interest Payment Date, interest represented by such Certificates coming due and payable on such Interest Payment Date shall be paid by wire transfer in immediately available funds to such account in the United States as shall be specified in such written request.

The principal and prepayment price represented by any Certificate at maturity or upon prior prepayment shall be payable in lawful money of the United States of America upon surrender of such Certificate at the Corporate Trust Office of the Trustee.

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SECTION 2.04. *Terms of Certificates*. Principal represented by the Certificates is payable on March 1 in each of the respective years and in the respective amounts, and interest represented thereby is computed at the respective rates, as follows:

Maturity Date (March 1)	Principal Amount	Interest Rate

[T] Term Certificates

SECTION 2.05. *Fully Registered Form* . The Certificates will 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 will be assigned such alphabetical and numerical designation as the Agency deems appropriate.

SECTION 2.06. *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 Agency and the Trustee have no responsibility or obligation to any Depository System Participant or to any person on behalf of which the Agency holds an interest in the Certificates. Without limiting the generality of the immediately preceding sentence, the Agency 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 in the event the Agency 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, premium, if any, or interest represented by the

Certificates or (v) any consent given or other action taken by the Depository as Owner of the Certificates.

The Agency 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, premium, if any, 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 shall pay the principal, interest and premium, if any, 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, interest and premium, if any, 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 Agency to make payments of principal, interest and premium, if any, 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 Agency 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 Agency shall 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 in no way limits the provisions of subsection (a) above or otherwise imposes upon the Agency or the Trustee any obligation whatsoever with respect to persons having interests in the Certificates other than the Certificate Owners. In addition to the execution and delivery of such letter, the Agency 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 Agency determines to terminate the Depository as such, then the Agency shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the Agency and the Trustee in the execution and delivery 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 executed and delivered. 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 Agency 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 Agency determines that it is in the best interests of the beneficial owners of the Certificates that they be able to obtain certificated Certificates, the Agency 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 Agency 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 Agency'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, interest and premium, if any, 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 2.07. *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. An authorized signatory of the Trustee shall execute the Certificates in the name and on behalf 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 2.08. *Registration Books*. The Trustee shall 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 Agency and the Corporation during regular business hours; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on the Registration Books, Certificates as hereinbefore provided.

SECTION 2.09. *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 Corporate 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 is surrendered for registration of transfer, the Trustee shall execute and deliver a new Certificate or Certificates representing the same Series, maturity, interest rate and aggregate principal amount, in any authorized denominations. The Agency 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.

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

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(b) Exchange of Certificates. Certificates may be exchanged at the Corporate Trust Office of the Trustee, for a like aggregate principal amount of Certificates representing other authorized denominations of the same Series, interest rate and maturity. The Agency 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 that the Trustee has selected for prepayment under the provisions of Section 4.02.

SECTION 2.10. *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. Every mutilated Certificate so surrendered to the Trustee shall be canceled by it and destroyed by the Trustee, who shall, upon request of the Agency, deliver a certificate of destruction to the Agency. 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 Agency and, if an indemnity satisfactory to the Trustee and the Agency is 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 shall 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 executed and delivered 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 Agency.

SECTION 2.11. *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 may be construed as limiting 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.

ARTICLE III

DISPOSITION OF PROCEEDS; CONSTRUCTION FUND, COSTS OF ISSUANCE FUND

SECTION 3.01. *Application of Proceeds*.

The Trustee shall apply the proceeds received by it from the sale of the Certificates in the amount of $_____ (consisting of the principal amount of the Certificates ($_____), plus net original issue premium of $_____, less an underwriter's discount of $_____), on the Closing Date as follows:

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

(b) [The Trustee shall deposit the amount of $_____ in the Reserve Fund.]

(c) The Trustee shall deposit the amount of $_____, constituting the remainder of such proceeds, in the Construction Fund.

SECTION 3.02. *Costs of Issuance Fund*. The Trustee shall 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 Agency, and applied solely as provided herein.

The Trustee shall disburse moneys in the Costs of Issuance Fund to pay the Costs of Issuance of the Certificates. Such disbursements shall be from time to time upon the receipt of written requisitions of the Agency setting forth the amounts to be disbursed for payment or

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reimbursement of Costs of Issuance and the name and address of the person or persons to whom said amounts are to be disbursed, stating that all amounts to be disbursed are for Costs of Issuance properly chargeable to the Costs of Issuance Fund.

On the date that is three months after the Closing Date, the Trustee shall transfer any amounts remaining in the Costs of Issuance Fund to the Construction Fund to be applied for the purposes thereof, and the Trustee shall thereupon close the Costs of Issuance Fund.

SECTION 3.03. *Construction Fund*. The Trustee shall establish and maintain a special fund designated as the "Construction Fund" to be held by the Trustee in trust and applied solely as provided herein for the benefit of the Agency. The Trustee shall deposit a portion of the proceeds of the Certificates in the Construction Fund as provided in Section 3.01, any amounts transferred from the Costs of Issuance Fund into the Construction Fund under Section 3.02, and all earnings received from the investment of amounts in the Construction Fund under this Section.

Disbursements from the Construction Fund shall be made by the Trustee upon receipt of written requisitions signed by an Agency Representative setting forth the amounts to be disbursed for payment or reimbursement of Project Costs and the name and address of the person or persons to whom said amounts are to be disbursed, stating that all amounts to be disbursed are for Project Costs properly payable from the Construction Fund, substantially in the form of Appendix C attached hereto. Each such requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

Moneys in the Construction Fund shall be invested and deposited in accordance with this Trust Agreement. Interest earnings and profits from the investment of amounts in the Construction Fund shall be retained by the Trustee in the Construction Fund to be used for the purposes of the Construction Fund.

Upon the filing of a certificate with the Trustee signed by an Agency Representative stating that the Project has been completed, the Trustee shall transfer any remaining amount in the Construction Fund to the Installment Payment Fund to pay the Installment Payments as they become due and payable, and the Construction Fund shall be closed.

ARTICLE IV

PREPAYMENT OF CERTIFICATES

SECTION 4.01. *Prepayment*.

(a) Optional Prepayment. The Certificates maturing on March 1, 20__, are not subject to optional prepayment. The Certificates maturing on or after March 1, 20__, are subject to optional prepayment in whole or in part on any date on or after March 1, 20__, from prepayments of the Installment Payments made at the option of the Agency under Section 7.2 of the Installment Sale Agreement, 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 Agency shall give the Trustee written notice of its intention to prepay any Certificates, and the amount of the prepayment price, in sufficient time to enable the Trustee to give notice of such prepayment in accordance with Section 4.03.

(b) Sinking Fund Prepayment. The Certificates maturing on March 1, 20__, and March 1, 20__ (the "Term Certificates") are subject to mandatory sinking fund prepayment by lot on March 1 in each year as set forth in the following table, from the principal components of the Installment Payments relating to the Term Certificates which are 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 due March 1, 20__

Sinking Fund Prepayment Date (March 1)	Principal Amount To Be Prepaid
20__	$
20__	
20__	
20__	
20__	
20__	
20__	
20__	

Term Certificates due March 1, 20__

Sinking Fund Prepayment Date (March 1)	Principal Amount To Be Prepaid
20__	$
20__	

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 4.01, the aggregate principal amount of the Term Certificates to be prepaid in each year thereafter under this subsection (b) 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 (b) is equal to the aggregate principal components of the Installment Payments allocable to the Certificates coming due and payable on such date. A revised sinking fund schedule shall be delivered to the Trustee by the Agency reflecting such reduction and allocation.

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 shall select Certificates for prepayment from such maturities as are designated by the Agency, and if the Agency fails to designate, by lot, within a maturity. For the purposes of such selection, Certificates shall be deemed to be composed of $5,000 portions, and any such portion may be separately prepaid. The Trustee

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shall promptly notify the Agency and the Corporation in writing of the Certificates or portions thereof so selected for prepayment.

SECTION 4.03. *Notice of Prepayment*. When prepayment is authorized under Section 4.01, the Trustee shall give notice of the prepayment of the Certificates on behalf and at the expense of the Agency. Such notice shall state the prepayment date and prepayment price of the Certificates called for prepayment; 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 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; in the case of a Certificate called only in part, shall state the portion of the principal represented thereby which is to be prepaid; in the case of a conditional prepayment notice, shall state that prepayment shall be conditional on the receipt of funds sufficient for such prepayment on the prepayment date; shall require that such Certificates be surrendered on the designated prepayment date at the Corporate Trust Office of the Trustee for prepayment at said prepayment price; and shall state that on the specified date there shall come due and payable upon each Certificate, the principal and premium, if any, 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.

Notice of such prepayment shall be mailed by first class mail with postage prepaid the Owners of Certificates designated for prepayment at their respective addresses appearing on the Registration Books. Such notice shall be mailed at least 20 days but not more than 60 days prior to the prepayment date. In addition, notice of prepayment shall be filed electronically with the Information Services at the time of such mailing to the Certificate Owners. *However,* 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.

Prepayment notices may be conditional. The Agency has the right to rescind any notice of the optional prepayment of the Certificates by written notice to the Trustee on or prior to the dated fixed for prepayment. Any notice of optional prepayment shall be canceled and annulled if for any reason funds will not be or are not available on the date fixed for prepayment for the payment in full of the Certificates then called for prepayment, and such cancellation shall not constitute an Event of Default. The Agency and the Trustee have no liability to the Certificate Owners or any other party related to or arising from such rescission of prepayment. The Trustee shall mail notice of such rescission of prepayment in the same manner as the original notice of prepayment was sent under this Section.

SECTION 4.04. *Partial Prepayment of Certificates*. Upon surrender of any Certificate prepaid in part only, the Trustee shall execute and deliver to the Owner thereof, at the expense of the Agency, 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 be due and payable on the date of such prepayment, and, upon presentation and surrender thereof at the Corporate Trust Office of the

Trustee, said Certificates shall be paid at the unpaid principal amount (or applicable portion thereof) represented thereby plus any applicable premium and 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, are 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 be payable. All moneys held by the Trustee for the prepayment of Certificates shall be held in trust, uninvested, for the account of the Owners of the Certificates so to be prepaid.

All Certificates paid at maturity or prepaid prior to maturity under this Article shall be canceled upon surrender thereof and destroyed under Section 12.10.

SECTION 4.06. *Purchase of Certificates in Lieu of Prepayment*. In lieu of prepayment of Certificates as provided in this Article IV, amounts held by the Trustee for such prepayment shall, at the written request of an Agency 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 Agency 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 4.06 may not exceed the aggregate principal amount of Certificates of such maturity that would otherwise be subject to such prepayment. Any Certificates purchased pursuant to this Section shall be treated as Outstanding Certificates under this Trust Agreement, except to the extent otherwise directed by an Agency Representative.

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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 4.7, 5.2 and 6.4 thereof, and its rights to give consents and approvals thereunder), 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 for the benefit of the Certificate Owners. 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 shall not be 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 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 and Application of Installment Payment Fund*.

(a) The Trustee shall establish and maintain a special fund designated as the "Installment Payment Fund," into which the Trustee shall deposit all Installment Payments paid to the Trustee for such purpose under the Installment Sale Agreement and this Trust 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 Agency and the Owners of the Certificates. So long as any Certificates are Outstanding, neither the Agency nor the Corporation has any beneficial right or interest in the Installment Payment Fund or the moneys deposited therein, except only as provided in the Installment Sale Agreement or herein, and such moneys shall be used and applied by the Trustee as hereinafter set forth.

(b) Except as provided in subsection (c) below, the Trustee shall use and withdraw amounts in the Installment Payment Fund solely for the purpose of paying the principal, interest and prepayment premiums (if any) represented by the Certificates as the same are due and payable, in accordance with the provisions of Article II and Article IV.

(c) At the written request of the Agency, the Trustee shall withdraw and remit to the Agency any surplus remaining in the Installment Payment Fund, after prepayment and payment of all Certificates, including all premiums and accrued interest (if any) and payment of any applicable fees and expenses to the Trustee, or provision for such prepayment or payment having been made in accordance with Section 12.01.

SECTION 5.03. *Reserve Fund*.

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(a) Establishment and Deposits. The Reserve Fund is hereby established as a separate fund to be held by the Trustee, to the credit of which a deposit shall be made as required by Section 3.01, which as of the Closing Date is equal to the initial Reserve Requirement with respect to the Certificates. Thereafter, additional deposits may be made to the Reserve Fund from time to time as set forth herein and in the Installment Sale Agreement.

Moneys in the Reserve Fund shall be held in trust by the Trustee for the benefit of the Owners of the Certificates as a reserve for the payment of the principal of, and interest and any premium on, the Certificates and shall be subject to a lien in favor of the Owners of the Certificates. The owners of Parity Obligations shall have no claim or lien on amounts on deposit in the Reserve Fund, and the Owners of the Certificates shall have no claim or lien on any reserve funds established under any Parity Obligations Documents.

(b) Use of Reserve Fund. Except as otherwise provided in this Section, all amounts deposited in the Reserve Fund shall 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 the Installment Payment Fund of the amount then required for payment of the principal of, and interest and any premium on, the Certificates or, in accordance with the provisions of this Section, for the purpose of prepaying Certificates from the Installment Payment Fund. Whenever a transfer is made from the Reserve Fund to the Installment Payment Fund due to a deficiency therein, the Trustee shall provide written notice thereof to the Agency specifying the amount withdrawn.

(c) Transfer of Excess of Reserve Requirement. Whenever, on or before any Interest Payment Date, or on any other date at the request of the Agency, the amount in the Reserve Fund exceeds the Reserve Requirement, the Trustee shall provide written notice to the Agency of the amount of the excess and shall transfer an amount equal to the excess from the Reserve Fund to the Installment Payment Fund, to be used to pay interest on the Certificates on the next Interest Payment Date.

(d) Transfer for Rebate Purposes. Amounts in the Reserve Fund shall be withdrawn for purposes of making payment to the federal government to comply with Section 9.04(d), upon receipt by the Trustee of a certificate of an Agency Representative specifying the amount to be withdrawn and to the effect that such amount is needed for rebate purposes; provided, however, that no amounts in the Reserve Fund shall be used for rebate unless the amount in the Reserve Fund following such withdrawal equals the Reserve Requirement.

(e) Transfer When Balance Exceeds Outstanding Certificates. Whenever the balance in the Reserve Fund exceeds the amount required to prepay or pay the Outstanding Certificates, including interest accrued to the date of payment or prepayment and premium, if any, due upon prepayment, the Trustee shall, upon the written request of the Agency, transfer any cash or Permitted Investments in the Reserve Fund to the Installment Payment Fund to be applied, on the prepayment date, to the payment and prepayment, in accordance with this Trust Agreement, of all of the Outstanding Certificates. If the amount so transferred exceeds the amount required to pay and prepay the Outstanding Certificates, the balance in the Reserve Fund shall be transferred to the Agency to be used by the Agency for any lawful purpose.

Notwithstanding the provisions of the first paragraph of this subsection (e), no amounts shall be transferred from the Reserve Fund under this subsection (e) until after: (i) the calculation of any amounts due to the federal government under Section 9.04(d) and

withdrawal of any such amount under subsection (d) above for purposes of making such payment to the federal government; and (ii) payment of any fees and expenses due to the Trustee.

(f) Reserve Fund Credit Facility. Notwithstanding anything herein to the contrary, at the option of the Agency, amounts required to be held in the Reserve Fund may be substituted, in whole or in part, by the deposit of a Reserve Fund Credit Facility with the Trustee, provided that the following conditions are met:

(i) the Agency shall notify each Rating Agency prior to making any such substitution, and such substitution shall not result in the reduction or withdrawal of any ratings by any Rating Agency with respect to the Certificates, and

(ii) prior to any such substitution becoming effective, the Agency shall deliver to the Trustee an opinion of Bond Counsel stating that such substitution will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Certificates.

Any amounts on deposit in the Reserve Fund for which a Reserve Fund Credit Facility has been substituted shall be released to or at the direction of the Agency.

If at any time there is a combination of cash and a Reserve Fund Credit Facility on deposit in the Reserve Fund, the Trustee shall withdraw such cash in full prior to drawing on the Reserve Fund Credit Facility and, if and to the extent the Reserve Fund Credit Facility has been drawn upon, the Trustee shall reimburse the amount of such draws with any applicable interest thereon prior to making any cash deposits into the Reserve Fund.

(g) Investment. Moneys in the Reserve Fund shall be invested in accordance with 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 Agency and 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 shall not be subject to levy or attachment or lien by or for the benefit of any creditor of the Corporation, the Trustee, the Agency or the Owner of any Certificates.

SECTION 6.02. *Investments Authorized.* Upon the written direction of the Agency 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 Agency to be required to be expended hereunder. In the absence of any written direction of the Agency directing the investment of uninvested moneys held by the Trustee hereunder, the Trustee shall hold such moneys uninvested. Such investments, if registrable, shall be

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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 6.02 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 Agency 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 has no responsibility or liability for any loss suffered in connection with any investment of funds made by it in accordance with this Section 6.02. The Trustee shall be entitled to rely conclusively on the investment direction of the Agency as to the suitability and legality of the directed investments.

The Agency 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 Agency funds under the laws of the State of California.

SECTION 6.03. *Accounting.* The Trustee shall furnish to the Agency, not less than quarterly, 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 Agency acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Agency the right to receive brokerage confirmations of security transactions as they occur, at no additional cost, the Agency specifically waives receipt of such confirmations to the extent permitted by law.

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

SECTION 6.05. *Valuation and Disposition of Investments.*

(a) The Agency covenants that 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 (c) below. The Trustee has no duty in connection with the determination of Fair Market Value other than to follow the investment directions of the Agency in any written directions of an Agency Representative.

(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 Agency at least quarterly at the market value thereof. 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 shall not be liable or responsible for any loss resulting from any such Permitted Investment.

(c) For purposes of this Section 6.05, the term “Fair Market Value” shall mean 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 Agency 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*. The Bank of New York Mellon Trust Company, N.A., is hereby appointed Trustee by the Corporation and the Agency 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 Agency agrees that it will maintain a Trustee having a corporate trust office in California, with a reported capital and surplus of at least $50,000,000, 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 or trust company publishes a report of condition at least annually under law or the requirements of any supervising or examining authority above referred to then for the purpose of this Section 7.01 the combined capital and surplus of such bank 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 Agency and the Corporation covenant that they will maintain a Trustee which is qualified under the provisions of the foregoing provisions of this Section 7.01, 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 Agency prior to maturity in accordance with Section 4.06, and to cancel all Certificates upon payment thereof. The Trustee shall keep accurate records of all funds administered by it and of all Certificates paid and discharged. The Trustee shall 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 or waiver of all Events of Default which may have occurred, undertakes to

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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 indemnity satisfactory to it against such risk or liability is not assured to it. The Trustee shall 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 negligence on the part of any attorney, agent or receiver appointed with due care by it hereunder. The Trustee shall be entitled to rely conclusively on the advice or opinion of counsel 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 or opinion.

(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 executed and delivered 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 Agency under the Installment Sale Agreement. The Trustee is not responsible or liable for any loss suffered in connection with any 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 be 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 Agency 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 bad faith on its part, Trustee shall be protected in acting upon any notice, request, consent, certificate, order, requisition, affidavit, letter, telegram 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 upon 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 executed and delivered 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 shall be entitled to rely upon a certificate signed by a Corporation Representative or an Agency 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 at its discretion 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 an Agency Representative to the effect that an authorization in the form therein set forth has been adopted by the Corporation or the Agency, 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 shall not be answerable for other than its negligence or willful misconduct. The immunities and exceptions from liability of the Trustee shall 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 Agency to make any of the Installment Payments to the Trustee required to be made by the Agency under the Installment Sale Agreement or failure by the Corporation or the Agency 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 by a date certain, unless the Trustee is specifically notified in writing of such default by the Corporation, the Agency 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 Corporate 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 Enterprise including all books, papers and records of the Agency pertaining to the Water

Enterprise 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 to 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 Article XI at the direction of the Certificate Owners, the Trustee may require that a satisfactory indemnity bond or other indemnification 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 all 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 shall, 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.

(o) The Trustee is not responsible for the sufficiency of 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 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.

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(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.

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

(v) The Trustee shall not be responsible or liable for any failure or delay in the performance of its obligations under this Agreement arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fire; flood; hurricanes or other storms; wars; terrorism; similar military disturbances; sabotage; epidemic; pandemic; riots; interruptions; loss or malfunctions of utilities, computer (hardware or software) or communications services; accidents; labor disputes; acts of civil or military authority or governmental action; it being understood that the Trustee shall use commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as reasonably practicable under the circumstances.

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

SECTION 7.03. *Fees, Charges and Expenses of Trustee*. The Trustee shall be paid and reimbursed by the Agency and the Corporation for reasonable fees for its services rendered hereunder and all advances, counsel fees (including expenses) and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services. Upon the occurrence of an Event of Default, but only upon such occurrence, the Trustee shall have a first lien with right of payment prior to payment on account of principal, premium, if any, and interest represented by any Certificate upon the amounts held hereunder for the foregoing fees, charges and expenses incurred by it respectively. When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

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 shall 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 shall have been cured before the giving of such notice; *provided, however,* that unless such Event of Default consists of the failure by the Agency 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*. So long as no Event of Default has occurred and is continuing the Agency may, upon at least 30 days' prior written notice and with the consent of the Corporation (such consent not to be unreasonably withheld), remove the Trustee initially appointed, and any successor thereto, by an instrument or concurrent instruments in writing delivered to the Trustee and the Corporation, and may appoint a successor or successors thereto; provided that any such successor shall be a commercial bank or trust company meeting the requirements set forth in Section 7.01.

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 Agency. Upon receiving such notice of resignation, the Agency shall promptly appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee shall be effective upon acceptance of appointment by the successor Trustee. Upon such acceptance, the Agency 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*. In the event of the removal or resignation of the Trustee under Sections 7.05 or 7.06, respectively, with the prior written consent of the Corporation, the Agency shall promptly appoint a successor Trustee. If the Agency 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 Agency under Section 7.06, at the expense of the Agency 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 be the successor Trustee hereunder notwithstanding any action by the Agency 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, discretions, 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 Agency an instrument in writing accepting such appointment hereunder and thereupon such successor, without any further act, deed or conveyance, shall be 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 Agency and the Corporation contained herein or in the Certificates shall be taken and construed as made by and on the part of the Agency and the Corporation, as the case may be, and not by the Trustee, and the Trustee does not assume, and shall not have, any responsibility or obligation for the correctness of any thereof.

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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 Agency of the Water Enterprise. In no event shall the Trustee be liable for special or consequential damages in connection with or arising from the Installment Sale Agreement for the existence, furnishing or use of the Water Enterprise.

SECTION 7.11. *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 Agency 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 Agency,

(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, as evidenced by an opinion of Bond Counsel, materially adversely affect the interests of the Owners of the Certificates,

(d) to provide for matters relating to the issuance of Parity Obligations, or

(e) to amend any provision hereof relating to the Tax Code, to any extent whatsoever but only if and to the extent such amendment does not, as evidenced by an opinion of Bond Counsel, adversely affect the exclusion from gross income of interest represented by the Certificates for federal income tax purposes.

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Any such supplemental agreement entered into under this Article VII will be effective upon execution and delivery by the parties hereto or thereto as the case may be. The Trustee may obtain an opinion of Independent Counsel stating that any amendment to be accomplished by a supplemental agreement entered into under Sections 8.01 or 8.02 complies with the provisions of this Article VIII and the Trustee may conclusively rely on such opinion.

SECTION 8.02. *Amendments Permitted Without 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 be effective when the written consents of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, exclusive of Certificates disqualified as provided in Section 12.03, have been filed with the Trustee.

No modification or amendment under this Section 8.02 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 or reducing any premium payable upon the prepayment 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 take effect 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 (exclusive of Certificates disqualified as provided in Section 12.04) 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 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 shall mail a notice to 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, stating 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 take effect upon the mailing of such last-mentioned notice, and such supplemental agreement shall be deemed conclusively binding upon the parties hereto, 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*. From and after the time any supplemental agreement takes effect under this Article VIII, this Trust Agreement or the Installment Sale Agreement, as the case may be, shall be deemed to be modified and amended in accordance therewith, 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 Agency may determine that Certificates shall bear a notation, by endorsement or otherwise, in form approved by the Agency, 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 Corporate Trust Office of the Trustee, a suitable notation shall be made on such Certificate. The Agency may determine that the delivery of substitute Certificates is necessary, so modified as in the opinion of the Agency to conform to such Certificate Owners' action, which shall thereupon be prepared, executed and delivered at the expense of the Agency. In that case, upon demand of the Owner of any Certificate then Outstanding, such substitute Certificate shall be exchanged at the Corporate 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 VIII 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 Agency 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.

SECTION 9.02. *Observance of Laws and Regulations*. The Agency will 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 Agency, 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 be abandoned, forfeited or in any manner impaired.

SECTION 9.03. *Recordation and Filing*. The Agency 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 (the Trustee having no duty to so require)),

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 Agency shall assure that the proceeds of the Certificates are not so used as to cause either Series of the Certificates to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

(b) Federal Guarantee Prohibition. The Agency shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the either Series of the Certificates to be "federally guaranteed" within the meaning of Section 149(b) of the Tax Code.

(c) No Arbitrage. The Agency shall 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 either Series of the Certificates to be "arbitrage bonds" within the meaning of Section 148(a) of the Tax Code.

(d) Rebate of Excess Investment Earnings to United States. The Agency 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 Agency 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 Agency from any source of legally available funds of the Agency.

The Agency shall keep or cause to be kept, and retain or cause to be retained for a period of six years following the retirement of the Certificates, records of the determinations made under this subsection (d). In order to provide for the administration of this subsection (d), the Agency may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the Agency may deem appropriate.

(e) Maintenance of Tax-Exemption. The Agency shall take all actions necessary to assure the exclusion of the interest component of the Installment Payments from the gross income of the owners of the Certificates to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the date of issuance of the Certificates.

The Trustee has no duty or obligation to monitor or enforce compliance by the Agency of any of the requirements herein.

SECTION 9.05. *Continuing Disclosure*. The Agency hereby covenants and agrees that it will comply with and carry out all of the provisions of that certain Continuing Disclosure Certificate executed by the Agency 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 Agency to comply with such Continuing Disclosure Certificate does not constitute an Event of Default, although any Owner or beneficial

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owner of the Certificates may take such actions as are granted to it under the Continuing Disclosure Certificate.

SECTION 9.06. *Further Assurances*. The Corporation and the Agency 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 Agency 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 Agency contained in the Installment Sale Agreement and herein, the Agency 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 Agency or the Trustee, or to any of the Owners of the Certificates, with respect to the performance by the Agency 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 Agency nor the Corporation has any obligation or liability with respect to the performance by the Trustee of any duty imposed upon it hereunder.

SECTION 10.03. *Indemnification of Corporation and Trustee*. The Agency shall indemnify and save the Corporation and Trustee, and their respective officers, agents, directors and employees, harmless from and 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 use, maintenance, condition or management of, or from any work or thing done on, the Water Enterprise by the Agency,

(b) any breach or default on the part of the Agency in the performance of any of its obligations hereunder and any other agreement made and entered into for purposes of the Water Enterprise,

(c) any act of the Agency or of any of its agents, contractors, servants, employees, licensees with respect to the Water Enterprise,

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(d) any act of any assignee of, or purchaser from the Agency or of any of its agents, contractors, servants, employees or licensees with respect to the Water Enterprise,

(e) the actions of any other party, including but not limited to the ownership, operation or use of the Water Enterprise by the Agency,

(f) the Trustee's exercise and performance of its powers and duties hereunder or under the Installment Sale Agreement, or

(g) the execution, delivery and sale of the Certificates.

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

ARTICLE XI

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 4.7, 5.2 and 6.4 thereof and its rights to give approvals and consents thereunder), 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 or the Certificate Owners upon the occurrence of an Event of Default.

SECTION 11.02. *Remedies*. If an Event of Default happens, 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 the Installment Sale Agreement.

SECTION 11.03. *Application of Funds*. All moneys held by the Trustee, or received by the Trustee as a result of any right given or action taken under the provisions of this Article XI or Article VI of the Installment Sale Agreement, shall be applied by the Trustee in the following order:

> First, to the payment of the fees, costs and expenses of the Trustee and of the Certificate Owners in declaring and enforcing such Event of Default, including reasonable compensation to its or 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 happens and is 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 shall deem most effectual in support of any of its rights or duties hereunder. Nothing herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Certificates or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected.

SECTION 11.05. *Non-waiver*. Nothing in this Article XI or in any other provision hereof or in the Certificates, affects or impairs the obligation of the Agency, 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 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 XI 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.

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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 takes any action upon the occurrence of an Event of Default, by judicial proceedings or otherwise, pursuant to 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, then the Trustee 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 executed and delivered 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) said Owners have tendered to the Trustee reasonable indemnity 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 have 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.

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 come 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 shall be paid and discharged in any one or more of the following ways:

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

(b) by irrevocably depositing with the Trustee or any 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 on behalf of the Agency to be applied by the Trustee or by such 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 shall not have been surrendered for payment, all rights hereunder of the Owners of such Certificates and all obligations of the Corporation, the Trustee and the Agency with respect to such Certificates shall cease and terminate, except only the obligations of the Trustee under Sections 2.07 and 2.08, and the obligation of the Trustee to pay or cause to be paid, from Installment Payments paid by or on behalf of the Agency 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 Agency.

SECTION 12.02. *Notices*. Any notice, request, complaint, demand or other communication hereunder shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by electronic mail or other form of telecommunication, at its number or electronic mail address set forth below. Notice shall be effective either (a) upon transmission by electronic mail or other form of telecommunication, (b) upon actual receipt after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Agency, the Corporation or 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.

If to the Agency:
or the Corporation

Pajaro Valley Water Management Agency
36 Brennan Street
Watsonville, California 95076
Attention: General Manager
Email: info@pvwater.org

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If to the Trustee: The Bank of New York Mellon Trust Company, N.A.
100 Pine Street, Suite 3150
San Francisco, CA 94111
Attention: Corporate Trust Department

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

SECTION 12.04. *Disqualified Certificates*. In determining whether the Owners of the requisite aggregate principal amount of Certificates have concurred in any demand, request, direction, consent or waiver hereunder, Certificates which are owned or held by or for the account of the Agency or the Corporation (but excluding Certificates held in any employees' retirement fund) shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, *provided, however,* that for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver, only Certificates which the Trustee actually knows to be so owned or held shall be disregarded and provided, further, that if all Certificates are so owned or held, then no such Certificates shall be disregarded, and shall be deemed to be Outstanding hereunder.

SECTION 12.05. *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 Agency free from the trusts created hereby upon, and all liability of the Trustee with respect to such moneys shall thereupon cease; *provided, however,* that before the repayment of such moneys to the Agency as aforesaid, the Trustee may (at the cost of the Agency) first mail, by first class mail postage prepaid, to the Owners of Certificates which have not yet been paid (without liability for interest), 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 Agency of the moneys held for the payment thereof.

SECTION 12.06. *Payment on Business Days*. Whenever in this Trust Agreement any amount is required to be paid on a day which is not a Business Day, such payment shall be required to be made on the Business Day immediately following such day, provided that interest shall not accrue from and after such day.

SECTION 12.07. *Governing Law*. This Trust Agreement shall be construed and governed in accordance with the laws of the State of California.

SECTION 12.08. *Binding Effect; Successors; Benefits Limited to Parties*. This Trust Agreement shall be binding upon and inure to the benefit of the parties, and their respective successors and assigns. Whenever herein the Corporation, the Agency or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements contained herein by or on behalf of the

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Corporation, the Agency or the Trustee shall 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 Agency, 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 Agency shall be for the sole and exclusive benefit of the Corporation, the Agency, the Trustee and the Certificate Owners.

SECTION 12.09. *Execution in Counterparts*. This Trust Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

SECTION 12.10. *Delivery of Canceled Certificates*. Whenever provision is made herein for the surrender to or cancellation by the Trustee of any Certificates, the Trustee shall cancel and destroy such Certificates and, upon request, shall deliver a certificate of destruction with respect thereto to the Agency.

SECTION 12.11. *Corporation and Agency Representatives*. Whenever under the provisions hereof the approval of the Corporation or the Agency is required, or a written certificate, requisition, direction or order is required to be delivered by the Agency or the Corporation to the Trustee, or the Corporation or the Agency 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 an Corporation Representative and for the Agency by an Agency Representative, and any party hereto shall be authorized to rely upon any such approval, request, certificate, requisition, direction or order.

SECTION 12.12. *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 shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 12.13. *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 pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases hereof may be held illegal, invalid or unenforceable.

Remainder of page intentionally left blank. Signatures on following page.

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

PAJARO VALLEY WATER MANAGEMENT AGENCY

By _____
General Manager

Attest

_____
Secretary

PAJARO VALLEY WATER MANAGEMENT AGENCY FINANCING CORPORATION

By _____
Chief Executive Officer

Attest

_____
Secretary

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

By _____
Vice President

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APPENDIX A

DEFINED TERMS

"Acquisition and Construction" means, with respect to the Project, the acquisition, construction, improvement, equipping, renovation, remodeling or reconstruction thereof.

"Additional Revenues" means, with respect to the issuance of any Parity Obligations, any or all of the following amounts:

(a) An allowance for Net Revenues from any additions or improvements to or extensions of the Water Enterprise to be made by the Agency during the 36 month period following the issuance of such Parity Obligations, in an amount equal to 100% 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 Obligations and to which service will be provided by such additions, improvements and extensions, all as shown by the certificate or opinion of a Financial Consultant.

(b) An allowance for Net Revenues arising from any increase in the charges made for service from the Water Enterprise which has become effective prior to the incurring of such Parity Obligations but which, during all or any part of the most recent completed Fiscal Year for which audited financial statements of the Agency are available, or for any more recent consecutive 12-month period selected by the Agency under Section 5.7 of the Installment Sale Agreement, was not in effect, 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 12-month period, all as shown by the certificate or opinion of a Financial Consultant.

"Agency" means the Pajaro Valley Water Management Agency, a special district organized and existing under the Pajaro Valley Water Management Agency Act (Act 760, 1984 chapter 257, of the California Water Code).

"Agency Representative" means the Chair of the Board, the Vice Chair of the Board, the General Manager, or any other officer of the Agency duly authorized by the Board to act on behalf of the Agency under or with respect to the Installment Sale Agreement and this Trust Agreement.

"Annual Debt Service" means, for each Bond Year, the sum of (i) the interest due on the Outstanding Certificates in such Bond Year, assuming that the Outstanding Certificates are retired as scheduled, and (ii) the principal amount of the Outstanding Certificates due in such Bond Year, including by reason of sinking fund redemption.

"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.

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"Bond Year" means any 12-month period commencing on March 2 in a year and ending on the next succeeding March 1, both dates inclusive; except that the first Bond Year commences on the Closing Date and ends on March 1, 2024.

"Business Day" means a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the State of California, or in any state in which the Corporate Trust Office of the Trustee is located, are closed.

"Certificates" means the $_____ aggregate principal amount of Pajaro Valley Water Management Agency 2023 Water Revenue Certificates of Participation executed and delivered and at any time Outstanding hereunder.

"Closing Date" means May ___, 2023, being the day when the Certificates, duly executed by the Trustee, are delivered to the Original Purchaser.

"Construction Fund" means the fund by that name established and held by the Trustee under Section 3.03.

"Corporate Trust Office" means, with respect to the Trustee, the corporate trust office of the Trustee at its address set forth in Section 12.02, or at such other or additional offices as may be specified by the Trustee in writing to the Agency; except that for purposes of the payment, prepayment, cancellation, surrender, transfer or exchange of Certificates, such term means the designated corporate trust operations or agency office of the Trustee.

"Corporation" means the Pajaro Valley Water Management Agency Financing Corporation, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California, and any successor thereto.

"Corporation Representative" means the Chief Executive Officer, President, Secretary 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 to the Installment Sale Agreement and the Trust Agreement.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Agency relating to the execution, sale and delivery of the Certificates, including but not limited to filing and recording costs, settlement costs, underwriter's discount, printing costs, reproduction and binding costs, initial fees and charges of the Trustee and its counsel, initial charges of the Corporation, out-of-pocket expenses incurred by the Agency, financing discounts, legal fees and charges, financial and other professional consultant fees, costs of rating agencies for credit ratings, bond insurance and reserve insurance premiums (if any), fees for execution, transportation and safekeeping of the Certificates and charges and fees in connection with the foregoing.

"Costs of Issuance Fund" means the funds by that name established and held by the Trustee under Section 3.02.

"Depository System Participant" means any participant in the Depository's book-entry system.

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"DTC" means The Depository Trust Company, 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) non-callable direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America; (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America; (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America.

"Financial Consultant" means any consultant or firm of such consultants appointed by the Agency and who, or each of whom: (a) is judged by the Agency to have experience in matters relating to the financing of water systems; (b) is in fact independent and not under domination of the Agency; (c) does not have any substantial interest, direct or indirect, with the Agency; and (d) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

"Fiscal Year" means the twelve-month period beginning on July 1 of each year and ending on the last day of June of the next succeeding year, or any other twelve-month period selected by the Agency as its fiscal year.

"Gross Revenues" means all gross charges (including surcharges, if any) received for, and all other gross income and receipts derived by the Agency from, the ownership and operation of the Water Enterprise or otherwise arising from the Water Enterprise, including but not limited to

(a) all in lieu charges and groundwater augmentation charges collected by or on behalf of the Agency,

(b) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the Agency from the sale, furnishing and supplying of the water, drainage or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Water Enterprise,

(c) any amounts transferred to the Water Fund from the Rate Stabilization Fund, and

(d) investment earnings on amounts held in the Water Fund or in any other fund established with respect to the Water Enterprise.

Gross Revenues *do not* include (i) customers' deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the Agency, (ii) the proceeds of any ad valorem property taxes received by the Agency, and (iii)

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the proceeds of any special assessments or special taxes levied upon real property received by the Agency the application of which is restricted by law.

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

"Information Services" means the Municipal Securities Rulemaking Board's EMMA System; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to municipal securities as the Agency may designate in a written request delivered to the Trustee.

"Installment Payment" means all payments required to be paid by the Agency 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 of the Installment Sale Agreement.

"Installment Payment Date" means, with respect to any Interest Payment Date, the 3rd Business Day preceding such Interest Payment Date.

"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 May 1, 2023, between the Agency and the Corporation, together with any duly authorized and executed amendments thereto.

"Insurer" means _____.

"Interest Payment Date" means, with respect to any Certificate, September 1, 2023, and each March 1 and September 1 thereafter to and including the date of maturity or the date of prepayment of such Certificate.

"Maximum Annual Debt Service" means the largest Annual Debt Service due hereunder and on any Parity Obligations during the period from the date of such determination through the final Interest Payment Date hereunder or maturity date of such Parity Obligations.

"Moody's" means Moody's Investors Service, and its successors and assigns.

"Net Revenues" means, for any period, an amount equal to all of the Gross Revenues received during such period minus the amount required to pay all Operation and Maintenance Costs coming payable during such period.

"Nominee" means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated under Section 2.06(a).

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"Operation and Maintenance Costs" means the reasonable and necessary costs and expenses paid by the Agency for maintaining and operating the Water Enterprise, including but not limited to

(a) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Water Enterprise in good repair and working order and

(b) the reasonable administrative costs of the Agency attributable to the operation and maintenance of the Water Enterprise;

but in all cases excluding (i) interest expense relating to subordinate obligations and unsecured obligations of the Agency, (ii) depreciation, replacement and obsolescence charges or reserves therefor, and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

"Original Purchaser" means Hilltop Securities, Inc., as original purchaser of the Certificates.

"Outstanding," when used as of any particular time with respect to Certificates, means (subject to the provisions of Section 12.05) all Certificates theretofore executed and delivered by the Trustee hereunder except (a) Certificates theretofore canceled 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.

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

"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.

"Parity Obligation Documents" means (a) the 2005 DWR Loan Agreement, (b) the 2015 Indenture, (c) the 2016 Indenture, (d) the 2016 SWRCB Installment Sale Agreements, and (e) all leases, installment sale agreements, trust agreements, indentures of trust and other documents prescribing the terms and provisions applicable to any issue of Parity Obligations.

"Parity Obligations" means (a) the 2005 DWR Loan, (b) the 2015 Bonds, (c) the 2016 Bonds, (d) the 2016 SWRCB Loans, and (e) all bonds, notes, loan agreements, installment sale agreements, leases or other obligations of the Agency payable from and secured by a pledge of and lien upon any of the Net Revenues issued or incurred on a parity with the Bonds under Section 5.7 of the Installment Sale Agreement.

"Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein:

(a) Federal Securities;

(b) Any direct or indirect obligations of an agency or department of the United States of America whose obligations represent the full faith and credit of the United States of America, or which are rated A or better by S&P and Moody's.

(c) Interest-bearing deposit accounts (including certificates of deposit, including those placed by a third party pursuant to a separate agreement between the Agency and the Trustee), demand deposits, time deposits, other deposit products, trust accounts, trust funds, interest bearing deposits, interest bearing money market accounts, overnight bank deposits, federal funds or bankers' acceptances in federal or State chartered savings and loan associations or in federal or State of California banks (including the Trustee or any of its affiliates), provided that: (i) the unsecured obligations of such commercial bank or savings and loan association are rated A or better by S&P and Moody's; or (ii) such deposits are insured by the Federal Deposit Insurance Corporation.

(d) Commercial paper rated in the highest short-term rating category by S&P and Moody's.

(e) Federal funds, bank deposit products or bankers acceptances with a maximum term of one year of any bank which is an unsecured, uninsured and unguaranteed obligation rating in the highest rating category of S&P and Moody's.

(f) Money market mutual 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 (such funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory, custodial, transfer agency or other management services, and for which the Trustee or its affiliate receives and retains a fee for such services to such funds).

(g) Obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code and which are either (a) rated A or better by S&P and Moody's, or (b) fully secured as to the payment of principal and interest by Federal Securities.

(h) Obligations issued by any corporation organized and operating within the United States of America having assets in excess of $500,000,000, which obligations are rated A or better by S&P and Moody's.

(i) Bonds or notes issued by any state or municipality which are rated by S&P and Moody's in one of the two highest rating categories assigned by such rating agencies.

(j) Any investment agreement with, or guaranteed by, a financial institution the long-term unsecured obligations or the claims paying ability of which are rated A or better by S&P and Moody's at the time of initial investment, by the terms of which all amounts invested thereunder are required to be

withdrawn and paid to the Trustee in the event such rating at any time falls below A.

(k) The Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

"Project" means, collectively, the facilities, improvements and other property constituting part of the Water Enterprise, the Acquisition and Construction of which are financed in whole or in part from amounts on deposit in the Construction Fund. The exact description of the Project shall be made by the Agency by reference to the plans and specifications therefor.

"Project Costs" means, with respect to the Project, all costs of the Acquisition and Construction thereof which are paid from moneys on deposit in the Construction Fund, including but not limited to:

(a) all costs required to be paid to any person under the terms of any agreement for or relating to the Acquisition and Construction of the Project;

(b) obligations incurred for labor and materials in connection with the Acquisition and Construction 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 and Construction of the Project;

(d) all costs of engineering and architectural services, including the actual out-of-pocket costs for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees, sales commissions, and for supervising construction, as well as for the performance of all other duties required by or consequent to the proper Acquisition and Construction of the Project;

(e) any sums required to reimburse the Agency 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 and Construction of the Project;

(f) all Costs of Issuance and other financing costs incurred in connection with the Acquisition and Construction of the Project; and

(g) the interest components of the Installment Payments during the period of Acquisition and Construction of the Project.

"Rate Stabilization Fund" means the fund of that name that may be established by the Agency under Section 5.11 of the Installment Sale Agreement.

"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.

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"Registration Books" means the records maintained by the Trustee under Section 2.08 for registration of the ownership and transfer of ownership of the Certificates.

"Reserve Fund" means the fund established and administered under Section 5.03.

"Reserve Fund Credit Facility" means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee pursuant to Section 5.03, provided that all of the following requirements are met:

(a) the long-term credit rating of such bank or insurance company at the time of issuance of the irrevocable standby or direct-pay letter of credit or surety bond is rated "Aa" or "AA" by Moody's or S&P;

(b) such letter of credit or surety bond has a term of at least 12 months;

(c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement to be so secured; and

(d) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies that may exist from time to time in the Installment Payment Fund for the purpose of making payments required pursuant to Sections 5.02(b).

["Reserve Policy" means the [Municipal Bond Debt Service Reserve Insurance Policy] issued by the Insurer on the Closing Date with respect to the Certificates. The Reserve Policy constitutes a Reserve Fund Credit Facility under this Trust Agreement.]

"Reserve Requirement" means, as of the date of any calculation, an amount equal to the least of

(a) Maximum Annual Debt Service solely with respect to the Outstanding Certificates,

(b) 125% of average Annual Debt Service solely with respect to the Outstanding Certificates and

(c) 10% of the original principal amount of the Certificates.

"Securities Depositories" means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses or such other securities depositories as an Agency Representative may designate in writing to the Trustee.

"SWRCB" means the State Water Resources Control Board.

"S&P" means S&P Global Ratings, and 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.

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"Term" means, when used with respect to the Installment Sale Agreement, the time during which the Installment Sale Agreement is in effect, as provided in Section 4.2 thereof.

"Term Certificates" means the Certificates maturing on March 1, 20__, and March 1, 20__.

"Trust Agreement" means this Trust Agreement, together with any amendments or supplements hereto permitted to be made under the Trust Agreement.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., as Trustee hereunder, or any successor thereto acting as Trustee in accordance with this Trust Agreement.

"2005 DWR Loan" means the loan in the original principal amount of $3,901,606.73 made by the State of California Department of Water Resources to the Agency under the 2005 DWR Loan Agreement.

"2005 DWR Loan Agreement" means the Proposition 13 Loan Agreement (contract number E77008) dated June 15, 2005, between the State of California Department of Water Resources and the Agency.

"2015 Bonds" means the bonds captioned "Pajaro Valley Water Management Agency 2015 Water Revenue Refunding Bonds," issued on April 30, 2015, in the original principal amount of $19,970,000.

"2015 Indenture" means the Indenture of Trust dated as of April 1, 2015, between the Agency and the Bank of New York Mellon Trust Company, N.A., providing for the issuance of the 2015 Bonds.

"2016 Bonds" means the bonds captioned "Pajaro Valley Water Management Agency 2016 Water Revenue Refunding Bonds," issued on June 29, 2016, in the original principal amount of $11,435,000.

"2016 Indenture" means the Indenture of Trust dated as of June 1, 2016, between the Agency and the Bank of New York Mellon Trust Company, N.A., providing for the issuance of the 2016 Bonds.

"2016 SWRCB Loans" mean, collectively, the loans to be made by SWRCB to the Agency under the 2016 SWRCB Installment Sale Agreements.

"2016 SWRCB Installment Sale Agreements" mean, collectively, (a) the Installment Sale Agreement between the Agency and the SWRCB dated as of March 15, 2016, Project. No. C-06-8072-110, Agreement No. D15-01022, (b) the Installment Sale Agreement between the Agency and the SWRCB dated as of March 15, 2016, Project. No. C-06-8072-120, Agreement No. D15-01023, and (c) the Installment Sale Agreement between the Agency and the SWRCB dated as of March 15, 2016, Project. No. C-06-8072-130, Agreement No. D15-01024.

"Water Enterprise" means the entire system of the Agency for the protection, reclamation and replenishment of groundwater and provision of water within its service area, including but not limited to all facilities, properties, lands, rights, entitlements and other property

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useful in connection therewith, together with all extensions thereof and improvements thereto at any time acquired, constructed or installed by the Agency.

"Water Fund" means the fund or funds established and held by the Agency with respect to the Water Enterprise, into which all or any part of the Gross Revenues are deposited.

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APPENDIX B-1

FORM OF CERTIFICATE OF PARTICIPATION

R-__ ***$_____***

PAJARO VALLEY WATER MANAGEMENT AGENCY
2023 WATER REVENUE CERTIFICATES OF PARTICIPATION

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

PAJARO VALLEY WATER MANAGEMENT AGENCY

As the Purchase Price For Certain Property Pursuant to an Installment Sale Agreement with the

PAJARO VALLEY WATER MANAGEMENT AGENCY FINANCING CORPORATION

RATE OF INTEREST:	MATURITY DATE:	ORIGINAL ISSUE DATE:	CUSIP:
		_____, 2023	

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 Pajaro Valley Water Management Agency, a special district organized and existing under the Pajaro Valley Water Management Agency Act (Act 760, 1984 chapter 257, of the California Water Code) (the "Agency"), under an Installment Sale Agreement dated as of May 1, 2023 (the "Installment Sale Agreement") between the Agency and the Pajaro Valley Water Management Agency Financing Corporation, a nonprofit public benefit 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 Agency's public enterprise for the protection, reclamation and replenishment of groundwater and provision of water within its service area (the "Water Enterprise"). The Installment Payments and certain other rights and interests under the Installment Sale Agreement have been assigned to The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), having a corporate trust office in San Francisco, California (the "Trust Office").

The Registered Owner of this Certificate is entitled to receive, subject to the terms of the Installment Sale 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 September 1, 2023 (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 August 15, 2023, 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, however,* 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 is one of a series designated the "Pajaro Valley Water Management Agency 2023 Water Revenue Certificates of Participation," which have been executed and delivered by the Trustee in the aggregate principal amount of $_____ pursuant to a Trust Agreement dated as of May 1, 2023, among the Trustee, the Corporation and the Agency (the "Trust Agreement").

The Agency 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 improvements to the Water Enterprise. 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 Agency 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 Agency is obligated under the Installment Sale Agreement to pay the Installment Payments relating to the Certificates from the Net Revenues of the Water Enterprise (as such terms are defined in the Trust Agreement). The obligation of the Agency to pay the Installment Payments does not constitute an obligation of the Agency for which the Agency is obligated to levy or pledge any form of taxation or for which the Agency has levied or pledged any form of taxation. The obligation of the Agency to pay the Installment Payments does not constitute a debt of the Agency, the State of California or any of its political subdivisions, and does not

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constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

The Certificates maturing on March 1, 20__, are not subject to optional prepayment. The Certificates maturing on or after March 1, 20__, are subject to optional prepayment in whole or in part on any date on or after March 1, 20__, from prepayments of the Installment Payments made at the option of the Agency under the Installment Sale Agreement, 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 maturing on March 1, 20__, and March 1, 20__ (collectively, the "Term Certificates") are subject to mandatory sinking fund prepayment by lot on March 1 in each year as set forth in the following table, from the principal components of the Installment Payments relating to the Term Certificates which are 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 due March 1, 20__

Sinking Fund Prepayment Date (March 1)	Principal Amount To Be Prepaid
20__	$
20__	
20__	
20__	
20__	
20__	
20__	
20__	

Term Certificates due March 1, 20__

Sinking Fund Prepayment Date (March 1)	Principal Amount To Be Prepaid
20__	$
20__	

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.

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The Agency has the right to rescind any notice of the optional prepayment of the Certificates by written notice to the Trustee on or prior to the dated fixed for prepayment. Any notice of optional prepayment shall be canceled and annulled if for any reason funds will not be or are not available on the date fixed for prepayment for the payment in full of the Certificates then called for prepayment, and such cancellation shall not constitute an event of default under and as defined in the Trust Agreement. The Agency and the Trustee have no liability to the Owners of the Certificates or any other party related to or arising from such rescission of prepayment. The Trustee shall mail notice of such rescission of prepayment in the same manner as the original notice of prepayment was sent under the Trust Agreement.

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 Agency, 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 Agency, the Corporation and the Trustee shall 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 outstanding certificates of participation delivered thereunder, 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.

The Agency 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.

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.

IN WITNESS WHEREOF, this Certificate has been executed and delivered by The Bank of New York Mellon Trust Company, N.A., as trustee, acting under the Trust Agreement.

Execution Date: _____, 2023

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., *as Trustee*

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By: _____
Authorized Officer

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(s) must be guaranteed by an eligible guarantor institution (banks, stockbrokers, saving and loan associations and credit unions with membership in an approved signature medallion program) pursuant to Securities and Exchange Commission Rule 17Ad-15.

_____
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.

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APPENDIX C

CERTIFICATE OF THE AGENCY REQUESTING DISBURSEMENT FROM CONSTRUCTION FUND

$_____
Pajaro Valley Water Management Agency
2023 Water Revenue Certificates of Participation

Requisition No. _____

The undersigned hereby states and certifies that:

(i) I am the duly appointed, qualified and acting _____ of the Pajaro Valley Water Management Agency (the "Agency") and as such, am familiar with the facts herein certified and am authorized to certify the same;

(ii) I am an "Agency Representative," as such term is defined in that certain Trust Agreement dated as of May 1, 2023 (the "Agreement"), by and among the Agency, the Pajaro Valley Water Management Agency Financing Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee");

(iii) under Section 3.03 of the Agreement, the undersigned hereby requests and authorizes the Trustee to disburse from Construction Fund established under the Agreement, to each payee designated on Schedule 1 attached hereto and by this reference incorporated herein, the amount set forth opposite such payee, for payment or reimbursement of previous payment of a Project Cost (as that term is defined in the Agreement) as described on attached Schedule 1; and

(iv) no portion of the amount herein requested to be disbursed was set forth in any requisition of the Agency previously filed requesting disbursement from the Construction Fund.

Dated: _____, 20____

PAJARO VALLEY WATER MANAGEMENT AGENCY

By: _____
Name:
Title:

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SCHEDULE 1

Payee Name and Address	Purpose of Obligation	Amount

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$_____
PAJARO VALLEY WATER MANAGEMENT AGENCY
2023 WATER REVENUE CERTIFICATES OF PARTICIPATION

PURCHASE CONTRACT

_____, 2023

Pajaro Valley Water management Agency
Financing Corporation
36 Brennan Street
Watsonville, California 95076

Pajaro Valley Water Management Agency
36 Brennan Street
Watsonville, California 95076

Ladies and Gentlemen:

Hilltop Securities Inc. (the "**Underwriter**") offers to enter into this Purchase Contract (this "**Purchase Contract**") with the Pajaro Valley Water Management Agency Financing Corporation (the "**Corporation**") and the Pajaro Valley Water Management Agency (the "**Agency**") for the purchase by the Underwriter of the Pajaro Valley Water Management Agency 2023 Water Revenue Certificates of Participation (the "**Certificates**"). This offer is made subject to the Corporation's and the Agency's acceptance by execution of this Purchase Contract and delivery of the same to the Underwriter on or before 11:59 p.m. California time on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the Corporation and the Agency at any time prior to such acceptance. Upon the Corporation's and the Agency's acceptance hereof, this Purchase Contract will be binding upon the Corporation, the Agency and the Underwriter.

The Corporation and the Agency acknowledge and agree that: (i) the purchase and sale of the Certificates pursuant to this Purchase Contract is an arm's-length commercial transaction between the Corporation, the Agency, and the Underwriter; (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 agent or Municipal Advisor (as defined in Section 15B of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**")), and has not assumed any advisory or fiduciary responsibility in favor of the Corporation or the Agency with respect to the offering of the Certificates or the process leading thereto (whether or not the Underwriter has advised or is currently advising the Corporation or the Agency on other matters); (iii) the only obligations the Underwriter has to the Corporation and the Agency with respect to the transaction contemplated hereby expressly are set forth in this Purchase Contract; (iv) the Corporation and the Agency have consulted their own legal, financial, accounting, tax and other advisors to the extent each has deemed appropriate; (v) the Underwriter has financial interests that differ from and may be adverse to those of the Agency and the Corporation; and (vi) they have received from the Underwriter of disclosures required by the Municipal Securities Rulemaking Board (the "**MSRB**") Rule G-17 (as set forth in MSRB Notice 2012-25 (May 7, 2012)), relating to disclosures concerning the Underwriter's role in the transaction, disclosures concerning the Underwriter's compensation, conflict disclosures, if any, and disclosures concerning complex municipal securities financing, if any. The Corporation and the Agency acknowledge and represent that they have engaged NHA

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Advisors, LLC as their municipal advisor (as defined in Securities and Exchange Commission Rule 15Ba1) and will rely on the financial advice of NHA Advisors, LLC with respect to the Certificates.

Capitalized terms used in this Purchase Contract and not otherwise defined herein will have the respective meanings set forth for such terms in the Trust Agreement (as hereinafter defined).

Section 1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations set forth in this Purchase Contract, the Underwriter agrees to purchase from the Corporation, and the Corporation agrees to execute and deliver to the Underwriter, all (but not less than all) of the Certificates at a purchase price of $_____ (being an amount equal to the principal amount of the Certificates ($_____), *plus* an original issue premium of $_____, and *less* an underwriter's discount of $_____). The obligation of the Underwriter to purchase, accept delivery of and pay for the Certificates will be conditioned on the sale and delivery of all of the Certificates by the Corporation to the Underwriter at Closing (hereinafter defined).

As an accommodation to the Corporation, the Underwriter will pay, from the purchase price of the Certificates, the sum of $_____ to _____ (the "**Municipal Bond Insurer**") as the premium for the Municipal Bond Insurer's municipal bond insurance policy issued for the Certificates (the "**Municipal Bond Insurance Policy**") and the sum of $_____ to the Municipal Bond Insurer as the premium for the Municipal Bond Insurer's reserve fund municipal bond insurance policy issued for the Certificates (the "**Reserve Fund Policy**").

Section 2. Bond Terms; Purpose; Security.

(a) Bond Terms and Authorization. The Certificates will be dated their date of delivery and will mature and bear interest as shown on Exhibit A. The Certificates will be as described in, and will be issued and secured under, a Trust Agreement, dated as of _____ 1, 2023 (the "**Trust Agreement**"), by and among the Corporation, the Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the "**Trustee**"). The Certificates are payable and subject to prepayment as set forth in the Trust Agreement.

The Certificates will represent direct, undivided fractional interests in certain installment payments (the "**Installment Payments**") to be made by the Agency pursuant to an Installment Sale Agreement dated as of _____ 1, 2023 (the "**Installment Sale Agreement**"), between the Agency and the Corporation.

(b) Purpose. The Certificates are being executed and delivered to: (i) finance the acquisition and construction of certain capital improvements, betterments, renovations and expansions of facilities within the Agency's water enterprise (the "Water System"), as described in the Installment Sale Agreement; (ii) pay the cost of purchasing the Municipal Bond Insurance Policy and the Reserve Fund Policy, and (iii) pay the costs of executing and delivering the Certificates.

(c) Security. Under the Installment Sale Agreement, the payment of the Installment Payments will be secured by and payable from "**Net Revenues**" and amounts on deposit in certain funds established by the Trust Agreement.

Section 3. Public Offering. The Underwriter agrees to make an initial bona fide public offering of all of the Certificates, at not in excess of the initial public offering yields or prices set forth on Exhibit A. Following the initial public offering of the Certificates, the offering prices may be changed from time to time by the Underwriter, provided that the Underwriter shall not change any of the principal amounts or the interest rates set forth on Exhibit A. The Certificates may be offered and sold to certain dealers at prices

lower than such initial public offering prices. The Certificates are subject to prepayment as set forth in Exhibit A.

Section 4. Official Statement; Continuing Disclosure. (a) The Corporation and the Agency have delivered to the Underwriter the Preliminary Official Statement dated _____, 2023 (the "**Preliminary Official Statement**") and will deliver to the Underwriter a final official statement dated the date of this Purchase Contract (as amended and supplemented from time to time pursuant to Section 5(i) of this Purchase Contract, the "**Official Statement**"). Subsequent to its receipt of the Corporation's and the Agency's 15c2-12 Certificate, in substantially the forms attached hereto as Exhibit B, deeming the Preliminary Official Statement final for purposes of Rule 15c2-12 of the Securities and Exchange Commission, as amended ("**Rule 15c2-12**"), the Underwriter has distributed copies of the Preliminary Official Statement. The Corporation and the Agency hereby ratify the use by the Underwriter of the Preliminary Official Statement and authorize the Underwriter to use and distribute in printed and/or electronic format the Official Statement (including all information previously permitted to have been omitted by Rule 15c2-12, and any supplements and amendments thereto as have been approved by the Corporation and the Agency as evidenced by the execution and delivery of such document by an officer of the Corporation and the Agency), the Trust Agreement, the Installment Sale Agreement, this Purchase Contract, the Continuing Disclosure Certificate (hereinafter defined), and all information contained therein, and all other documents, certificates and written statements furnished by the Corporation and the Agency to the Underwriter in connection with the transactions contemplated by this Purchase Contract, in connection with the offer and sale of the Certificates by the Underwriter.

The Underwriter hereby agrees to deliver a copy of the Official Statement to the MSRB through the Electronic Municipal Marketplace Access website of the MSRB on or before the date of the Closing and otherwise to comply with all applicable statutes and regulations in connection with the offering and sale of the Certificates, including, without limitation, MSRB Rule G-32 and Rule 15c2-12. The Corporation and the Agency agree to deliver to the Underwriter as many copies of the Official Statement as the Underwriter will reasonably request as necessary to comply with paragraph (b)(4) of Rule 15c2-12. The Corporation and the Agency agree to deliver the final Official Statement within seven business days after the execution hereof, or such earlier date identified by the Underwriter to be necessary to allow the Underwriter to meet its obligations under Rule 15c2-12 and Rule G-32 of the MSRB.

(b) The Underwriter agrees to: (1) provide the Corporation with final pricing information on the Certificates on a timely basis prior to the Closing and (2) take any and all other actions necessary to comply with applicable Securities and Exchange Commission rules and MSRB rules governing the offering, sale and delivery of the Certificates to ultimate purchasers.

(c) In connection with the execution and delivery of the Certificates, and in order to assist the Underwriter with complying with the provisions of Rule 15c2-12, the Agency will execute a Continuing Disclosure Certificate (the "**Continuing Disclosure Certificate**"), under which the Agency will undertake, on behalf of the Corporation, to provide certain financial and operating data as required by Rule 15c2-12. The form of the Continuing Disclosure Certificate is attached as an appendix to the Preliminary Official Statement and will be attached as an appendix to the final Official Statement.

Section 5. Representations, Warranties and Covenants of the Corporation. The Corporation hereby represents, warrants and agrees with the Underwriter that:

(a) The Corporation is a nonprofit public benefit corporation duly organized and in good standing under the laws of the State of California (the "**State**") and has all necessary power and authority to adopt the Corporation Resolution (as hereinafter defined), to enter into and perform its duties under the Trust Agreement, the Installment Sale Agreement and this Purchase Contract (the "**Corporation**

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Agreements") and, when executed and delivered by the respective parties thereto, each Corporation Agreement will constitute the legal, valid and binding obligation of the Corporation enforceable in accordance with its respective terms.

(b) The Board of Directors of the Corporation (the "**Corporation Board of Directors**") has taken official action by a resolution adopted on _____, 2023 (the "**Corporation Resolution**") adopted by a majority of the members of the Corporation Board of Directors at a regular meeting duly called, noticed and conducted, at which a quorum was present and acting throughout, authorizing the execution, delivery and due performance of the Corporation Agreements and the Official Statement and the taking of any and all such action as may be required on the part of the Corporation to carry out, give effect to and consummate the transactions contemplated hereby.

(c) By all necessary official action, the Corporation has duly authorized the preparation and delivery of the Preliminary Official Statement and the preparation, execution and delivery of the Official Statement, has duly authorized and approved the execution and delivery of, and the performance of its obligations under, the Certificates and the Corporation Agreements, and the consummation by it of all other transactions contemplated by the Corporation Resolution, the Corporation Agreements, the Preliminary Official Statement and the Official Statement. When executed and delivered by the respective parties thereto, the Corporation Agreements (assuming due authorization, execution and delivery by and enforceability against the other parties thereto) will be in full force and effect and each will constitute legal, valid and binding agreements or obligations of the Corporation, enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors rights generally, the application of equitable principles, the exercise of judicial discretion and the limitations on legal remedies against public entities in the State.

(d) The statements and information contained in the Official Statement relating to the Corporation and the Certificates (other than information relating to The Depository Trust Company ("**DTC**") and its book-entry only system) are correct and complete in all material respects, and the information contained in the Official Statement (other than information relating to DTC and its book-entry only system) does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make such statements therein, in the light of the circumstances under which they were made, not misleading.

(e) As of the date hereof, there is no action, suit, proceeding or investigation before or by any court, public board or body pending against the Corporation or, to the best knowledge of the Corporation, threatened, wherein an unfavorable decision, ruling or finding would: (i) affect the creation, organization, existence or powers of the Corporation, or the titles of its members or officers; (ii) in any way question or affect the validity or enforceability of Corporation Agreements or the Certificates, or (iii) in any way question or affect the Corporation Agreements or the transactions contemplated by the Corporation Agreements, the Official Statement, or any other agreement or instrument to which the Corporation is a party relating to the Certificates.

(f) There is no consent, approval, authorization or other order of, or filing or registration with, or certification by, any regulatory authority having jurisdiction over the Corporation required for the execution and delivery of this Purchase Contract or the consummation by the Corporation of the other transactions contemplated by the Official Statement or the Corporation Agreements.

(g) Any certificate signed by any official of the Corporation authorized to do so will be deemed a representation and warranty by the Corporation to the Underwriter as to the statements made therein.

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(h) Except as previously disclosed to the Underwriter, the Corporation is not in default, and at no time has the Corporation defaulted in any material respect, on any bond, note or other obligation for borrowed money or any agreement under which any such obligation is or was outstanding.

(i)

(1) If between the date of this Purchase Contract and the date which is 25 days following the End of the Underwriting Period (as defined below), any event will occur which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit 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, the Corporation will immediately notify the Underwriter, and if, in the opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Corporation will at its expense supplement or amend the Official Statement in a form and in a manner approved by the Underwriter. "**End of the Underwriting Period**" will mean the later of: (i) the date of the Closing, and (ii) the date the Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Certificates for sale to the public, provided that unless the Underwriter notifies the Corporation on or prior to the date of the Closing that it retains, directly or as a member of an underwriting syndicate, an unsold balance of the Certificates for sale to the public, the End of the Underwriting Period will be deemed to have occurred on the date of the Closing.

(2) After the Closing, the Corporation will not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, the Underwriter reasonably objects in writing or which is disapproved by Underwriter's Counsel (hereinafter defined). If any event relating to or affecting the Corporation occurs as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, the Corporation will use its best efforts to assist the Underwriter in preparing (at the expense of the Corporation for 90 days after the date of the Closing, and thereafter 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) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading. For the purposes of this subsection, the Corporation will furnish such information with respect to itself as the Underwriter may from time to time reasonably request.

(j) Except as disclosed in the Official Statement, the Corporation has not previously failed to comply in all material respects with any undertakings under Rule 15c2-12 during the past five years.

(k) The Corporation covenants with the Underwriter that the Corporation will cooperate with the Underwriter (at the cost and written directions of the Underwriter), in qualifying the Certificates for offer and sale under the securities or Blue Sky laws of such jurisdiction of the United States as the Underwriter may reasonably request; provided, however, that the Corporation shall not be required to consent to suit or to service of process, or to qualify to do business, in any jurisdiction. The Corporation consents to the use by the Underwriter of the Corporation Agreements, the Preliminary Official Statement and the Official Statement in the course of its compliance with the securities or Blue Sky laws of the various jurisdictions related to the offering and sale of the Certificates.

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Section 6. Representations, Warranties and Covenants of the Agency. The Agency hereby represents, warrants and agrees with the Underwriter that:

(a) The Agency is a special district that is duly organized and existing under the laws of the State and its Board of Directors has all necessary power and authority to adopt its resolution adopted on _____, 2023 (the "**Agency Resolution**"), to enter into and perform its duties under the Trust Agreement, the Installment Sale Agreement, the Continuing Disclosure Certificate and this Purchase Contract (the "**Agency Agreements**") and, when executed and delivered by the respective parties thereto, the Agency Agreements will constitute legal, valid and binding obligations of the Agency enforceable in accordance with their respective terms.

(b) The Board of Directors of the Agency (the "**Agency Board of Directors**") has taken official action by adopting the Agency Resolution by a majority of the members of the Agency Board of Directors at a meeting duly called, noticed and conducted, at which a quorum was present and acting throughout, authorizing the execution, delivery and due performance of the Agency Agreements and the Official Statement and the taking of any and all such action as may be required on the part of the Agency to carry out, give effect to and consummate the transactions contemplated hereby.

(c) By all necessary official action, the Agency has duly adopted the Agency Resolution, has duly authorized the preparation and delivery of the Preliminary Official Statement and the preparation, execution and delivery of the Official Statement, has duly authorized and approved the execution and delivery of, and the performance of its obligations under, the Agency Agreements, and the consummation by it of all other transactions contemplated by the Agency Resolution, the Agency Agreements, the Preliminary Official Statement and the Official Statement. When executed and delivered by the respective parties thereto, the Agency Agreements (assuming due authorization, execution and delivery by and enforceability against the other parties thereto) will be in full force and effect and each will constitute legal, valid and binding agreements or obligations of the Agency, enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors rights generally, the application of equitable principles, the exercise of judicial discretion and the limitations on legal remedies against public entities in the State.

(d) At the time of the Agency's acceptance hereof and at all times subsequent thereto up to and including the time of the Closing, the information and statements in the Official Statement (other than any information concerning the Corporation, DTC and the book-entry system for the Certificates or provided by the Underwriter) do not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(e) As of the date hereof, there is no action, suit, proceeding or investigation before or by any court, public board or body pending against the Agency or, to the best knowledge of the Agency, threatened, wherein an unfavorable decision, ruling or finding would: (i) affect the creation, organization, existence or powers of the Agency, or the titles of its members or officers; (ii) in any way question or affect the validity or enforceability of the Agency Agreements or the Certificates, or (iii) in any way question or affect this Purchase Contract or the transactions contemplated by this Purchase Contract, the Official Statement, or any other agreement or instrument to which the Agency is a party relating to the Certificates.

(f) There is no consent, approval, authorization or other order of, or filing or registration with, or certification by, any regulatory authority having jurisdiction over the Agency required for the execution and delivery of this Purchase Contract or the consummation by the Agency of the other transactions contemplated by the Official Statement or the Agency Agreements.

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(g) Any certificate signed by any official of the Agency authorized to do so will be deemed a representation and warranty by the Agency to the Underwriter as to the statements made therein.

(h) Except as previously disclosed to the Underwriter, the Agency is not in default, and at no time has the Agency defaulted in any material respect, on any bond, note or other obligation for borrowed money or any agreement under which any such obligation is or was outstanding.

(i)

(1) Except as disclosed in the Official Statement or otherwise disclosed in writing to the Underwriter, there has not been any materially adverse change in the financial condition of the Agency since June 30, 2022, and there has been no occurrence or circumstance or combination thereof that is reasonably expected to result in any such materially adverse change.

(2) If between the date of this Purchase Contract and the date which is 25 days following the End of the Underwriting Period, any event will occur which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit 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, the Agency will immediately notify the Underwriter, and if, in the opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Agency will at its expense supplement or amend the Official Statement in a form and in a manner approved by the Underwriter.

(3) After the Closing, the Agency will not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, the Underwriter reasonably objects in writing or which is disapproved by Underwriter's Counsel. If any event relating to or affecting the Agency occurs as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, the Agency will use its best efforts to assist the Underwriter in preparing (at the expense of the Agency for 90 days after the date of the Closing, and thereafter 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) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading. For the purposes of this subsection, the Agency will furnish such information with respect to itself as the Underwriter may from time to time reasonably request.

(j) Except as disclosed in the Official Statement or otherwise disclosed in writing to the Underwriter, the Agency has not previously failed to comply in all material respects with any undertakings under Rule 15c2-12 in the past five years.

(k) The Agency does not need the consent of its auditor to include its audited financial statements for the fiscal year ended June 30, 2022 as an appendix to the Official Statement.

(l) The Agency covenants with the Underwriter that the Agency will cooperate with the Underwriter (at the cost and written directions of the Underwriter), in qualifying the Certificates for offer and sale under the securities or Blue Sky laws of such jurisdiction of the United States as the Underwriter

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may reasonably request; provided, however, that the Agency shall not be required to consent to suit or to service of process, or to qualify to do business, in any jurisdiction. The Agency consents to the use by the Underwriter of the Agency Agreements, the Preliminary Official Statement and the Official Statement in the course of its compliance with the securities or Blue Sky laws of the various jurisdictions related to the offering and sale of the Certificates.

Section 7. The Closing. (a) At 8:30 A.M., California time, on _____, 2023, or on such earlier or later time or date as may be agreed upon by the Underwriter, the Corporation and the Agency (the "**Closing**"), the Corporation will deliver the Certificates to the Underwriter, through the book-entry system of DTC. Prior to the Closing, the Corporation and the Agency will deliver, at the offices of Jones Hall, A Professional Law Corporation ("**Special Counsel**") in San Francisco, California, or such other place as is mutually agreed upon by the Underwriter and the Corporation, the other documents described in this Purchase Contract. On the date of the Closing, the Underwriter will pay the purchase price of the Certificates as set forth in Section 1 of this Purchase Contract in immediately available funds to the order of the Trustee.

(b) The Certificates will be issued in fully registered form and will be prepared and delivered as one Certificate for each maturity registered in the name of a nominee of DTC. It is anticipated that CUSIP identification numbers will be inserted on the Certificates, but neither the failure to provide such numbers nor any error with respect thereto will constitute a cause for failure or refusal by the Underwriter to accept delivery of the Certificates in accordance with the terms of this Purchase Contract.

Section 8. Conditions to Underwriter's Obligations. The Underwriter has entered into this Purchase Contract in reliance upon the representations and warranties of the Corporation and the Agency contained herein and to be contained in the documents and instruments to be delivered on the date of the Closing, and upon the performance by the Corporation and the Agency of their respective obligations to be performed hereunder and under such documents and instruments to be delivered at or prior to the date of the Closing. The Underwriter's obligations under this Purchase Contract are and will also be subject to the sale, issuance and delivery of the Certificates as well as the following conditions:

(a) The representations and warranties of the Corporation and the Agency contained in this Agreement will be true and correct in all material respects on the date of this Purchase Contract and on and as of the date of the Closing as if made on the date of the Closing;

(b) As of the date of the Closing, the Official Statement may not have been amended, modified or supplemented, except in any case as may have been agreed to by the Underwriter;

(c) (i) As of the date of the Closing, the Corporation Resolution, the Agency Resolution, the Corporation Agreements and the Agency Agreements will be in full force and effect, and will not have been amended, modified or supplemented, except as may have been agreed to by the Underwriter, (ii) the Corporation will perform or have performed all of its obligations required under or specified in the Corporation Resolution, the Corporation Agreements and this Purchase Contract to be performed at or prior to the date of the Closing; and (iii) the Agency will perform or have performed all of its obligations required under or specified in the Agency Resolution, the Agency Agreements and this Purchase Contract to be performed at or prior to the date of the Closing;

(d) As of the date of the Closing, all necessary official action of the Corporation relating to the Corporation Agreements, the Corporation Resolution and the Official Statement, and all necessary official action of the Agency relating to the Agency Agreements, the Agency Resolution, and the Official Statement, will have been taken and will be in full force and effect and will not have been amended,

modified or supplemented in any material respect, except as may have been agreed to by the Corporation, the Agency and the Underwriter; and

(e) As of or prior to the date of the Closing, the Underwriter will have received each of the following documents:

(1) Certified copies of the Corporation Resolution and the Agency Resolution.

(2) Duly executed copies of the Trust Agreement, the Installment Sale Agreement, the Continuing Disclosure Certificate, and this Purchase Contract.

(3) The Preliminary Official Statement and the Official Statement, with the Official Statement duly executed on behalf of the Corporation and the Agency.

(4) An approving opinion of Special Counsel, dated as of the Closing, as to the validity of the Certificates, the exclusion of interest on the Certificates from federal gross income, and the exclusion of interest on the Certificates from State income taxation addressed to the Corporation and the Agency substantially in the form attached as an appendix to the Official Statement, and a reliance letter with respect thereto addressed to the Underwriter and the Trustee.

(5) A supplemental opinion of Special Counsel, addressed to the Underwriter, to the effect that:

(i) The Purchase Contract and the Installment Sale Agreement has been duly executed and delivered by the Corporation and the Agency, and are valid and binding upon the Corporation and the Agency, subject to laws relating to bankruptcy, insolvency, reorganization or creditors' rights generally and to the application of equitable principles;

(ii) The Continuing Disclosure Certificate has been duly executed and delivered by the Agency and is valid and binding upon the Agency, subject to laws relating to bankruptcy, insolvency, reorganization or creditors' rights generally and to the application of equitable principles;

(iii) The Certificates are exempt from registration pursuant to the Securities Act of 1933, as amended (the "**Securities Act**"), and the Trust Agreement is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended; and

(iv) The statements contained in the Official Statement on the cover and under the headings "INTRODUCTION," "PLAN OF FINANCE," "THE CERTIFICATES," "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES," "TAX MATTERS," "LEGAL OPINIONS," in "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS," and "APPENDIX E – FORM OF SPECIAL COUNSEL OPINION," insofar as such statements purport to describe certain provisions of the Certificates, the Trust Agreement and the Installment Sale Agreement, and the opinion of Special Counsel regarding the tax-exempt nature of the Certificates, present a fair and accurate summary of the provisions thereof.

(6) An opinion of Jones Hall, A Professional Law Corporation, as disclosure counsel to the Corporation and the Agency, addressed to the Underwriter, to the effect that: We are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Preliminary Official Statement or the Official Statement and make

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no representation that we have independently verified the accuracy, completeness or fairness of any such statements. However, in our capacity as disclosure counsel to the Corporation and the Agency, we have reviewed certain documents as described above and have participated in conferences during which the contents of the Preliminary Official Statement and the Official Statement and related matters were discussed. Based on our review of documents and our participation in the above-mentioned conferences, and with the assumptions described in the second preceding paragraph, we advise you that, during the course of our assistance in the preparation of the Preliminary Official Statement and the Official Statement, no facts have come to the attention of the attorneys in our firm rendering legal services in connection with such representation that caused us to believe that the Preliminary Official Statement and the Official Statement, as of their date and as of the date of this letter 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 (except that we express no opinion or belief with respect to: (i) the expressions of opinion, the assumptions, the projections, the financial statements or other financial, numerical, economic, demographic or statistical data contained in the Preliminary Official Statement and the Official Statement, (ii) any CUSIP numbers or information relating thereto contained in the Preliminary Official Statement and the Official Statement, (iii) any information contained in the appendices to the Preliminary Official Statement and the Official Statement, (iv) any information with respect to DTC and its book entry system for the Certificates contained or incorporated in the Preliminary Official Statement and the Official Statement, (v) any information incorporated by reference into the Preliminary Official Statement and the Official Statement, and (vi) information with respect to the rating on the Certificates and the rating agency referenced in the Preliminary Official Statement and the Official Statement).

(7) An opinion or opinions of _____, as General Counsel and Corporation Counsel, dated as of the Closing addressed to the Corporation, the Agency, the Trustee and the Underwriter, in form and substance acceptable to the Underwriter, to the effect that:

(i) The Agency is a special district that is duly organized and existing under the laws of the State. The Agency Board of Directors is the governing body of the Agency.

(ii) The Agency has all necessary power and authority to adopt the Agency Resolution, and to enter into and perform its duties under the Agency Agreements, and, when executed and delivered by the respective parties thereto, the Agency Agreements will each constitute a legal, valid and binding obligation of the Agency enforceable in accordance with its respective terms, except as such enforcement may be limited by bankruptcy, moratorium and the exercise of equitable principles where equitable remedies are sought.

(iii) The Agency Resolution was duly adopted at a meeting of the Agency Board of Directors, 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. The Agency Resolution is in full force and effect and has not been modified, amended or rescinded since the date of its adoption.

(iv) The execution and delivery by the Agency of the Agency Agreements, the Official Statement and the other instruments contemplated by any of such documents to which the Agency is a party, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State, the United States or any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order

or any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the Agency is a party or is otherwise subject or bound in a manner which could materially adversely affect the Agency's performance under the Agency Agreements.

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

(vi) To the best knowledge of the General Counsel, after due inquiry, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, is pending or threatened in any way against the Agency (A) affecting the existence of the Agency or the titles of the members of the Agency Board of Directors or its officers to their respective offices, (B) seeking to restrain or to enjoin the issuance or sale of the Certificates, (C) in any way contesting or affecting the validity or enforceability of the Agency Resolution or the Agency Agreements, (D) in any way contesting the powers of the Trustee to execute and deliver the Certificates or the Agency's authority with respect to the Agency Resolution or the Agency Agreements, or (E) in any way questioning the accuracy of the statements in the Preliminary Official Statement or the Official Statement.

(vii) The Corporation is a nonprofit public benefit corporation duly organized and in good standing under the laws of the State. The Corporation Board of Directors is the governing body of the Corporation.

(viii) The Corporation has all necessary power and authority to adopt the Corporation Resolution, and to enter into and perform its duties under the Corporation Agreements and, when executed and delivered by the respective parties thereto, the Corporation Agreements will each constitute legal, valid and binding obligation of the Corporation enforceable in accordance with its respective terms, except as such enforcement may be limited by bankruptcy, moratorium and the exercise of equitable principles where equitable remedies are sought.

(ix) The Corporation Resolution was duly adopted at a special meeting of the Corporation's Board of Directors, 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. The Corporation Resolution is in full force and effect and has not been modified, amended or rescinded since the date of its adoption.

(x) To the best knowledge of Corporation Counsel, after due inquiry, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, is pending or threatened in any way against the Corporation (A) affecting the existence of the Corporation or the titles of the members of the Corporation Board of Directors or its officers to their respective offices, (B) seeking to restrain or to enjoin the execution, delivery or sale of the Certificates, (C) in any way contesting or affecting the validity or enforceability of the Corporation Resolution or the Corporation Agreements, (D) in any way contesting the powers of the Trustee to execute and deliver the Certificates or the sale of the Certificates or its authority with respect to the Corporation Resolution or the Corporation Agreements, (E) in any way contesting or affecting any of the rights, powers, duties or obligations of the Corporation with respect to the money or

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property pledged or to be pledged under the Indenture or (F) in any way questioning the accuracy of the statements in the Preliminary Official Statement or the Official Statement.

(xi) The execution and delivery by the Corporation of the Corporation Agreements, the Official Statement and the other instruments contemplated by any of such documents to which the Corporation is a party, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State, the United States or any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order or any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the Corporation is a party or is otherwise subject or bound in a manner which would materially adversely affect the Corporation's performance under the Corporation Agreements.

(xii) All approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by the Corporation of its obligations under the Corporation Agreements have been obtained and are in full force and effect.

(8) A letter of Nixon Peabody LLP ("**Underwriter's Counsel**"), addressed to the Underwriter, in form and substance acceptable to the Underwriter.

(9) An executed certificate or certificates of the Corporation and the Agency, dated as of the date of the Preliminary Official Statement, substantially in the form attached as Exhibit B.

(10) An executed closing certificate of the Corporation, dated as of the Closing, in the form attached as Exhibit C.

(11) An executed closing certificate of the Agency, dated as of the Closing, in the form attached as Exhibit D.

(12) The opinion of counsel to the Trustee, dated as of the Closing, addressed to the Corporation, the Agency and the Underwriter to the effect that:

(i) The Trustee is a national banking association duly organized and validly existing under the laws of the jurisdiction of its organization, and has the corporate power to execute and deliver, and to perform its obligations under the Trust Agreement.

(ii) The Trust Agreement has been duly authorized, executed and delivered by the Trustee, and, assuming due authorization, execution and delivery by the other parties thereto, the Trust Agreement constitutes the valid and legally binding agreement of the Trustee enforceable in accordance with its terms, subject to laws relating in bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and the application of equitable principles if equitable remedies are sought.

(iii) The Trustee has duly executed the Certificates.

(iv) To the best knowledge of counsel to the Trustee, after due inquiry, there is no action, suit, proceeding or investigation, at law or in equity, before or by any court or governmental agency, public board or body pending, or threatened against the Trustee

which in the reasonable judgment of the Trustee would affect the existence of the Trustee or in any way contesting or affecting the validity or enforceability of the Trust Agreement or contesting the powers of the Trustee or its authority to enter into and perform its obligations thereunder.

(13) A certificate of the Trustee, dated as of the Closing, in the form attached as Exhibit E.

(14) A tax certificate duly signed on behalf of the Corporation and the Agency in form and substance acceptable to Special Counsel and the Underwriter.

(15) Evidence of required filings with the California Debt and Investment Advisory Commission.

(16) A copy of the executed Blanket Issuer Letter of Representations by and between the Corporation and DTC relating to the book-entry system.

(17) Evidence that the Certificates have received the ratings described in the Official Statement.

(18) A copy of the Municipal Bond Insurance Policy.

(19) A copy of the Reserve Fund Insurance Policy.

(20) An opinion of counsel to the Municipal Bond Insurer, addressed to the Agency, the Corporation and the Underwriter to the effect that:

(A) the descriptions of the Municipal Bond Insurer, the Municipal Bond Insurance Policy and the Reserve Fund Insurance Policy included in the Official Statement are accurate;

(B) the Municipal Bond Insurance Policy and the Reserve Fund Insurance Policy constitute legal, valid and binding obligations of the Municipal Bond Insurer, enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditor's rights generally and by the application of equitable principles if equitable remedies are sought, and

(C) as to such other matters as the Agency, the Corporation or the Underwriter may reasonably request;

(21) A certificate of the Municipal Bond Insurer, signed by an authorized officer of the Municipal Bond Insurer, to the effect that:

(A) the information contained in the Official Statement relating to the Municipal Bond Insurer, the Municipal Bond Insurance Policy and the Reserve Fund Insurance Policy is true and accurate and

(B) as to such other matters as the Agency, the Corporation or the Underwriter may reasonably request;

(22) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter or Special Counsel may reasonably request to evidence compliance

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by the Corporation and the Agency with legal requirements, the truth and accuracy, as of the date of the Closing, of the representations of the Corporation and the Agency herein contained and of the Official Statement and the due performance or satisfaction by the Corporation and the Agency at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Corporation and the Agency.

All of the opinions, letters, certificates, instruments and other documents mentioned in this Purchase Contract will be deemed to be in compliance with the provisions of this Purchase Contract if, but only if, they are in form and substance satisfactory to the Underwriter. If the Corporation and the Agency are unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Certificates contained in this Purchase Contract or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Certificates will be terminated for any reason permitted by this Purchase Contract, this Purchase Contract will terminate and neither the Underwriter, the Corporation nor the Agency will be under further obligations hereunder, except that the respective obligations of the Corporation, the Agency and the Underwriter set forth in Section 12 of this Purchase Contract will continue in full force and effect.

Section 9. Conditions to Corporation's and Agency's Obligations. The performance by the Corporation and the Agency of their respective obligations under this Purchase Contract are conditioned upon: (i) the performance by the Underwriter of its obligations hereunder and (ii) receipt by the Corporation and the Agency of opinions addressed to the Corporation and the Agency, and receipt by the Underwriter of opinions addressed to the Underwriter, and the delivery of certificates being delivered on the date of the Closing by persons and entities other than the Corporation and the Agency.

Section 10. Establishment of Issue Price.

(a) The Underwriter agrees to assist the Agency in establishing the issue price of the Certificates and shall execute and deliver to the Agency at Closing an "issue price" or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the Agency and 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 Exhibit A attached hereto, the Agency 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 Contract, the Underwriter shall report to the Agency 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 Agency 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 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 date of the Closing may be at reasonable periodic intervals or otherwise upon request of the Agency 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 Contract at the offering price or prices (the "**initial offering price**"), or at the corresponding yield or yields, set forth in Exhibit A attached hereto, except as otherwise set forth therein. Exhibit A also sets forth, as of the date of this Purchase Contract, the maturities, if any, of the Certificates

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for which the 10% test has not been satisfied and for which the Agency and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the Agency to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the "**hold-the-offering-price rule**"). So long as the hold-the-offering-price rule remains applicable to any maturity of the 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 (5^{th}) business day after the sale date; or

(2) the date on which the Underwriter has sold at least 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 Underwriter will advise the Agency promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public.

(d) The Underwriter confirms that:

(i) any selling group agreement and any third-party distribution agreement 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)(i) 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 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 Certificates of that maturity, provided that the reporting obligation after the date of the Closing may be at reasonable periodic intervals or otherwise upon request of the Underwriter, and (ii) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter,

(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 Certificates to the public (each such term being used as defined below), and

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

(ii) any selling group agreement relating to the initial sale of the 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 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 date of the Closing 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

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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 Agency acknowledges that, in making the representations set forth in this section, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the 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 Agency further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates.

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

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

(ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the Agency (or with the 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 to the public),

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

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

Section 11. Termination Events. The Underwriter will have the right to terminate the Underwriter's obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the

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Certificates by notifying the Corporation and the Agency of its election to do so if, after the execution hereof and prior to the Closing, any of the following events occurs:

(a) the marketability of the Certificates or the market price thereof, in the opinion of the Underwriter, has been materially and adversely affected by any decision issued by a court of the United States (including the United States Tax Court) or of the State, by any ruling or regulation (final, temporary or proposed) issued by or on behalf of the Department of the Treasury of the United States, the Internal Revenue Service, or other governmental agency of the United States, or any governmental agency of the State, or by a tentative decision or announcement by any member of the House Ways and Means Committee, the Senate Finance Committee, or the Conference Committee with respect to contemplated legislation or by legislation enacted by, pending in, or favorably reported to either the House of Representatives or either House of the Legislature of the State, or formally proposed to the Congress of the United States by the President of the United States or to the Legislature of the State by the Governor of the State in an executive communication, affecting the tax status of the Corporation or the Agency, its property or income, its bonds, the Certificates, or the interest thereon or any tax exemption granted or authorized by the Internal Revenue Code of 1986, as amended;

(b) the United States becomes engaged in hostilities that result in a declaration of war or a national emergency, or any other outbreak of hostilities occurs or escalates, or a local, national or international calamity or crisis occurs or escalates, financial or otherwise, the effect of such outbreak, calamity or crisis being such as, in the reasonable opinion of the Underwriter, would affect materially and adversely the ability of the Underwriter to market the Certificates;

(c) there occurs a general suspension of trading on the New York Stock Exchange or other major exchange shall be in force, or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on any such exchange, whether by virtue of determination by that exchange or by order of the SEC or any other governmental authority having jurisdiction;

(d) a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission is issued or made to the effect that the execution, delivery, offering or sale of the Certificates is or would be in violation of any provision of the Securities Act of 1933, as then in effect, or of the Securities Exchange Act of 1934, as then in effect, or of the Trust Indenture Act of 1939, as then in effect;

(e) legislation is enacted by the House of Representatives or the Senate of the Congress of the United States of America, or a decision by a court of the United States of America is rendered, or a ruling or regulation by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter is made or proposed to the effect that the obligations of the general character of the Certificates, including the Certificates, are not exempt from registration, qualification or other similar requirements of the Securities Act of 1933, as then in effect, or of the Trust Indenture Act of 1939, as then in effect;

(f) in the reasonable judgment of the Underwriter, the market price of the Certificates, or the market price generally of obligations of the general character of the Certificates, might be materially and adversely affected because additional material restrictions not in force as of the date hereof is imposed upon trading in securities generally by any governmental authority or by any national securities exchange;

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(g) the Comptroller of the Currency, The New York Stock Exchange, or other national securities exchange, or any governmental authority, imposes, as to the Certificates or obligations of the general character of the Certificates, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, or financial responsibility requirements of, the Underwriter;

(h) a general banking moratorium is established by federal, New York or State authorities;

(i) any legislation, ordinance, rule or regulation is introduced in or be enacted by any governmental body, department or agency in the State or a decision of a court of competent jurisdiction within the State is rendered, which, in the opinion of the Underwriter, after consultation with the Corporation and the Agency, materially adversely affects the market price of the Certificates;

(j) any federal or California court, authority or regulatory body takes action materially and adversely affecting the payment or receipt of the principal and interest on the Certificates;

(k) any withdrawal, downgrading or placement on credit watch negative of any underlying rating of any securities of the Corporation or the Agency by a national municipal bond rating agency that, in the opinion of the Underwriter, adversely affects the market price of the Certificates;

(l) an event occurs which in the reasonable opinion of the Underwriter requires a supplement or amendment to the Official Statement and: (i) the Agency or the Corporation refuses to prepare and furnish such supplement or amendment; or (ii) in the reasonable judgment of the Underwriter, the occurrence of such event materially and adversely affects the marketability of the Certificates or the ability of the Underwriter to enforce contracts for the sale of the Certificates;

(m) additional material restrictions that are not in force as of the date hereof shall have been imposed upon trading in securities generally by any domestic governmental authority or by any domestic national securities exchange, which are material to the marketability of the Certificates; or

(n) the commencement of any action, suit or proceeding that is described in Section 5(e) and 6(e).

Section 12. Payment of Expenses. (a) The Underwriter will be under no obligation to pay, and the Corporation and/or the Agency will pay the following expenses incident to the performance of the Corporation's and the Agency's obligations hereunder:

(i) the fees and disbursements of the Corporation's and Agency's municipal advisor and of Special Counsel and Disclosure Counsel;

(ii) the cost of printing and delivering the Certificates, the Preliminary Official Statement and the Official Statement (and any amendment or supplement prepared pursuant to Sections 5 and 6 of this Purchase Contract);

(iii) the fees and disbursements of accountants, advisers and of any other experts or consultants retained by the Corporation or the Agency; and

(iv) any other expenses and costs of the Corporation and the Agency incident to the performance of their respective obligations in connection with the authorization, issuance and sale

of the Certificates, including out-of-pocket expenses and regulatory expenses, and any other expenses agreed to by the parties.

(b) The Agency and the Corporation will be under no obligation to pay, and the Underwriter will pay, any fees of the California Debt and Investment Advisory Commission, the cost of obtaining CUSIP numbers, the cost of preparation of any "blue sky" or legal investment memoranda and this Purchase Contract; and all other expenses incurred by the Underwriter in connection with its public offering and distribution of the Certificates (except those specifically enumerated in paragraph (a) of this section), including the fees and disbursements of Underwriter's Counsel, meals, transportation and lodging (but not entertainment expenses), and any advertising expenses in connection with the public offering of the Certificates.

The Corporation and the Agency acknowledge that the Underwriter will pay from the underwriter's expense allocation of the underwriting discount certain fees, including the applicable per bond assessment charged by the California Debt and Investment Advisory Commission.

Section 13. Notices. Any notice or other communication to be given to the Corporation or the Agency under this Purchase Contract may be given by delivering the same in writing to the Corporation and the Agency at the addresses set forth on the first page of this Purchase Contract, and any notice or other communication to be given to the Underwriter under this Purchase Contract may be given by delivering the same in writing to Hilltop Securities Inc., 2533 South Coast Highway 101, Suite 250, Cardiff, California 92007, Attention: Mike Cavanaugh.

Section 14. Survival of Representations, Warranties, Agreements. All of the Corporation's and the Agency's representations, warranties and agreements contained in this Purchase Contract will remain operative and in full force and effect regardless of: (a) any investigations made by or on behalf of the Underwriter; or (b) delivery of and payment for the Certificates pursuant to this Purchase Contract. The agreements contained in this Section and in Section 12 will survive any termination of this Purchase Contract.

Section 15. Benefit; No Assignment. This Purchase Contract is made solely for the benefit of the Corporation, the Agency and the Underwriter (including its successors and assigns), and no other person will acquire or have any right hereunder or by virtue hereof. The rights and obligations created by this Purchase Contract are not subject to assignment by the Underwriter, the Corporation or the Agency without the prior written consent of the other parties hereto.

Section 16. Severability. In the event that any provision of this Purchase Contract is held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision of this Purchase Contract.

Section 17. Counterparts. This Purchase Contract may be executed in any number of counterparts, all of which taken together will constitute one agreement, and any of the parties hereto may execute the Purchase Contract by signing any such counterpart.

Section 18. Governing Law. This Purchase Contract will be governed by the laws of the State.

Section 19. Effectiveness. This Purchase Contract will become effective upon the execution of the acceptance hereof by an authorized officer of the Corporation and the Agency, and will be valid and enforceable as of the time of such acceptance.

Very truly yours,

HILLTOP SECURITIES INC., as Underwriter

By: _____
Authorized Signatory

Accepted:

PARAJO VALLEY WATER MANAGEMENT AGENCY FINANCING CORPORATION

By:_____
Authorized Representative

Time of Execution: _____ California Time

PARAJO VALLEY WATER MANAGEMENT AGENCY

By: _____
Authorized Representative

Time of Execution: _____ California Time

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EXHIBIT A

MATURITY SCHEDULE

Maturity (_____ 1)	Principal Amount	Interest Rate	Yield	Price	10% Test Satisfied*	10% Test Not Satisfied	Subject to Hold-The-Offering-Price Rule

T: Term Certificate.
C: Priced to optional prepayment date of _____ 1, 20__, at par.
* At the time of execution of this Purchase Contract and assuming orders are confirmed immediately after the execution of this Purchase Contract.

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EXHIBIT B

PARAJO VALLEY WATER MANAGEMENT AGENCY
2023 WATER REVENUE CERTIFICATES OF PARTICIPATION
15c2-12 CERTIFICATE

The undersigned hereby certifies and represents that he or she is the duly appointed and acting representative of Parajo Valley Water Management Agency (the "Agency") and the Parajo Valley Water Management Agency Financing Corporation (the "Corporation"), and is duly authorized to execute and deliver this Certificate and further hereby certifies and reconfirms on behalf of the Agency and the Corporation as follows:

(1) This Certificate is delivered in connection with the offering and sale of the Certificates captioned above (the "Certificates") in order to enable the underwriter of the Certificates to comply with Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the "Rule").

(2) In connection with the offering and sale of the Certificates, there has been prepared a Preliminary Official Statement, setting forth information concerning the Certificates, the Corporation and the Agency (the "Preliminary Official Statement").

(3) As used herein, "Permitted Omissions" means the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings and other terms of the Certificates depending on such matters, all with respect to the Certificates.

(4) The Preliminary Official Statement is, except for the Permitted Omissions, deemed final within the meaning of Rule 15c2-12, and the information therein is accurate and complete except for the Permitted Omissions.

Dated:

PARAJO VALLEY WATER MANAGEMENT AGENCY

By:_____
Authorized Officer

PARAJO VALLEY WATER MANAGEMENT AGENCY FINANCING CORPORATION

By:_____
Authorized Officer

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EXHIBIT C

$_____
PARAJO VALLEY WATER MANAGEMENT AGENCY
2023 WATER REVENUE CERTIFICATES OF PARTICIPATION

CLOSING CERTIFICATE OF THE CORPORATION

The undersigned hereby certifies and represents that he or she is the duly appointed and acting representative of the Parajo Valley Water Management Agency Financing Corporation (the "Corporation"), and is duly authorized to execute and deliver this Certificate and further hereby certifies and reconfirms on behalf of the Corporation as follows:

(i) The representations, warranties and covenants of the Corporation contained in the Purchase Contract dated _____, 2023, among the Corporation, the Parajo Valley Water Management Agency and Hilltop Securities Inc., as underwriter (the "Purchase Contract"), are true and correct and in all material respects on and as of the date of the Closing with the same effect as if made on the date of the Closing.

(ii) The Corporation Resolution is in full force and effect at the date of the Closing and has not been amended, modified or supplemented.

(iii) The Corporation has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied on or prior to the date of the Closing.

(iv) Subsequent to the date of the Official Statement and on or prior to the date of such certificate, there has been no material adverse change in the condition (financial or otherwise) of the Corporation, whether or not arising in the ordinary course of the operations of the Corporation, as described in the Official Statement.

(v) The Preliminary Official Statement as of its date and the date of the Purchase Contract and the Official Statement as of its date and the date of the Closing (other than any information it contains concerning The Depository Trust Company and the book-entry system for the Certificates or provided by the Underwriter) do not contain any untrue or misleading statement of a material fact and do not omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading.

Capitalized terms used but not defined herein have the meanings given in the Purchase Contract.

Dated:

PARAJO VALLEY WATER MANAGEMENT AGENCY FINANCING CORPORATION

By: _____
Authorized Officer

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EXHIBIT D

$_____
PARAJO VALLEY WATER MANAGEMENT AGENCY
2023 WATER REVENUE CERTIFICATES OF PARTICIPATION

CLOSING CERTIFICATE OF THE AGENCY

The undersigned hereby certifies and represents that he or she is the duly appointed and acting representative of the Parajo Valley Water Management Agency (the "Agency"), and is duly authorized to execute and deliver this Certificate and further hereby certifies and reconfirms on behalf of the Agency as follows:

(i) The representations, warranties and covenants of the Agency contained in the Purchase Contract dated _____, 2023, among the Agency, the Parajo Valley Water Management Agency Financing Corporation and Hilltop Securities Inc., as underwriter (the "Purchase Contract"), are true and correct and in all material respects on and as of the date of the Closing with the same effect as if made on the date of the Closing.

(ii) The Agency Resolution is in full force and effect at the date of the Closing and has not been amended, modified or supplemented.

(iii) The Agency has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied on or prior to the date of the Closing.

(iv) Subsequent to the date of the Official Statement and on or prior to the date of such certificate, there has been no material adverse change in the condition (financial or otherwise) of the Agency, whether or not arising in the ordinary course of operations, as described in the Official Statement.

(v) The Preliminary Official Statement as of its date and the date of the Purchase Contract and the Official Statement as of its date and the date of the Closing (other than any information it contains concerning The Depository Trust Company and the book-entry system for the Certificates or provided by the Underwriter) do not contain any untrue or misleading statement of a material fact and do not omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading.

Capitalized terms used but not defined herein have the meanings given in the Purchase Contract.

Dated:

PARAJO VALLEY WATER MANAGEMENT AGENCY

By:_____
Authorized Officer

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EXHIBIT E

$_____
PARAJO VALLEY WATER MANAGEMENT AGENCY
2023 WATER REVENUE CERTIFICATES OF PARTICIPATION

CLOSING CERTIFICATE OF TRUSTEE

The undersigned hereby certifies and represents that he or she is the duly appointed and acting representative of The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), and is duly authorized to execute and deliver this Certificate and further hereby certifies and reconfirms on behalf of the Trustee as follows:

(i) the Trustee has all necessary power to enter into the Trust Agreement, dated as of _____ 1, 2023 (the "Trust Agreement"), by and among the Parajo Valley Water Management Agency Financing Corporation, the Parajo Valley Water Management Agency and the Trustee;

(ii) The Trust Agreement has been duly authorized, executed and delivered by the Trustee, and the Trust Agreement constitutes the legal, valid and binding obligation the Trustee enforceable in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles, if equitable remedies are sought;

(iii) No consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee that has not been obtained is or will be required for the execution and delivery of the Trust Agreement or the performance by the Trustee of its duties and obligations under the Trust Agreement;

(iv) The execution and delivery by the Trustee of the Trust Agreement and compliance with the terms of the Trust Agreement will not conflict with, or result in a violation or breach of, or constitute a default under, any material agreement or material instrument to which the Trustee is a party or by which it is bound, or any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Trustee or any of its activities or properties (except that no representation, warranty or agreement need be made by such counsel with respect to any federal or State securities or blue sky laws or regulations);

(v) To the best knowledge of the Trustee, after due inquiry, there is no action, suit, proceeding or investigation, at law or in equity, before or by any court or governmental agency, public board or body pending, or threatened against the Trustee which in the reasonable judgment of the Trustee would affect the existence of the Trustee or in any way contesting or affecting the validity or enforceability of the Trust Agreement or contesting the powers of the Trustee or its authority to enter into and perform its obligations thereunder; and

(vi) the Trustee has duly executed the Certificates**.**

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Capitalized terms used but not defined herein have the meanings given in the Purchase Contract dated _____, 2023, among the Agency, the Corporation and Hilltop Securities Inc., as underwriter.

Dated:

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Trustee

By:_____
Authorized Officer

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EXHIBIT F

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EXHIBIT G

$_____
PARAJO VALLEY WATER MANAGEMENT AGENCY
2023 WATER REVENUE CERTIFICATES OF PARTICIPATION

ISSUE PRICE CERTIFICATE

The undersigned, Hilltop Securities Inc. ("Hilltop"), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Certificates").

1. ***Bond Purchase Contract.*** On _____, 2023 (the "Sale Date"), Hilltop, the Issuer, and the Parajo Valley Water Management Agency Financing Corporation executed a Purchase Contract (the "Purchase Contract") in connection with the sale of the Certificates. Hilltop has not modified the Purchase Contract since its execution on the Sale Date.

2. ***Price.***

   (a) As of the date of this Certificate, for each [Maturity][of the General Rule Maturities] of the Certificates, the first price at which at least 10% of [each] such Maturity of the Certificates was sold to the Public (the **"**10% Test**"**) was the respective price for such Maturity listed in **Schedule A** attached hereto.

   (b) [Hilltop offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in **Schedule A** (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Certificates is attached to this certificate as **Schedule B**.

   (c) As set forth in the Bond Purchase Contract, Hilltop has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Certificates of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Certificates during the Holding Period.]

   (d) [** With respect to each of the General Rule Maturities of the Certificates:

      (1) As of the date of this Certificate, Hilltop has not sold at least 10% of the Certificates of these Maturities at any single price.

      (2) As of the date of this Certificate, Hilltop reasonably expects that the first sale to the Public of Certificates of these Maturities will be at or below the respective price or prices listed on the attached **Schedule A** as the "Reasonably Expected Sale Prices for Undersold Maturities."

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(3) Hilltop will provide actual sales information (substantially similar to the information contained on **Schedule B**) as to the price at which the first 10% of each such Maturity (i.e., the Undersold Maturity or Maturities) is sold to the Public.

(4) On the date the 10% Test is satisfied with respect to all Maturities of the Certificates, Hilltop will execute a supplemental certificate substantially in the form attached hereto as **Schedule C** with respect to any remaining Maturities for which the 10% Test has not been satisfied as of the Closing.**]

3. ***Defined Terms.***

(a) *"General Rule Maturities"* means those Maturities of the Certificates listed in Schedule A hereto as the "General Rule Maturities."

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

(c) *"Holding Period"* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (_____, 2023), or (ii) the date on which Hilltop has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) *"Issuer"* means the Parajo Valley Water Management Agency.

(e) *"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.

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

(g) *"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 retail distribution agreement participating in the initial sale of the Certificates to the Public).

4. The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Hilltop's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate of the Issuer dated _____, 2023 and with respect to compliance with the federal income tax rules affecting the Certificates, and by Special Counsel, in connection with rendering its opinion that the interest on the Certificates is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Certificates.

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HILLTOP SECURITIES INC.

By:_____
Authorized Officer

Dated:

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SCHEDULE A
TO
ISSUE PRICE CERTIFICATE

[Schedules to be updated at pricing in the event there are Hold-the-Offering-Price-Maturities]

Actual Sales Information as of Date of the Closing

Maturity/CUSIP	Coupon	Date Sold	Time Sold	Par Amount	Sale Price

[Reasonably Expected Sales Prices for Undersold Maturities as of Date of the Closing**

Maturity/CUSIP	Coupon	Par Amount	Offering Prices

**]

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[**SCHEDULE B
TO
ISSUE PRICE CERTIFICATE

Actual Sales for Undersold Maturities as of the Date of the Closing

Maturity/CUSIP	Date Sold	Time Sold	Par Amount	Sale Price

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[**SCHEDULE C
TO
ISSUE PRICE CERTIFICATE

SUPPLEMENTAL ISSUE PRICE CERTIFICATE OF UNDERWRITER

$_____
PARAJO VALLEY WATER MANAGEMENT AGENCY
2023 WATER REVENUE CERTIFICATES OF PARTICIPATION

The undersigned, Hilltop Securities Inc. ("Hilltop"), hereby certifies as set forth below with respect to the execution, delivery and sale of the above-captioned obligations (the "Certificates").

1. ***Issue Price.***

(a) Hilltop sold at least 10% of the _____ Maturities of the Certificates to the Public at the price or prices shown on the Issue Price Certificate dated as of the date of the Closing (the "10% Test"). With respect to each of the _____ Maturities of the Certificates, Hilltop had not satisfied the 10% Test as of the date of the Closing (the "Undersold Maturities").

(b) As of the date of this Supplemental Certificate, Hilltop has satisfied the 10% Test with respect to the Undersold Maturities. The first price or prices at which at least 10% of each such Undersold Maturity was sold to the Public are the respective prices listed on Exhibit A attached hereto.

2. ***Defined Terms.***

(a) *"Issuer"* means the Parajo Valley Water Management Agency.

(b) *"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.

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

(d) *"Underwriter"* means (1) 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 (2) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (1) 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 retail distribution agreement participating in the initial sale of the Certificates to the Public).

3. The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Hilltop's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate of the Issuer dated _____, 2023 and with respect to compliance with the federal income tax rules affecting the Certificates, and by

Special Counsel, in connection with rendering its opinion that the interest on the Certificates is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Certificates.

HILLTOP SECURITIES INC.

By:_____
Authorized Officer

Dated:

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EXHIBIT A
TO
SUPPLEMENTAL ISSUE PRICE CERTIFICATE**]

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MEMORANDUM

DATE:	April 6, 2023
MEETING OF:	April 11, 2023
TO:	Administration & Finance Committee
FROM:	General Manager
RE:	**ITEM 6:** Consider Policy on Aromas Water District Annexation Service Extension Requests

INTRODUCTION

The Pajaro Valley Water Management Agency (PV Water or Agency) Board of Directors (Board) periodically receives requests from the Aromas Water District (AWD) to consider a request for exemption from Ordinance 1998-01 and Ordinance 1998-02 in order to extend service to one or more parcels outside of PV Water's jurisdictional boundaries. The most recent request came before the PV Water Board on March 15, 2023. While deliberating on the matter, the Board provided direction to staff to develop a policy on AWD annexation service extension requests.

DISCUSSION

PV Water received requests from AWD to annex and extend service to various parcels outside PV Waters' jurisdictional boundaries in 2005, 2010, 2018, 2019, 2020, 2021, 2022, and 2023. In 2005, the Board determined that the export prohibition of Ordinance 1998-022 implicitly authorized the granting of a waiver under certain circumstances, and approved an agreement authorizing AWD to extend water service to the Orchard Acres Subdivision. In 2010, the Board voted to approve Exemption from Water Export Ordinances 1998-01 and 1998-02 to allow Aromas Water District connection to Oakridge and Via Del Sol Subdivisions. The 2018 and 2019 annexation requests were for 1) a single parcel within the Rancho Larios Subdivision and 2) four contiguous parcels along the east side of Cole Road. The 2020 annexation request was for a single parcel along the east side of Cole Road (Bravo Property). The 2021 annexation request was for a single parcel along the east side of Cole Road (Martinez Property, APN 011-028-020). During the January 19, 2022 action, the Board approved agreements authorizing AWD to annex and extend service to 27 parcels along Cole Road and 6 parcels along Rocks Road in San Benito County.

The most recent request came to the Board on March 15, 2023. The home subject of this request was not constructed at the time of the prior annexation request, which was January 19, 2022, when the Board approved agreements authorizing AWD to annex and extend service to 27 Parcels along Cole Road and 6 Parcels along Rocks Road in San Benito County. The home appears to have been constructed despite there being no access to a reliable water supply.

In response to this most recent request, the Board requested Staff prepare a policy to address AWD annexation requests.

FISCAL IMPACT

There is no anticipated direct financial impact from the adoption of the proposed Policy on Aromas Water District Annexation Service Extension Requests.

STAFF RECOMMENDATION

The Administration & Finance Committee review the draft Policy and consider making a recommendation to the Board.

ATTACHMENTS

- Resolution No. 2023-XX Establishing Policy on Aromas Water District Annexation Service Extension Requests
- Pajaro Valley Water Management Agency Draft Policy on Aromas Water District Annexation Service Extension Requests

Resolution 2023-XX

A Resolution of the Board of Directors of the
Pajaro Valley Water Management Agency

Establishing Policy on Aromas Water District Annexation Service Extension Requests

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WHEREAS, the Pajaro Valley Water Management Agency ("PV Water") periodically receives requests from the Aromas Water District ("AWD") to consider a request for exemption from Ordinance 1998-01 and Ordinance 1998-02 in order to extend service to one or more parcels outside of PV Water's jurisdictional boundaries.

WHEREAS, PV Water endeavors to provide clear and comprehensive guidelines regarding AWD Annexation Service Extension Requests.

WHEREAS, PV Water has prepared a Policy on Aromas Water District Annexation Service Extension Requests.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the Pajaro Valley Water Management Agency does hereby approves and adopts the Policy on Aromas Water District Annexation Service Extension Requests, Exhibit A.

PASSED AND ADOPTED by the Pajaro Valley Water Management Agency, County of Santa Cruz State of California, this **19th** day of **April, 2023**, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

_____
Amy Newell, Chair

Attest:

_____
Laura R. Taay, Board Secretary

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EXHIBIT A

PAJARO VALLEY WATER MANAGEMENT AGENCY

Policy On Aromas Water District Annexation Service Extension Requests

INTRODUCTION

The Pajaro Valley Water Management Agency ("PV Water" or "Agency") Board of Directors ("Board") periodically is asked to consider requests for exemption from Ordinances 1998-01 and 1998-02 from the Aromas Water District ("AWD") to annex and extend services to parcels outside of the Pajaro Valley Groundwater Basin, and to adopt agreements between the two agencies formalizing these exemptions. The purpose of the Policy on Aromas Water District Annexation Service Extension Requests ("Policy") is to establish guidelines regarding such matters.

BACKGROUND

Since 2005, AWD has received requests for service from developers and property owners, sometimes for new developments and other times for health and safety reasons. AWD then requests the PV Water Board provide an exemption from Ordinances 1998-01 and 1998-02. If approved by the PV Water Board and then the San Benito Local Area Formation Commission ("LAFCO"), these requests lead to annexations to the AWD boundary, with AWD having the ability to provide services to the at-issue property.

Ordinances 1998-01 and 1998-02

The PV Water Board adopted Ordinance 1998-01 in 1998. It states that water extracted or otherwise produced within the Agency boundaries "shall not be exported outside the jurisdictional boundaries of the Agency," but it allows the Board to waive this restriction if the Board finds that doing so is consistent with the Agency's duly adopted BMP and is necessary to "preserve the health and/or safety of individuals living outside the Agency boundaries." Ordinance 1998-02, which was approved by ballot initiative in 1998, mirrors Ordinance 1998-01, but does not include such an exemption.

PV Water has received annexation requests from AWD in 2005, 2010, 2018, 2019, 2020, 2021, 2022, and 2023. These can be summarized as follows. In 2005, the Board determined that the export prohibition of Ordinance 1998-02 implicitly authorized the granting of a waiver under certain circumstances, and approved an agreement authorizing AWD to extend water service to the Orchard Acres Subdivision. In 2010, the Board voted to approve an exemption from Water Export Ordinances 1998-01 and 1998-02 to allow AWD to connect to Oakridge and Via Del Sol Subdivisions. The 2018 and 2019 annexation requests were for 1) a single parcel within the Rancho Larios Subdivision and 2) four contiguous parcels along the east side of Cole Road. The 2020 annexation request was for a single parcel along the east side of Cole Road (Bravo Property). The 2021 annexation request was for a single parcel along the east side of Cole Road (Martinez Property, APN 011-028-020). During the January 19, 2022 action, the Board approved agreements

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authorizing AWD to annex and extend service to 27 parcels along Cole Road and 6 parcels along Rocks Road in San Benito County. In March 2023, the Board received a request to annex and extend service a single parcel on Rocks Road for a home that had not yet been constructed when the other six parcels were considered in 2022.

GUIDANCE ON FUTURE REQUESTS

This Policy establishes the following guidelines for AWD service extension requests:

- The PV Water Board will approve requests from AWD to annex and extend service to parcels outside of the Pajaro Valley Groundwater Basin for health and safety reasons of existing developments. Health and safety reasons may include, but is not limited to, if a property's well has run dry and there are no other alternative water sources.
- The PV Water Board will not approve requests from AWD to annex and extend service to parcels outside of the Pajaro Valley Groundwater Basin for new development of any kind, unless approved by a supermajority vote of the PV Water Board (a yes vote of two-thirds of Directors or greater). New development includes, but is not limited to, the construction of a new home or creation of a new subdivision. It does not include the remodel of an existing residence of substantially the same size.

The Board desires that this Policy be provided to San Benito County and that copies be provided to all parties seeking permits for new development located outside of PV Water's jurisdictional boundaries but within the jurisdictional boundaries of the Aromas Water District or within its sphere of influence.

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MEMORANDUM

DATE: April 6, 2023
MEETING OF: April 11, 2023
TO: Administration & Finance Committee
FROM: General Manager
RE: **ITEM 7:** Consider Preliminary Budget for Fiscal Year Ending June 30, 2024

BACKGROUND

The Fiscal Year 2023-2024 (FY23-24, ending on June 30, 2024), budget funds the mission of the Agency and provides a projection of finances for the upcoming fiscal year. The budget narrative describes key activities and important assumptions taken into account to develop the budget, including activities related to the Sustainable Groundwater Management Act (SGMA), the implementation of the Basin Management Plan (BMP) Update, Agency operations, and anticipated revenue. The figures contained within the budget are based on actual data, projections, and estimations. The budget is created on the accrual basis to be consistent with the year-end financial statements. On the accrual basis, revenues are recorded as earned and expenditures are recorded when incurred.

DISCUSSION

The budget is a planning and communication tool that contains significant assumptions including but not limited to projecting groundwater extractions and delivered water sales, grant income, and progress on capital project implementation. The most significant capital projects listed in the budget include the College Lake Integrated Resources Management Project, which is presently in the construction phase, and the Watsonville Slough Managed Aquifer Recharge and Recovery Projects, which is the final design phase. The total budgeted revenues presented are $64,400,000. The total budgeted expenditures are $95,216.604.

Notable revenue related assumptions are illustrated in Figure 1 and include:

- Management fees of $370,000
- Augmentation charge revenues of $11.71 million
- Delivered water revenues of $1.8 million
- Grant revenues of $5 million
- WIFIA proceeds of $45 million

Notable expenditure related assumptions are illustrated in Figure 2 and include:

- Capital Projects expenditures of approximately $81.09 million as listed below.
    - College Lake Integrated Resources Management Project – $73.66 million
    - Harkins Slough Recharge Facility Upgrades – $3.7 million
    - Struve Slough with Recharge Basins – $1.52 million
    - Basin Monitoring Improvements - $2.21 million

Figure 1. Projected Revenues: $64,400,000

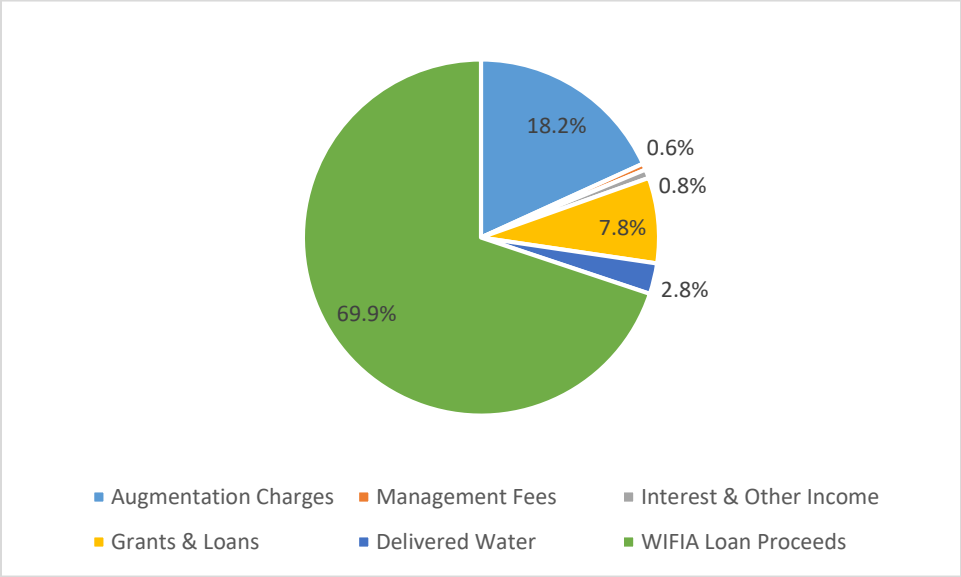
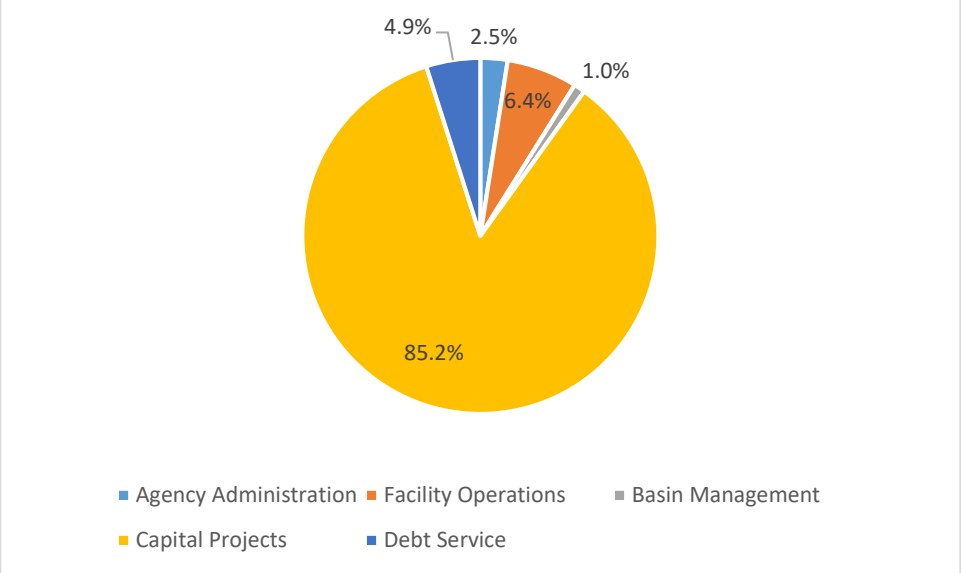


Figure 2. Projected Expenditures: $95,216,604



The Agency Act requires that the Board of Directors adopt a preliminary budget by May 15 of each year. PV Water must then publish a notice that the Board has adopted a preliminary budget, that it is available for public inspection, and hold a public hearing following the minimum two-week notice period. The Board must adopt a final budget by June 30 of each year.

The recommended timeline for budget adoption this year is as follows:

April 19, 2023	Board considers adoption of the preliminary budget.
April 28, 2023	Staff publishes required notice of availability of the preliminary budget.
May 17, 2023	Board holds public hearing.
June 21, 2023	Board considers adoption of final budget.

FISCAL IMPACT
There is no direct impact; the budget is a planning and communication tool.

STAFF RECOMMENDATION
The Administration & Finance Committee consider the Preliminary Budget for Fiscal Year 2023-2024.

ATTACHMENT
- Preliminary Budget for FY23-24 provided as a stand-alone document that is available on the Administration & Finance Committee webpage: https://www.pvwater.org/administration-finance.

PV Water
Quarterly Billing Summary
Calendar Year

Type	2022 Consumption(AF)	2022 Dollar	2023 Consumption(AF)	2023 Dollar
March Billing				
Inside Delivered Water Zone	403.976	$ 146,643.12	156.974	$ 61,376.95
Metered	3,076.126	$ 809,021.62	1,173.059	$ 331,550.32
Non-Metered (agriculture)	0.000	$ -	4.419	$ 1,162.10
Delivered	417.650	$ 172,072.04	153.311	$ 66,230.54
Aromas	50.070	$ 13,168.41	46.450	$ 13,098.90
Cal Water	46.430	$ 12,211.09	46.810	$ 13,200.42
City of Watsonville	1,270.000	$ 334,010.00	1,193.000	$ 336,426.00
Vega Mutual	8.840	$ 2,324.92	6.880	$ 1,940.16
Pajaro/Sunny Mesa	68.800	$ 18,094.40	63.620	$ 17,940.84
Non-Metered (rural residential)	0.000	$ -	0.000	$ -
Subtotal	5,341.891	$ 1,507,545.60	2,844.524	$ 842,926.23
	Uncollected Amt a/o 4/30/22	**$ 315,914.28**		
	Percent of Uncollected Billing	**20.956%**		
June Billing				
Inside Delivered Water Zone	1,454.677	$ 528,047.87		
Metered	8,982.320	$ 2,362,350.44		
Non-Metered (agriculture)	193.227	$ 50,818.18		
Delivered	1,340.262	$ 552,187.75		
Aromas	77.820	$ 20,466.66		
Cal Water	59.060	$ 15,532.78		
City of Watsonville	1,633.000	$ 429,479.00		
Vega Mutual	11.380	$ 2,992.94		
Pajaro/Sunny Mesa	82.160	$ 21,608.08		
Subtotal	13,833.906	$ 3,983,483.71	0.000	$ -
Annual Rural Residential				
Consumption	1,258.00	$ 289,340.00		
Subtotal	15,091.91	$ 4,272,823.71	0.00	$ -
	Uncollected Amt a/o 7/31/22	**$ 1,914,910.59**		
	Percent of Uncollected Billing	**44.816%**		
September Billing				
Inside Delivered Water Zone	2,671.057	$ 969,593.53		
Metered	15,115.376	$ 3,975,344.16		
Non-Metered (agriculture)	0.000	$ -		
Delivered	2,325.849	$ 958,249.89		
Aromas	99.780	$ 26,242.14		
Cal Water	64.700	$ 17,016.10		
City of Watsonville	1,795.000	$ 472,085.00		
Vega Mutual	14.980	$ 3,939.74		
Pajaro/Sunny Mesa	97.910	$ 25,750.33		
Non-Metered (rural residential)	4.500	$ 1,035.00		
Subtotal	22,189.151	$ 6,449,255.90	0.000	$ -
	Uncollected Amt a/o 10/31/22	**2,468,708**		
	Percent of Uncollected Billing	**38.279%**		
December Billing				
Inside Delivered Water Zone	1,030.787	$ 1,300,558.89		
Metered	4,953.388	$ 376,358.12		
Non-Metered (agriculture)	186.119	$ 48,949.21		
Delivered	981.596	$ 404,417.38		
Aromas	78.390	$ 20,616.57		
Cal Water	55.290	$ 14,541.27		
City of Watsonville	1,525.000	$ 401,075.00		
Vega Mutual	11.200	$ 2,945.60		
Pajaro/Sunny Mesa	86.380	$ 22,717.94		
Non-Metered (rural residential)	4.000	$ 920.00		
Subtotal	8,912.150	2,593,099.98	0.000	0.00
	Uncollected Amt a/o 1/31/23	**806,442**		
	Percent of Uncollected Billing	**31.100%**		
Total	**51,535.10**	**14,822,725.17**	**2,844.52**	**842,926.23**

PV Water

January - March 2023 Account Write Offs/Adjustments

Date	Account	Description	Amount	Reason
2/26/2023	25049	Interest	$ (53.16)	Interest Adjustment
2/23/2023	Several Accounts	Interest	$ (1,073.97)	Payment and pd crossed in mail
2/24/2023	23487	Interest	$ (305.21)	Billing Adjustment
2/28/2023	16222	Interest	$ (13.76)	Payment and pd crossed in mail
2/28/2023	24561	Interest	$ (41.22)	Orginal invoice was not received
2/28/2023	25195	Interest	$ (1.18)	New property owners
2/28/2023	25241	Interest	$ 0.86	Orginal invoice was not received
2/28/2023	25319	Meter Credit	$ (300.00)	Meter Installation
3/7/2023	24575	Interest	$ (2.65)	Payment and pd crossed in mail
3/7/2023	25241	Non-Metered	$ (1,104.60)	Billing Adjustment
3/7/2023	25241	Non-Metered	$ (57.50)	Billing Adjustment
3/7/2023	25257	Interest	$ (178.34)	Orginal invoice was not received
3/13/2023	19677	Non-Metered	$ (77.08)	CCS Collection Fees
		Total Adjustments	**$ (3,207.81)**	

PAJARO VALLEY WATER MANAGEMENT AGENCY

Account Activity Report per Bank Statement

	Date	Deposits	Withdrawals	Balance
CLEARING ACCOUNT - Mechanics				
Beginning Balance	2/1/2023			$190,580
Cash Receipts				
Disbursements			481,886	
Transfers		1,272,666		
Bank Fees				
Ending Balance	2/28/2023			$981,360
GENERAL FUND10-MMA Mechanics				
Beginning Balance	2/1/2023			$1,448,405
Cash Receipts		1,445		
Transfers			34,255	
Interest Earned		3,293		
Bank Fees				
Ending Balance	2/28/2023			$1,418,888
GENERAL FUND 10 - LAIF				
Beginning Balance	2/1/2023			$2,214,386
Transfers				
Interest Earned				
Ending Balance	2/28/2023			$2,214,386
GENERAL FUND 20 - LAIF				
Beginning Balance	2/1/2023			$8,131,282
Transfers				
Interest Earned				
Ending Balance	2/28/2023			$8,131,282
SPECIAL REVENUE FUND 20-ACH Clearing Acct Mechanics				
Beginning Balance	2/1/2023			$0
Cash Receipts				
Transfers				
Disbursments/ACH-Wire		33,492	33,492	
Bank Fees				
Ending Balance	2/28/2023			$0
SPECIAL REVENUE FUND 20-Operating Mechanics				
Beginning Balance	2/1/2023			$1,480
Cash Receipts		626,291		
Transfers		2,725,000	438,411	
Disbursments/ACH-Wire			2,772,984	
Bank Fees			1,882	
Interest Earned				
Ending Balance	2/28/2023			$139,495
SPECIAL REVENUE Fund 20 Cash Mgmt-FUND20MMN Mechanics				
Beginning Balance	2/1/2023			$9,790,900
Transfers			3,525,000	
Disbursments/ACH-Wire				
Bank Fees				
Interest Earned		19,226		
Ending Balance	2/28/2023			$6,285,126
Certificate of Deposit - DWR Loan Reserve Mechanics Fund 40				
Beginning Balance	2/1/2023			$254,432
Interest Earned		1,946.44		
Ending Balance	2/28/2023			$256,378
Certificate of Deposit - SRF-D1501023				
Beginning Balance	2/1/2023			$75,000
Transfers				
Interest Earned		60.00		
Ending Balance	2/28/2023			$75,060

Prior Month Ending Cash Balance:	Total Deposits:	Total Withdrawals:	Month End Cash Balance:
22,106,465	$4,683,420	$7,287,910	19,501,975
Cash Transfers	3,997,666	3,997,666	-
Actual Cash Receipts/Disbursements	685,754	3,290,244	

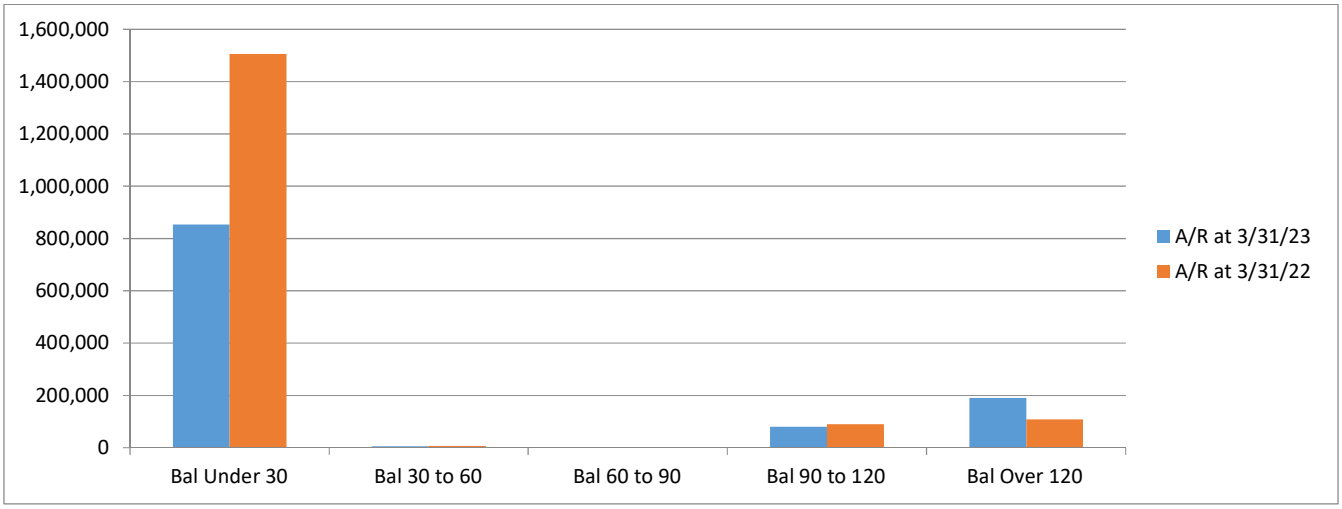
PAJARO VALLEY WATER MANAGEMENT AGENCY
INVESTMENT REPORT
ALL FUNDS
February 28, 2023

Description	Current Yield	Investment	% of Total Portfolio	Weighted Yield
MechanicsClearing Account	0.00%	**$981,360**	5.03%	0.00%
General Fund 10				
Mechanics General Fund 10 Money Market Account	3.04%	1,418,888	7.28%	0.22%
Local Agency Investment Fund	2.07%	2,214,386	11.35%	0.23%
		$3,633,274		
Special Revenue Fund 20				
Mechanics Special Revenue Fund 20-ACH Clearing Account	0.00%	0	0.00%	0.00%
Mechanics Special Revenue Fund 20 Operating Account	0.00%	139,495	0.72%	0.00%
Mechanics Special Revenue Fund 20 Money Market Account	3.04%	6,285,126	32.23%	0.98%
Local Agency Investment Fund	2.07%	8,131,282	41.69%	0.86%
		$14,555,903		
Long Term Debt Fund 40				
Mechanics Certificate of Deposit DWR Loan Reserve	3.00%	$256,378	1.31%	0.04%
Mechanics Certificate of Deposit SRF-D1501023	3.00%	$75,060	0.38%	0.01%
		331,438		
	Total:	**$19,501,975**	**100.0%**	

Total Funds Reserved	331,438
Total Funds Invested	18,049,682
Total Funds Non-interest Bearing	1,120,855
Total Funds	**$19,501,975**
Total Available Funds	19,170,537
Cash Reserve Policy Requirements (PV Water)	6,330,000
Surplus (Deficit) of Funds	**$12,840,537**

PV Water
Accounts Receivable Aging 3 Month Trend
As of 3/31/2023

	Balance Forward	Bal Under 30	Bal 30 to 60	Bal 60 to 90	Bal 90 to 120	Bal Over 120
Accounts Receivable before credits	1,128,428	853,101	5,181	0	80,073	190,073
Credits	(20,213)					
Total Accounts Receivable at 3/31/23	1,108,215					
Accounts Receivable before credits	1,712,234	1,506,441	7,641	82	90,401	107,670
Credits	(3,232)					
Total Accounts Receivable at 3/31/22	1,709,002					
Accounts Receivable before credits	386,367	-8,444	0	200,987	2,432	191,392
Credits	(22,520)					
Total Accounts Receivable at 2/28/23	363,847					
Accounts Receivable before credits	1,005,880	0	806,442	2,801	23,968	172,669
Credits	(21,078)					
Total Accounts Receivable at 1/31/23	984,802					



Vendor Name / Description	Check Date / Reference	Check Amount
SPECTRUM BUSINESS COMMUNICATIONS	03/02/2023	
Holohan Initial Installation Internet services for 3/23		4,414.15
		4,414.15
		4,414.15
AFLAC- FLEX ONE	03/10/2023	
EE PR Deferrals		611.76
		611.76
ACWA/JPIA	03/10/2023	
EE PR Deferrals		25,342.31
04/23minor adj to LifePrems		10.60
		25,352.91
NATIONWIDE RETIREMENT SOLUTION	03/10/2023	
EE PR Deferrals		2,100.00
		2,100.00
PERS-Fiscal Services Division Cashier Unit	03/10/2023	
ER/EE Retirement Contributions		9,296.62
EE PR Deferrals		1,768.69
		11,065.31
PVWMA-Cafeteria Account	03/10/2023	
EE PR Deferrals		1,131.40
		1,131.40
A TOOL SHED EQUIPMENT RENTAL INC.	03/10/2023	
Field supplies CD's for 2/23		41.00
Trailer rental to haul Metal Valve covers for 3/23		220.08
		261.08
ACE HARDWARE OF WATSONVILLE INC	03/10/2023	
CD's/Meters/Hydro/ for 2/23		354.82
		354.82
BARTKIEWICZ, KRONICK & SHANAHAN INC	03/10/2023	
Legal Professional Services CL. Project for 2/23		495.00

		495.00
CARDIFF PEST CONTROL INC	03/10/2023	
Pest control Office Monthly fumigation for 2/23		110.00
		110.00
CBEC ECO ENGINEERING INC	03/10/2023	
CL Fishway Tech Support/ Env for 12/1 to 12/31/22		193.50
		193.50
DOCTORS ON DUTY	03/10/2023	
First Aid Treatment (Juan Cardenas) for 12/22		278.97
		278.97
FLOORS DIRECT CARPET ONE	03/10/2023	
Holohan flooring for 2/23		4,831.40
		4,831.40
GREENWASTE RECOVERY LLC	03/10/2023	
Holohan Green Waste for 2/23		78.03
		78.03
KITTLESON ENVIRONMENTAL CONSULTING	03/10/2023	
PVWMA Biological Consulting for 12/14-2/27/23		4,917.00
		4,917.00
LINDE GAS & EQUIPMENT INC.	03/10/2023	
Carbon Dioxide 20Lbs for 2/23		89.60
		89.60
MIKE PODLECH	03/10/2023	
CL Fisheries Support Prof. Services for 1/1 to 2/28/23		600.00
		600.00
MONTEREY BAY ANALYTICAL SERVICE INC	03/10/2023	
Water Samples ReNeM for 2/7/23		1,365.00
Water Samples Turbidity, Amm/Nitr for 2/13/23		850.00
		2,215.00
MONTEREY COUNTY FARM BUREAU	03/10/2023	
Membership# 091434-27-01 Fee for 4/30/23 to 4/30/24		850.00
		850.00
NHA ADVISORS, LLC	03/10/2023	
2015 &'16 Revenue Refunding Bonds FY 2021 & 2022		4,000.00
		4,000.00
OFFICE AND HOME CLEANING SERVICES	03/10/2023	
Monthly Office housekeeping for 2/23		600.00
Monthly Holohan Housekeeping for 2/23		300.00
		900.00
PENINSULA MESSENGER LLC	03/10/2023	

Monthly RaboBank Courier for 2/23		114.00
		114.00
PG & E	03/10/2023	
Service at 76 Holohan Rd for 1/21 to 2/21/23		64.20
Service at 36 B Brennan St for 1/23 to 2/21/23		173.43
Electric Pump/2 homes/76 & 116 Holohan for 1/21 to 2/21/23		151.04
Service at 475 San Andreas Rd for 1/20 to 2/20/23		16.22
Service at 187C San Andreas Rd for 1/20 to 2/20/23		1,020.42
		1,425.31
PITNEY BOWES PURCHASE POWER, INC.	03/10/2023	
Postage Machine stamp purchase for 2/23		3,030.00
		3,030.00
Robert Half, INC	03/10/2023	
Temp. Personal Salamanca for Week 3/3/23	WWK END	1,036.95
		1,036.95
SC FUELS INC	03/10/2023	
Agency Vehicles Fuel for 2/16 to 2/28/23		372.60
		372.60
SHAMROCK OFFICE SOLUTIONS	03/10/2023	
Contract printer usage charge for 10/2-11/1/22		249.91
Contract printer usage charge for 2/2-3/1/23		187.67
		437.58
SPECTRUM BUSINESS COMMUNICATIONS	03/10/2023	
LandLine & Internet services for 2/23 to 3/22/23		669.58
		669.58
U.S. BANK EQUIPMENT FINANCE	03/10/2023	
RICOH Office Copier (upstairs) for 2/23		79.19
		79.19
ZAG TECHNICAL SERVICES, INC.	03/10/2023	
IT-Professional Prefered Support Agreement for 1/23		195.00
IT-Professional Prefered Support Agreement for 2/23		48.75
IT-Professional Prefered Support Agreement for 3/23		390.00
IT-Monthly Agreement-KnowBe4 managed service for 3/23		164.88
IT-Agreement Patching & AV Managed for 3/23		1,452.00
IT-Professional Prefered Support Agreement for 2/23		487.50
IT-Monthly Subs./base ret.Agreement-Datto Cloud for 3/23		970.80
		3,708.93
		71,309.92
CARDMEMBER SERVICE	03/24/2023	
Field supplies for 2/23		109.21
CA-NEV Water Works ACWA training for David for 2/23		50.00
Annually membership dropbox for 2/23		119.88

Working Lunch (Marcus) for 2/23		35.98
Office supplies for 2/23		574.18
Staff Mtg for 2/23		64.25
Go to Mtg conference for 2/23		24.28
Field supplies for 2/23		136.51
Service for 2/23		30.00
Working Lunch (Chuy) for 2/23		32.20
Boots for Shinehah for 2/23		198.80
Vehicle repairs for 2/23		107.85
		1,483.14
RES-RLH WEST COAST, LLC	03/24/2023	
Wetlands Mitigation SPN:2005-2965060 for 3/23		45,000.00
		45,000.00
ST.PAUL & PACIFIC RAILROAD	03/24/2023	
Agreement to Tunnel under Railroad for 3/23		1,500.00
		1,500.00
ACWA	03/24/2023	
2023 ACWA Spring Conf. & Expo/B Lockwood for 5/9-5/11/23		815.00
2023 ACWA Spring Conf. & Expo/M.Bannester for 5/9-5/11/23		815.00
2023 ACWA Spring Conf. & Expo/S. Rider for 5/9-5/11/23		815.00
		2,445.00
ATCHINSON,BARISONE,CONDOTTI	03/24/2023	
College Lake Legal Services for 1/1 to 1/31/23		10,565.51
P/S General Matters for 1/1-1/31/23		4,768.20
General Counsel for 2/23		3,015.30
College Lake Legal Services for 2/1 to 2/28/23		7,052.85
College Lake Legal Services for 2/1 to 2/28/23		3,678.20
P/S General Matters for 2/1-2/28/23		207.50
		29,287.56
AVAYA FINANCIAL SERVICES.	03/24/2023	
Phone/VM Lease Agreement for 3/1-4/1/23		433.14
		433.14
BRIAN LOCKWOOD	03/24/2023	
GM. Cell reimb. For 12/14-1/13/23		80.00
		80.00
CAROLLO ENGINEERS INC	03/24/2023	
Professional services for OHS Design Thru 2/1/23		21,396.32
Professional services for WSR Design Thru 2/1/23		21,396.31
PS/ PV Water CL WTP & Weir Design For 2/1 to 2/28/23		8,875.25
BMP Program Mngmnt CL Planning Prog. report for 2/23		6,553.25
		58,221.13
CBEC ECO ENGINEERING INC	03/24/2023	
CL/PS.Hydrologic Monitoring 2022-2023 for 2/1 to 2/28/23		4,565.63
		4,565.63

CITY OF WATSONVILLE UTILITIES	03/24/2023	
Office Monthly Utilities for 2/23		159.36
		159.36
CITY OF WATSONVILLE UTILITIES	03/24/2023	
PS. Operational Treatment Plant for 12/1 thru 12/31/22		90,349.54
Operational Water Treatment Plant for 10/1Thru 12/31/22		784,620.76
		874,970.30
COASTLINE BERRY FARMS	03/24/2023	
Crop loss & Rent Pymnt/ CL Pipeline Project for 3/23		17,177.25
		17,177.25
Environmental Science Associates	03/24/2023	
Updating CL Pipeline Project for 11/1-12/30/22		14,328.50
Updating CL Pipeline Project for 1/1-1/31/23		17,882.72
Updating CL Pipeline Project for 2/1-2/28/23		9,932.23
		42,143.45
FIRST ALARM, INC	03/24/2023	
Qrtly Alarm Services for 4/1 to 6/30/23		556.26
		556.26
FLOORS DIRECT CARPET ONE	03/24/2023	
Holahan Flooring/Remaining bal. for 2/23		254.51
		254.51
GLOBAL CONCEPTS	03/24/2023	
50%Deposit for holohan furniture for 3/23		11,815.99
		11,815.99
GUTIERREZ CONSULTANTS, INC.	03/24/2023	
IRWM Various funding CL Grant Supp.Serv for 1/1 to 1/31/23		467.25
IRWM Various funding CL Grant Supp.Serv for 2/1 to 2/28/23		6,541.50
		7,008.75
KARAS TECHNICAL SERVICES	03/24/2023	
Typography		180.00
		180.00
MAGNOLIA GARDENING INC	03/24/2023	
36 Brennan Building Mo. Landscape Maint. For 3/23		100.00
76 Holohan Building Mo. Landscape Maint. For 3/23	HOLOHAN PROPERTY	90.00
		190.00
MARTINELLI & COMPANY, A CALIFORNIA CORP	03/24/2023	
Crop Loss/CL Pipeline Project for 3/23		16,150.00
		16,150.00
McCROMETER, INC.	03/24/2023	
2021-23 Telemetry Grant Kits/Part/It for 2/23		11,289.61
2021-23 Telemetry Grant Kits/Part/It for 2/23		16,224.95

		27,514.56
MICROSOFT	03/24/2023	
IT-Hydrology 365 Support for 2/17-3/16/23		12.50
		12.50
MICROSOFT AZURE	03/24/2023	
IT-Support/Pay as you go for 1/12-2/11/23		15.00
		15.00
MONTEREY BAY ANALYTICAL SERVICE INC	03/24/2023	
Water Samples Groundwater for 2/23/23		1,300.00
Water Samples Surface for 3/1/23		465.00
Water Samples Groundwater for 3/1/23		520.00
		2,285.00
MONTGOMERY & ASSOCIATES INC	03/24/2023	
PV. P/S.Review&support WY'22 for 2/1 to 2/28/23		7,222.50
		7,222.50
O'REILLY AUTO PARTS	03/24/2023	
Vehicle #11 parts/Maint for 3/23		15.45
		15.45
PG & E	03/24/2023	
Service at 1859 Beach rd/BW-2 for 2/8 to 3/9/23		2,156.37
Service at 1931 Beach rd/BW-1 for 2/8 to 3/9/23		552.17
Service at 162 San Andreas Rd/HSP Pump for 2/8 to 3/9/23		1,035.91
Service at 36 Brennan St for 2/8 to 3/9/23		237.49
Service at 36 Brennan St for 2/8 to 3/9/23		712.47
		4,694.41
PG & E	03/24/2023	
CLP Electrical Service for Pole Installation		28,871.20
CLP Electrical Service for Pole Installation		80,724.72
		109,595.92
PV CHAMBER OF COMMERCE	03/24/2023	
Chamber Directory AD for 3/23		725.00
		725.00
PVI PAJARO VALLEY IRRIGATION, INC.	03/24/2023	
Fabricator's Labor for 3/23		4,250.00
		4,250.00
Robert Half, INC	03/24/2023	
Temp. Personal Salamanca for Week 3/10/23	WWK END	1,115.21
		1,115.21
SC FUELS INC	03/24/2023	
Agency Vehicles Fuel for 3/2 to 3/14/23		727.52
		727.52

STAPLES CREDIT PLAN	03/24/2023	
Office Supplies for 2/23		66.58
		66.58
STRATEGY DRIVER, INC	03/24/2023	
SDI Professional Services for 2/23		4,837.50
		4,837.50
TELSTAR INSTRUMENTS, INC.	03/24/2023	
Blend Well 1 VFD Replacement for 2/23		42,520.40
Field Tech Troubleshooting for 2/23		2,322.00
		44,842.40
THE HOME DEPOT CREDIT SERVICES	03/24/2023	
76 Holohand/Field Supplies& Equipment for 2/23		1,078.38
		1,078.38
U.S. BANK EQUIPMENT FINANCE	03/24/2023	
RICOH Office Copier for 3/23		207.62
		207.62
VERIZON WIRELESS	03/24/2023	
Agency Personnel Cell Phones & equipt. for 2/2 - 3/1/23		448.71
		448.71
ZAG TECHNICAL SERVICES, INC.	03/24/2023	
IT-Professional Prefered Support Agreement for 3/23		731.25
		731.25
		1,324,006.98
Report Total (69 checks):		1,399,731.05