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President

Scott R. Pastor
Vice President

Kenneth L. Crockett
Marilyn Tiernan
Joe Kovalick

General Manager & Secretary:
Daniel Muelrath

General Counsel:
Wesley A. Miliband

AGENDA

Due to the current COVID-19 Pandemic, Local Health Order, and the Governor's Health Order, the Special Meeting of the Board of Directors of Diablo Water District will be held on March 16, 2022 at 2:00 pm and will only be available via conference call / web.

Dial in Number: 1-949-346-1487

Conference ID: 132 405 176#

Or

Web Option: www.diablowater.org/webmeetings

Check your browsers' functionality or download the Microsoft Teams App prior to the meeting.

The District's agendas and supporting documents are available on the District's website: www.diablowater.org, or by calling Kait Knight at (925) 625-6587. A fee may be charged for copies.

If you have a special accommodation needs to attend the meeting, please provide at least two (2) working days' notice prior to the meeting by calling Kait Knight at (925) 625-6587.

1. Call to Order, Roll Call, and Pledge of Allegiance.

2. Public Input.

Anyone present may address the Board of Directors on any subject within the jurisdiction of Diablo Water District. If the subject item is on this Agenda, please hold public comment until the appropriate item.

Action Items

3. Consent Calendar.

It is recommended by the General Manager that these items, which are expected to be routine in nature and without controversy, be received and acted upon by the Board without discussion. If any Board member or interested party requests that an item be removed from the Consent Calendar for discussion, it will be considered separately. *The consent calendar may be approved by a single motion to approve, followed by a second and then a call for vote.*

A. Remote Meeting Access Approval.

Staff Recommendation: Approve remote meeting access for the current agenda.

4. Issuance of 2022 Water Revenue Certificate of Participation (Green Bonds).

Staff Recommendation: Adopt Resolution 2022-06 authorizing the execution, delivery and sale of the 2022 COPs in the maximum aggregate principal amount of $11.5 million to refinance the 2013 COPs and to issue new money for the 2022 Project; and approving related documents and actions.

5. Election Ward Map Adoption.

Staff Recommendation: Adopt Resolution Number 2022-07, adjusting boundaries of director electoral divisions.

6. SB 1157 Policy Position.

Staff Recommendation: Take a policy position on SB 1157.

Discussion Items

7. Future Agenda Items.

- Preliminary list of items for the next two months.
- Other items being tracked and awaiting a scheduled date.

8. Next Meetings of the Board of Directors.

- March 23, 2022 Regular Meeting
- April 27, 2022 Regular Meeting
- May 25, 2022 Regular Meeting

9. Adjournment.

Posted this 10th day of March 2022.

Dan Muelrath, General Manager/Secretary

DIABLO WATER DISTRICT
March 16, 2022 Board Meeting
Item Number 3

TO: Each Director

FROM: Dan Muelrath, General Manager

SUBJECT: Consent Calendar.

It is recommended by the General Manager that these items, which are expected to be routine in nature and without controversy, be received and acted upon by the Board without discussion. If any Board member or interested party requests that an item be removed from the Consent Calendar for discussion, it will be considered separately.

The consent calendar may be approved by a single motion to approve, followed by a second, and then a call for vote.

3A. Remote Meeting Access Approval.

Staff Recommendation: Approve remote meeting access for the current agenda.

RECOMMENDATION:

Approve.

Dan Muelrath

Dan Muelrath
General Manager

DIABLO WATER DISTRICT
March 16, 2022 Board Meeting
Item Number 3.A

TO: Each Director

FROM: Dan Muelrath, General Manager

SUBJECT: Remote Meeting Access Approval.

During the October 27, 2021 Board Meeting, the Board approved Resolution Number 2021 – 31, which affirmed an ongoing local emergency due to the COVID-19 pandemic so that remote meetings would continue as needed. Remote meetings remain advisable given the Board's direction and the overall circumstances with the pandemic. The purpose here is to ensure compliance with Assembly Bill 361 that was recently enacted into law by having a local public agency confirm monthly that the agency will continue to meet virtually.

The Resolution cited above re-authorized utilizing remote teleconference and virtual meeting platforms for Board meetings to best ensure equal access and transparency to the public to participate in Board meetings, in addition to District agendas already stating upfront options for the public to use a teleconference line or the virtual platform. This effort now would do the same and best ensure compliance with Assembly Bill 361.

Staff and legal counsel's recommendation is for an agenda item at each regular meeting with a motion, including for the immediate agenda items, to approve remote access, as the District has been doing and was previously, and is currently authorized by the State of California, arising from the pandemic.

RECOMMENDATION:

Approve remote meeting access for the current agenda.

Dan Muelrath
Dan Muelrath
General Manager

DIABLO WATER DISTRICT
March 16, 2022 Board Meeting
Item Number 4

TO: Each Director

FROM: Dan Muelrath, General Manager

SUBJECT: Issuance of 2022 Water Revenue Certificate of Participation (Green Bonds).

Staff recommends that the District proceed with refinancing the 2013 Certificates of Participation (2013 COPs) and financing the completion of the Corporation Yard Office Building, solar, battery back-up, and related improvements (the 2022 Project) through the execution and delivery by the Trustee of Diablo Water District's 2022 Water Revenue Certificates of Participation - Green Bonds (2022 COPs).

The proposed structure of the 2022 COPs is detailed below:

- Repayment schedule for refinancing of 2013 COPs will match the original term
  - Final payment in fiscal year 2030
  - Annual cash flow savings of approximately $79,000
- Repayment of portion allocable to new money will be on a 25-year term
  - $7.5 million in proceeds generated
  - Level debt service
  - Final payment in fiscal year 2047

Similar to the 2013 and 2019 COPs, the District will enter into a Loan and Installment Sale Agreement with the Public Property Financing Corporation of California (the Corporation) with the Corporation serving as the counterparty under the Agreement.

The proposed resolution approves the financing plan outlined above and approves all documents and actions needed to authorize the delivery and sale of the 2022 COPs, including the following substantially final form financing documents together with any changes or additions deemed advisable and approved by the General Manager:

- **Loan and Installment Sale Agreement** between the District and the Corporation under which the Corporation agrees to make a loan to the District to refinance the 2013 COPs and to provide financing for the 2022 Project and to sell the completed 2022 Project to the District, in consideration of the payment by the District of semiannual 2022 Loan Repayments and 2022 Installment Payments, to be made from the net revenues of the Water System.

- **Trust Agreement** among the District, the Corporation and the Trustee, whereby the Trustee agrees to execute and deliver the 2022 COPs to provide funds for the foregoing purposes, and which sets forth the material terms and provisions relating to the 2022 COPs.

- **Escrow Agreement** between the District and the Escrow Agent (U.S. Bank Trust Company) relating to the deposit, investment and administration of funds for the purpose of prepayment of the 2013 COPs.

- **Certificate Purchase Agreement** among the District, the Corporation and the underwriter (Oppenheimer), pursuant to the terms and provisions of which the 2022 COPs will be sold through a negotiated method of sale, such terms and provisions including a true interest cost of the 2022 COPs not to exceed 4.0% and the underwriter's discount not to exceed 0.65% of the par amount of the 2022 COPs.

- **Preliminary Official Statement** distributed to prospective purchasers of the 2022 COPs that must contain all facts material to the 2022 COPs and the District (with certain permitted exceptions to be completed in the final Official Statement) and must not omit any material facts.

  The attached Preliminary Official Statement has been reviewed and approved for transmittal to the Board of Directors by the District's financing team. The distribution of the Preliminary Official Statement by the District is subject to federal securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934. These laws require the Preliminary Official Statement to include all facts that would be material to an investor in the Obligations. Material information is information that there is a substantial likelihood would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell the Obligations. If the Board of Directors concludes that the Preliminary Official Statement includes all facts that would be material to an investor in the Obligations, it must adopt a resolution that authorizes staff to execute a certificate to the effect that the Preliminary Official Statement has been "deemed final."

  The Securities and Exchange Commission (the "SEC"), the agency with regulatory authority over the District's compliance with the federal securities laws, has issued guidance as to the duties of the Board of Directors with respect to its approval of the Preliminary Official Statement. In its "Report of Investigation in the Matter of County of Orange, California as it Relates to the Conduct of the Members of the Board of Supervisors" (Release No. 36761 / January 24, 1996) (the "Release"), the SEC indicated that, if a member of Board of Directors has knowledge of any facts or circumstances that an investor would want to know about prior to investing in the Obligations, whether relating to their repayment, tax-exempt status, undisclosed conflicts of interest with interested parties, or otherwise, he or she should endeavor to discover whether such facts are adequately disclosed in the Preliminary Official Statement. In the Release, the SEC indicated that the steps that a member of the Board of Directors could take include becoming familiar with the Preliminary Official Statement and questioning staff and consultants about the disclosure of such facts.

- **Continuing Disclosure Certificate** included as Appendix E of the Preliminary Official Statement that commits the District to providing certain annual reports and notices of listed events to investors in order to allow the underwriter to comply with federal securities laws.

The proposed resolution also approves a private placement method of sale for the 2022 COPs if it produces a lower interest rate or is otherwise preferable to or more appropriate than a public offering of the 2022 COPs. Such an alternative is not likely to be pursued but offers flexibility in case of an unexpected event in the public market.

Based on recent market interest rates, an aggregate principal amount of approximately $10.005 million 2022 COPs are expected to be sold. The refunding of the 2013 COPs is expected to generate approximately $75,000 in Net Present Value savings, or 2.10% of the refunded par amount. Total gross cash flow savings are expected to be approximately $664,691.67. The true interest cost for the 2022 COPs is estimated to be approximately 3.09%. Aggregate annual debt service is expected to be approximately $755,000 in FY23; $890,000 from FY24 through FY30; and $455,000 from FY31 through FY47.

In accordance with California Government Code Section 5852.1, good faith estimates are provided with respect to the 2022 COPs as Attachment 1.

If the proposed resolution is adopted by the Board, the sale of the 2022 COPs is expected to be completed on or about the week of March 21st with a delivery/closing date on or about the week of April 11th. The portion of 2022 COP proceeds issued for the refunding of the 2013 COPs will be held in an escrow account to prepay the 2013 COPs the week of April 25, 2022, and the portion of proceeds for the capital projects ($7.5 million) will be placed into a project fund held by the Trustee.

RECOMMENDATION:
Adopt Resolution 2022-06 authorizing the execution, delivery and sale of the 2022 COPs in the maximum aggregate principal amount of $11.5 million to refinance the 2013 COPs and to issue new money for the 2022 Project; and approving related documents and actions.

Dan Muelrath
Dan Muelrath
General Manager

Attached: Good Faith Estimates
Resolution No. 2022-06
Loan and Installment Sale Agreement
Trust Agreement
Escrow Agreement
Certificate Purchase Agreement
Preliminary Official Statement

ATTACHMENT 1

GOOD FAITH ESTIMATES

The good faith estimates set forth herein are provided with respect to the 2022 COPs in accordance with California Government Code Section 5852.1. Such good faith estimates have been provided to the District by Urban Futures, Inc. as municipal advisor to the District (the "Municipal Advisor"), each with respect to the 2022 COPs.

Principal Amount. The Municipal Advisor has informed the District that, based on the District's financing plan and current market conditions, its good faith estimate of the aggregate principal amount of the 2022 COPs to be sold is $10,005,000.00 (the "Estimated Principal Amount").

True Interest Cost of the 2022 COPs. The Municipal Advisor has informed the District that, assuming that the Estimated Principal Amount of the 2022 COPs is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the true interest cost of the 2022 COPs, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the 2022 COPs, is 3.09%.

Finance Charge of the 2022 COPs. The Municipal Advisor has informed the District that, assuming that the Estimated Principal Amount of the 2022 COPs is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the finance charge for the 2022 COPs, which means the sum of all fees and charges paid to third parties (or costs associated with the 2022 COPs), is $338,006.63.

Amount of Proceeds to be Received. The Municipal Advisor has informed the District that, assuming that the Estimated Principal Amount of the 2022 COPs is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the amount of proceeds expected to be received by the District for sale of the 2022 COPs, less the finance charge of the 2022 COPs, as estimated above, and any reserve fund funded with proceeds of the 2022 COPs, is $11,091,749.96.

Total Payment Amount. The Municipal Advisor has informed the District that, assuming that the Estimated Principal Amount of the 2022 COPs is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the total payment amount, which means the sum total of all payments the District will make to pay debt service on the 2022 COPs, plus the finance charge for the 2022 COPs, as described above, not paid with the proceeds of the 2022 COPs, calculated to the final maturity of the 2022 COPs, is $14,704,898.33.

The foregoing estimates constitute good faith estimates only. The actual principal amount of the 2022 COPs issued and sold, the true interest cost thereof, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to (a) the actual date of the sale of the 2022 COPs being different than the date assumed for purposes of such estimates, (b) the actual principal amount of 2022 COPs sold being different from the Estimated Principal Amount, (c) the actual amortization of the 2022 COPs being different than the amortization assumed for purposes of such estimates,

(d) the actual market interest rates at the time of sale of the 2022 COPs being different than those estimated for purposes of such estimates, (e) other market conditions, or (f) alterations in the District's financing plan, or a combination of such factors. The actual date of sale of the 2022 COPs and the actual principal amount of 2022 COPs sold will be determined by the District based on the timing of the need for proceeds of the 2022 COPs and other factors. The actual interest rates borne by the 2022 COPs will depend on market interest rates at the time of sale thereof. The actual amortization of the 2022 COPs will also depend, in part, on market interest rates at the time of sale thereof. Market interest rates are affected by economic and other factors beyond the control of the District.

RESOLUTION NUMBER 2022-06

A RESOLUTION OF THE BOARD OF DIRECTORS OF DIABLO WATER DISTRICT APPROVING THE EXECUTION, DELIVERY AND SALE OF WATER REVENUE CERTIFICATES OF PARTICIPATION IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED $11,500,000 TO REFINANCE OUTSTANDING 2013 INSTALLMENT PAYMENTS AND 2013 LOAN REPAYMENTS AND PROVIDE ADDITIONAL PROJECT FINANCING, AND APPROVING RELATED DOCUMENTS AND ACTIONS

WHEREAS, the Diablo Water District (the "District") owns and operates facilities and property for the supply, treatment, storage and distribution of water within the service area of the District (the "Water System"); and

WHEREAS, in order to provide funds to finance the acquisition and construction of improvements to the Water System (the "2005 Project"), the District and the Public Property Financing Corporation of California (the "Corporation"), a nonprofit public benefit corporation organized and existing under and by virtue of the laws of the State of California, previously entered into an Installment Sale Agreement, dated as of March 1, 2005 (the "2005 Installment Sale Agreement"), under which the Corporation agreed to sell the 2005 Project to the District on an installment basis in exchange for installment payments (the "2005 Installment Payments"); and

WHEREAS, the Corporation assigned certain of its rights under the 2005 Installment Sale Agreement to Union Bank, N.A., as trustee (the "2005 Trustee"), and at the direction of the Corporation, the 2005 Trustee executed and delivered 2005 Water Revenue Certificates of Participation in the aggregate original principal amount of $7,500,000 (the "2005 Certificates"), evidencing direct, undivided fractional interests in the 2005 Installment Payments; and

WHEREAS, in order to provide funds to finance the acquisition and construction of additional improvements to the Water System (the "2010 Project"), the District and the Corporation previously entered into an Installment Sale Agreement, dated as of May 1, 2010 (the "2010 Installment Sale Agreement"), under which the Corporation agreed to sell the 2010 Project to the District on an installment basis in exchange for installment payments (the "2010 Installment Payments"); and

WHEREAS, the Corporation assigned certain of its rights under the 2010 Installment Sale Agreement to Union Bank, N.A., as trustee (the "2010 Trustee"), and at the direction of the Corporation, the 2010 Trustee executed and delivered 2010 Water Revenue Certificates of Participation in the aggregate original principal amount of $4,200,000 (the "2010 Certificates"), evidencing direct, undivided fractional interests in the 2010 Installment Payments; and

WHEREAS, in order to provide funds to finance the acquisition and construction of additional improvements to the Water System (the "2013 Project") and refinance the 2005 Installment Payments, the District and the Corporation previously entered into a Loan and Installment Sale Agreement, dated as of April 1, 2013 (the "2013 Installment Sale Agreement"), under which the Corporation agreed to (i) sell the 2013 Project to the District on an installment basis in exchange for installment payments (the "2013 Installment Payments"), and (ii) make a loan to the District for the purpose of providing funds to refinance the 2005 Installment Payments and the 2005 Certificates, with such loan to be repaid by the District in loan repayments (the "2013 Loan Repayments"); and

WHEREAS, the Corporation assigned certain of its rights under the 2013 Loan and Installment Sale Agreement to Union Bank, N.A., as trustee, and at the direction of the Corporation, Union Bank, N.A., as trustee, executed and delivered 2013 Water Revenue Certificates of Participation in the aggregate original principal amount of $6,670,000 (the "2013 Certificates"),

evidencing direct, undivided fractional interests in the 2013 Installment Payments and the 2013 Loan Repayments; and

WHEREAS, the 2013 Installment Payments and the 2013 Loan Repayments are outstanding in the aggregate principal amount of $3,555,000; and

WHEREAS, in order to provide funds to finance the acquisition and construction of additional improvements to the Water System (the "2014 Project"), the District and Holman Capital Corporation previously entered into an Installment Sale Agreement, dated June 30, 2014 (the "2014 Installment Sale Agreement"), under which the Holman Capital Corporation agreed to sell the 2014 Project to the District on an installment basis in exchange for installment payments (the "2014 Installment Payments"); and

WHEREAS, in order to provide funds to finance the acquisition and construction of additional improvements to the Water System (the "2019 Project") and refinance the 2010 Installment Payments and the 2014 Installment Payments, the District and the Corporation previously entered into a Loan and Installment Sale Agreement, dated as of November 1, 2019 (the "2019 Loan and Installment Sale Agreement"), under which the Corporation agreed to (i) sell the 2019 Project to the District on an installment basis in exchange for installment payments (the "2019 Installment Payments") and (ii) make a loan to the District for the purpose of providing funds to refinance the 2010 Installment Payments and the 2014 Installment Payments, with such loan to be repaid by the District in loan repayments (the "2019 Loan Repayments"); and

WHEREAS, the Corporation assigned certain of its rights under the 2019 Loan and Installment Sale Agreement to MUFG Union Bank, N.A., as trustee, and, at the direction of the Corporation, MUFG Union Bank, N.A. executed and delivered 2019 Water Revenue Certificates of Participation in the aggregate original principal amount of $8,380,000 (the "2019 Certificates"),

evidencing direct, undivided fractional interests in the 2019 Installment Payments and the 2019 Loan Repayments; and

WHEREAS, the 2019 Installment Payments and the 2019 Loan Repayments are outstanding in the aggregate principal amount of $7,655,000; and

WHEREAS, the principal component of the 2013 Installment Payments and 2013 Loan Repayments are subject to prepayment at the option of the District in whole or in part on any date on or after January 1, 2022, without premium; and

WHEREAS, the District has determined that it is in its best interests at this time to refinance the 2013 Installment Payments and 2013 Loan Repayments and thereby realize interest rate savings; and

WHEREAS, the District has further determined to finance the acquisition and construction of improvements to the Water System, including without limitation, improvements to the corporation yard facilities of the District and photovoltaic power generating systems and related equipment (collectively, the "2022 Project"); and

WHEREAS, in order to provide funds for the foregoing purposes, the District has requested that the Corporation enter into a Loan and Installment Sale Agreement with the District, and has proposed to authorize the execution, delivery and sale of the 2022 Certificates (as defined below), which will evidence the direct, undivided fractional interests of the owners thereof in installment payments (the "2022 Installment Payments") and loan repayments (the "2022 Loan Repayments") that will be payable by the District under such Loan and Installment Sale Agreement; and

WHEREAS, the obligations of the District with respect to the 2022 Installment Payments and 2022 Loan Repayments will be secured by a pledge of the net revenues from the Water System on a

parity with the District's obligations with respect to the 2019 Installment Payments and the 2019 Loan Repayments; and

WHEREAS, the District previously approved a Debt Issuance and Management Policy which complies with Government Code Section 8855, and the delivery of the 2022 Certificates will be in compliance with said policy; and

WHEREAS, pursuant to Government Code Section 5852.1, certain financial information relating to the 2022 Certificates has been included in the staff report prepared for this Resolution, and such information has been disclosed and made public;

NOW, THEREFORE, the Board of Directors of the Diablo Water District hereby resolves as follows:

Section 1. Approval of Financing Plan and Related Documents. The Board of Directors hereby approves the execution, delivery and sale of Diablo Water District 2022 Water Revenue Certificates of Participation (Green Bonds) in the aggregate principal amount of not to exceed $11,500,000 (the "2022 Certificates") for the purpose of providing funds to (i) refinance the 2013 Installment Payments and 2013 Loan Repayments and thereby cause the prepayment of the 2013 Certificates, and (ii) finance the 2022 Project. The 2022 Certificates may be executed and delivered as a single series, or from time to time in separate series, on a taxable or tax-exempt basis, as the District shall determine. 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 and General Manager, acting alone, upon the advice of General Counsel to the District:

• Loan and Installment Sale Agreement between the District and the Corporation, under which the Corporation agrees to (i) make a loan to the District to refinance the 2013 Installment

Payments and 2013 Loan Repayments, and (ii) provide financing for the 2022 Project and to sell the completed 2022 Project to the District, in consideration of the payment by the District of semiannual 2022 Loan Repayments and 2022 Installment Payments, respectively, to be made from the net revenues of the Water System.

• Trust Agreement among the District, the Corporation and U.S. Bank Trust Company, National Association, as trustee (the "Trustee"), whereby the Trustee agrees to execute and deliver the 2022 Certificates to provide funds for the foregoing purposes.

• Escrow Agreement between the District and U.S. Bank Trust Company, National Association, as escrow agent and successor trustee of the 2013 Certificates, relating to the deposit, investment and administration of funds for the purpose of refinancing in full of the 2013 Installment Payments and 2013 Loan Repayments, and prepayment of the 2013 Certificates.

The President and the General Manager, acting alone, are each hereby authorized and directed for and in the name and on behalf of, the District to execute the final form of each of the foregoing documents, and the Secretary is hereby authorized and directed to attest to the final form of each of the foregoing documents. Execution and delivery of each of the foregoing documents by the President or the General Manager shall be conclusive evidence of the approval of any changes therein or additions thereto. The schedule of 2022 Loan Repayments and 2022 Installment Payments attached to the Loan and Installment Sale Agreement relating to the 2022 Certificates shall correspond to the payments of principal and interest represented by the 2022 Certificates, to be determined upon the sale thereof as set forth in Section 2.

Section 2. Approval of Purchase Agreement.

(a) The Board of Directors hereby approves the sale of the 2022 Certificates through a public offering on a negotiated basis to Oppenheimer & Co. Inc., as underwriter (in such capacity,

the "Underwriter"), pursuant to the terms and provisions of a Certificate Purchase Agreement (the "Purchase Agreement") by and among the District, the Corporation and the Underwriter. The General Manager is hereby authorized and directed to execute and deliver the Purchase Agreement for and in the name and on behalf of the District, in substantially the form on file with the Secretary, with such changes therein, deletions therefrom and additions thereto deemed advisable and approved by the General Manager, whose execution thereof shall be conclusive evidence of such approval. The 2022 Certificates shall be sold at a true interest cost of not to exceed 4.0%, and the amount of the Underwriter's discount on the sale of the 2022 Certificates shall not exceed 0.65% of the par amount thereof. The Board of Directors hereby authorizes the execution, delivery and performance of the Purchase Agreement.

(b) As an alternative to the sale of the 2022 Certificates through a public offering authorized in paragraph (a), the 2022 Certificates may be sold on a private placement basis through Oppenheimer & Co. Inc., acting as private placement agent (in such capacity, the "Private Placement Agent"), if a private placement of the 2022 Certificates will produce lower interest rates than are available through a public offering of the 2022 Certificates, or if a private placement is otherwise preferable and/or more appropriate to a public offering of the 2022 Certificates, in the opinion of, and upon recommendation of, Urban Futures, Inc., the Municipal Advisor to the District, which recommendation is agreed to by the General Manager, so long as the true interest cost of the 2022 Certificates does not exceed the true interest cost specified in paragraph (a) of this Section 2, and so long as the compensation to the Private Placement Agent through a private placement of the 2022 Certificates does not exceed the amount approved by the General Manager. The General Manager of the District is authorized to enter into a private placement agent agreement with the Private Placement Agent.

Section 3. Official Statement; Continuing Disclosure Certificate. The Board of Directors hereby approves and deems final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, as amended, the preliminary Official Statement describing the District, the Water System, and 2022 Certificates in the form on file with the Secretary. The General Manager is hereby authorized, at the request of the Underwriter, to execute an appropriate certificate affirming the Board of Directors' determination that the preliminary Official Statement has been deemed nearly final within the meaning of such Rule. Distribution of the preliminary Official Statement by the Underwriter is hereby approved. The General Manager is hereby authorized and directed to approve any changes in or additions to a final form of said Official Statement, and the execution thereof by the General Manager shall be conclusive evidence of approval of any such changes and additions. The Board of Directors hereby authorizes the distribution of the final Official Statement by the Underwriter. The final Official Statement shall be executed in the name and on behalf of the District by the General Manager. The Board of Directors hereby also approves the Continuing Disclosure Certificate in the form appended to the Official Statement, together with such changes therein, deletions therefrom and additions thereto deemed advisable and approved by the General Manager, whose execution thereof shall be conclusive evidence of such approval

Section 4. Official Actions. The President, the General Manager, the Secretary and all other officers of the District, are authorized and directed in the name and on behalf of the District to make, execute and deliver any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they or any of them might deem necessary or appropriate in order to consummate any of the transactions contemplated by the agreements and documents approved under this Resolution. Said authority extends to applying for bond insurance and debt service reserve policies for the 2022 Certificates, if it is determined by the President or the General Manager to be in the best interests of the District. Whenever in this Resolution any officer of the District is directed to execute or countersign any document or take any

action, such execution, countersigning or action may be taken on behalf of such officer by any person designated in writing by such officer to act on his or her behalf in the case such officer is absent or unavailable.

Section 5. Prior Actions Ratified, Confirmed and Approved. All actions heretofore taken by any officer, agent or consultant of the District with respect to the 2022 Certificates and the underlying agreements thereto, or in connection with or related to any of the agreements referred to herein are hereby ratified, confirmed and approved.

Section 6. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

* * * * * *

I hereby certify that the foregoing is a true and complete copy of a resolution duly and regularly adopted by the Board of Directors of Diablo Water District at a meeting thereof held on March 16, 2022, by the following vote:

AYES:

NOES:

ABSENT:

DATED:

_____

Dan Muelrath, Secretary

LOAN AND INSTALLMENT SALE AGREEMENT

This LOAN AND INSTALLMENT SALE AGREEMENT (this "Agreement"), dated as of April 1, 2022, is between the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Corporation"), as lender and seller, and the DIABLO WATER DISTRICT, a county water district duly organized and existing under the County Water District Law of the State of California (the "District"), as borrower and purchaser.

B A C K G R O U N D :

1. The District owns and operates facilities and property for the supply, treatment, storage and distribution of water within the service area of the District (the "Water System").

2. In order to provide funds to finance the acquisition and construction of improvements to the Water System (the "2005 Project"), the District and the Public Property Financing Corporation of California, a nonprofit public benefit corporation (the "Corporation"), previously entered into an Installment Sale Agreement, dated as of March 1, 2005 (the "2005 Installment Sale Agreement"), under which the Corporation agreed to sell the 2005 Project to the District on an installment basis in exchange for installment payments (the "2005 Installment Payments").

3. The Corporation assigned certain of its rights under the 2005 Installment Sale Agreement to Union Bank, N.A., as trustee (the "2005 Trustee"), and at the direction of the Corporation, the 2005 Trustee executed and delivered 2005 Water Revenue Certificates of Participation in the aggregate original principal amount of $7,500,000 (the "2005 Certificates"), evidencing direct, undivided fractional interests in the 2005 Installment Payments.

4. **I**n order to provide funds to finance the acquisition and construction of additional improvements to the Water System (the "2010 Project"), the District and the Corporation previously entered into an Installment Sale Agreement, dated as of May 1, 2010 (the "2010 Installment Sale Agreement"), under which the Corporation agreed to sell the 2010 Project to the District on an installment basis in exchange for installment payments (the "2010 Installment Payments").

5. The Corporation assigned certain of its rights under the 2010 Installment Sale Agreement to Union Bank, N.A., as trustee (the "2010 Trustee"), and at the direction of the Corporation, the 2010 Trustee executed and delivered 2010 Water Revenue Certificates of Participation in the aggregate original principal amount of $4,200,000 (the "2010 Certificates"), evidencing direct, undivided fractional interests in the 2010 Installment Payments.

6. In order to provide funds to finance the acquisition and construction of additional improvements to the Water System (the "2013 Project") and refinance the 2005 Installment Payments, the District and the Corporation previously entered into a Loan and Installment Sale Agreement, dated as of April 1, 2013 (the "2013 Installment Sale Agreement"), under which the Corporation agreed to (i) sell the 2013 Project to the District on an installment basis in exchange for installment payments (the "2013 Installment Payments") and (ii) make a loan to the District for the purpose of providing funds to refinance the 2005 Installment Payments and the 2005 Certificates, with such loan to be repaid by the District in loan repayments (the "2013 Loan Repayments").

7. The Corporation assigned certain of its rights under the 2013 Loan and Installment Sale Agreement to Union Bank, N.A., as trustee, and at the direction of the Corporation, Union Bank, N.A., as trustee, executed and delivered 2013 Water Revenue Certificates of Participation in the aggregate original principal amount of $6,670,000 (the "2013 Certificates"), evidencing direct, undivided fractional interests in the 2013 Installment Payments and the 2013 Loan Repayments.

8. In order to provide funds to finance the acquisition and construction of additional improvements to the Water System (the "2014 Project"), the District and Holman Capital Corporation previously entered into an Installment Sale Agreement, dated June 30, 2014 (the "2014 Installment Sale Agreement"), under which the Holman Capital Corporation agreed to sell the 2014 Project to the District on an installment basis in exchange for installment payments (the "2014 Installment Payments").

9. In order to provide funds to finance the acquisition and construction of additional improvements to the Water System (the "2019 Project") and refinance the 2010 Installment Payments and the 2014 Installment Payments, the District and the Corporation previously entered into a Loan and Installment Sale Agreement, dated as of November 1, 2019 (the "2019 Installment Sale Agreement"), under which the Corporation agreed to (i) sell the 2019 Project to the District on an installment basis in exchange for installment payments (the "2019 Installment Payments") and (ii) make a loan to the District for the purpose of providing funds to refinance the 2010 Installment Payments and the 2014 Installment Payments, to be repaid by the District in loan repayments (the "2019 Loan Repayments").

10. The Corporation assigned certain of its rights under the 2019 Installment Sale Agreement to U.S. Bank Trust Company, National Association, as successor trustee, and, at the direction of the Corporation, U.S. Bank National Association, as predecessor trustee, executed and delivered 2019 Water Revenue Certificates of Participation in the aggregate original principal amount of $8,380,000 (the "2019 Certificates"), evidencing direct, undivided fractional interests in the 2019 Installment Payments and the 2019 Loan Repayments.

11. The 2019 Installment Payments and the 2019 Loan Repayments are outstanding in the aggregate principal amount of $7,655,000.

12. The principal component of the 2013 Installment Payments and 2013 Loan Repayments are subject to prepayment at the option of the District in whole or in part on any date on or after January 1, 2022, without premium.

13. The District has determined that it is in its best interests at this time to refinance the 2013 Installment Payments and 2013 Loan Repayments and thereby realize interest rate savings.

14. The District has further determined to finance the acquisition and construction of improvements to the Water System, including without limitation, improvements to the corporation yard facilities of the District and photovoltaic power generating systems and related equipment (as more fully defined herein, the "Project").

15. The Corporation has been formed for the purpose of assisting public agencies in the financing of public capital improvements, and in order to provide funds to refinance the 2013 Installment Payments and 2013 Loan Repayments, and to provide funds to finance the Project, the Corporation has assigned and transferred certain of its rights under this Agreement to U.S.

Bank Trust Company, National Association, as trustee (the "Trustee") under a Trust Agreement dated as of April 1, 2022, among the District, the Corporation and the Trustee, under which the Trustee will execute and deliver Diablo Water District 2022 Water Revenue Certificates of Participation (Green Bonds) in the aggregate principal amount of $[PAR] (the "Certificates"), evidencing direct, undivided fractional interests in the Loan Repayments and the Installment Payments which are payable by the District under this Agreement.

16. Under Section 5.7 of the 2019 Installment Sale Agreement, the District is authorized to issue additional obligations payable on a parity with the obligations of the District under the 2019 Installment Sale Agreement, upon satisfaction of the conditions set forth in such Section 5.7.

17. The District has determined that all of the conditions set forth in Section 5.7 of the 2019 Installment Sale Agreement have been satisfied, and that the Installment Payments and Loan Repayments constitute Parity Debt under the 2019 Installment Sale Agreement.

18. The District is authorized under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code, to borrow funds under this Agreement to refinance the 2013 Installment Payments and 2013 Loan Repayments, and the District is authorized under Section 31042 of the California Water Code to finance the Project on an installment sale basis as provided in this Agreement.

19. Payment of principal and interest represented by the Certificates is insured by a Municipal Bond Insurance Policy (the "Certificate Insurance Policy") issued by [INSURER] (the "Certificate Insurer"), and the Certificate Insurer is issuing a Municipal Bond Debt Service Reserve Insurance Policy (the "Reserve Policy") to be credited to the Reserve Fund which has been established for the Certificates under the Trust Agreement.

A G R E E M E N T :

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

ARTICLE I

DEFINITIONS; RULES OF INTERPRETATION

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

SECTION 1.2. *Interpretation.*

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

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

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

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

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

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

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

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

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

affect the consummation of the transactions contemplated by this Agreement and the Trust Agreement or the financial condition, assets, properties or operations of the District, including but not limited to the performance of the District's obligations under this Agreement and the Trust Agreement.

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

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

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

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

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

(c) Valid, Binding and Enforceable Obligations. This Agreement and the Trust Agreement have been duly authorized, executed and delivered by the Corporation and constitute the legal, valid and binding agreements of the Corporation, 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 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 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 by this Agreement and 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 of this Agreement and 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 Agreement and 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 and 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 under Agreement and the Trust Agreement.

(g) Not a Municipal Advisor. The Corporation is not acting as a "Municipal Advisor" as such term is defined in Section 15B of the Securities Exchange Act of 1934, as amended, and the related final rules, or otherwise serving as an agent or fiduciary of the District.

ARTICLE III

DELIVERY OF CERTIFICATES; APPLICATION OF PROCEEDS; ACQUISITION AND CONSTRUCTION OF THE PROJECT

SECTION 3.1. *The Certificates*. In order to provide funds required to refinance the 2013 Installment Payments and 2013 Loan Repayments, and to finance the acquisition and construction of the Project as provided in this Agreement, the Corporation will cause the Certificates to be executed and delivered under the Trust Agreement in the aggregate principal amount of $[PAR]. The Corporation agrees that the net proceeds of sale of the Certificates will be paid to the Trustee on the Closing Date for deposit under the Trust Agreement. The District 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. *Loan for Refunding of Prior Obligations*. The Corporation hereby agrees to lend to the District, and the District hereby agrees to borrow from the Corporation, the principal amount of $_____ (the "Loan") under the terms and provisions set forth in this Agreement, for the purpose of providing funds to refinance the 2013 Installment Payments and 2013 Loan Repayments.

On the Closing Date, under Section 3.01 of the Trust Agreement, the net proceeds of the Loan in the amount of $_____ (representing an allocable portion of the par amount of the Certificates in the amount of $_____ plus an allocable portion of the original issue premium thereon in the amount of $_____and less an allocable portion of (a) the Original Purchaser's discount in the amount of $_____, (b) the premiums for the Certificate Insurance Policy and Reserve Policy paid by the Original Purchaser to the Certificate Insurer in the amount of $_____ and $_____, respectively, and (c) the amounts to be deposited in the Costs of Issuance Fund to pay Costs of Issuance in the amount of $_____), will be transferred to the Escrow Agent to be held and applied under the Escrow Agreement for the purpose of refinancing the 2013 Installment Payments and 2013 Loan Repayments and thereby refinance the 2013 Certificates.

SECTION 3.3. *Project Financing*. The Corporation hereby agrees to provide the amount of $_____ (representing an allocable portion of the par amount of the Certificates in the amount of $_____ plus an allocable portion of the original issue premium thereon in the amount of $_____and less an allocable portion of (a) the Original Purchaser's discount in the amount of $_____, (b) the premiums for the Certificate Insurance Policy and Reserve Policy paid by the Original Purchaser to the Certificate Insurer in the amount of $_____ and $_____, respectively, and (c) amounts to be deposited in the Costs of Issuance Fund to pay Costs of Issuance in the amount of $_____) to be deposited into the Project Fund and applied for the purpose of financing the acquisition and construction of the Project as provided in this Agreement.

SECTION 3.4. *Acquisition and Construction of the Project.*

(a) Agreement to Construct the Project. The Corporation hereby agrees with due diligence to cause the acquisition, construction and installation of the Project to be supervised

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

(b) Appointment of District as Agent. The Corporation hereby appoints the District as its agent to carry out all phases of the acquisition, construction and installation of the Project under and in accordance with the provisions hereof. The District hereby accepts such appointment and assumes all rights, liabilities, duties and responsibilities of the Corporation regarding the acquisition, construction and installation of the Project. As agent of the Corporation hereunder, the District will enter into, administer and enforce all purchase orders or other contracts relating to the Project. Payment of Project Costs will be made by the District from amounts held by the Trustee in the Project Fund in accordance with the provisions of this Agreement and the provisions of the Trust Agreement.

(c) Plans and Specifications; Modification of Project Description. The District 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 Project Fund, the District must prepare detailed plans and specifications relating thereto. The District may from time to time amend any such plans and specifications, and thereby change or modify the description of the Project or any component thereof.

(d) Certificate of Project Completion. Not later than 30 days following the completion of the Project, a District Representative will execute and deliver to the Corporation and the Trustee a written certificate which (i) states that the construction and acquisition of the Project has been substantially completed, (ii) identifies the total Project Costs thereof, and (iii) identifies the amounts, if any, to be reserved in the Project Fund for payment of future Project Costs.

(e) Sale of Project. The Corporation hereby agrees to sell the completed Project to the District in consideration of the payment by the District of the Installment Payments as provided in this Agreement.

SECTION 3.5. *Term*. The Term of this Agreement begins on the Closing Date and ends on January 1, 20__, or such later or earlier date on which the Certificates cease to be Outstanding under and within the meaning of the Trust Agreement.

ARTICLE IV

LOAN REPAYMENTS AND INSTALLMENT PAYMENTS

SECTION 4.1. *Loan Repayments.* The District hereby agrees to repay the principal amount of the Loan in the 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 Loan Repayments in the respective amounts and on the respective Certificate Payment Dates specified in Appendix A hereto.

The Loan Repayments coming due and payable on any Certificate Payment Date will be deposited by the District with the Trustee, as assignee of the Corporation under the Trust Agreement, on the Deposit Date immediately preceding such Certificate Payment Date in an amount which is equal to the full amount of such Loan Repayments. Any amounts held by the Trustee on deposit in the Certificate Payment Fund on any Deposit Date shall be credited towards the Loan Repayment and Installment Payment then required to be deposited with the Trustee, on a pro rata basis.

If the District fails to make any of the Loan Repayments in full when due, the payment in default shall continue as an obligation of the District until the amount in default has been fully paid, and the District agrees to pay the same with interest thereon, to the extent permitted by law, from the Payment Date to the applicable date of payment at the Overdue Rate.

SECTION 4.2. *Installment Payments*. The District hereby agrees to pay to the Corporation, as the purchase price of the Project hereunder, the aggregate principal amount of $_____ together with interest (calculated on the basis of a 360-day year of twelve 30-day months) on the unpaid principal balance thereof, payable in semiannual Installment Payments in the respective amounts and on the respective Certificate Payment Dates specified in Appendix B hereto. For the convenience of the parties, the total semiannual Loan Repayments and Installment Payments payable on the respective Certificate Payment Dates specified in Appendix A and Appendix B hereto are set forth in Appendix C hereto. The Installment Payment coming due and payable on any Certificate Payment Date will be deposited by the District with the Trustee, as assignee of the Corporation under the Trust Agreement, on the Deposit Date immediately preceding such Certificate Payment Date in an amount which is equal to the full amount of such Installment Payment. Any amounts held by the Trustee on deposit in the Certificate Payment Fund on any Deposit Date shall be credited towards the Loan Repayment and Installment Payment then required to be deposited with the Trustee, on a pro rata basis.

If the District fails to make any of the Installment Payments in full when due, the payment in default shall continue as an obligation of the District until the amount in default has been fully paid, and the District agrees to pay the same with interest thereon, to the extent permitted by law, from the Certificate Payment Date to the applicable date of payment at the Overdue Rate.

SECTION 4.3. *Assignment*. The District understands and agrees that certain rights of the Corporation, including but not limited to the right of the Corporation to receive payment of the Loan Repayments and the Installment Payments, have been assigned by the Corporation to the Trustee in trust under the Trust Agreement, for the benefit of the Owners of the Certificates, and the District hereby consents to such assignment. The Corporation hereby directs the District, and the District hereby agrees, to pay to the Trustee at its Trust Office, all payments payable by the District under Sections 4.1 and 4.2, and all amounts payable by the District under Article VII.

SECTION 4.4. *Pledge and Application of Net Revenues*.

(a) Pledge. 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 (excluding the Project Fund and the Costs of Issuance Fund) are hereby irrevocably pledged, charged and assigned to the punctual payment of the Loan Repayments and the Installment Payments.

(b) Deposit of Net Revenues Into Water Fund; Transfers to Make Payments. The District has previously established the Water Fund, which the District will continue to hold and

maintain for the purposes and uses set forth herein. The District will deposit all Gross Revenues in the Water Fund immediately on receipt. The District will apply amounts in the Water Fund as set forth in this Agreement and the Parity Debt Documents. The District will apply amounts on deposit in the Water Fund to pay when due the following amounts in the following order of priority:

(i) all Operation and Maintenance Costs;

(ii) the Loan Repayments, the Installment Payments, and all payments of principal of and interest on all outstanding Parity Debt;

(iii) to the Trustee the amount of any deficiency in the Reserve Fund established for the Certificates and in any reserve fund established for any outstanding Parity Debt, the notice of which deficiency has been sent to the District in accordance with the Trust Agreement and the related Parity Debt Documents, respectively;

(iv) any other payments required to comply with the provisions of this Agreement and the Parity Debt Documents; and

(v) any other purposes authorized under subsection (d) of this Section.

(c) No Preference or Priority. If, at any time, there is a deficiency in Net Revenues available to pay the Loan Repayments, the Installment Payments, and any amounts due with respect to Parity Debt, available Net Revenues shall be applied on a pro rata basis to the payment thereof. If, at any time, there is a deficiency in Net Revenues available to replenish the Reserve Fund and any reserve fund established for any Parity Debt, available Net Revenues shall be applied to the replenishment thereof on a pro rata basis.

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

(e) Budget and Appropriation of Installment Payments. During the Term of this Agreement, the District will adopt all necessary budgets and make all necessary appropriations of the Loan Repayments and the Installment Payments from the Net Revenues. If any Loan Repayment or Installment Payment requires the adoption by the District of a supplemental budget or appropriation, the District will promptly adopt the same. The covenants on the part of the District contained in this subsection (e) are duties imposed by law and it is the duty of each and every public official of the District to take such actions and do such things as are required by law in the performance of the official duty of such officials to enable the District to carry out and perform the covenants and agreements in this subsection (e).

SECTION 4.5. *Establishment of Rate Stabilization Fund*.

(a) General. The District has the right at any time to establish a fund to be known as the "Rate Stabilization Fund," to be held by it and administered in accordance with this Section

4.5, for the purpose of stabilizing the rates and charges imposed by the District with respect to the Water System. Amounts on deposit in the Rate Stabilization Fund are not pledged to and shall not secure the Loan Repayments, the Installment Payments or any Parity Debt. All interest or other earnings on deposits in the Rate Stabilization Fund will be retained therein or, at the option of the District, be applied for any other lawful purposes. In addition to withdrawals for the purpose described in Section 4.5(b) below, the District has the right at any time to withdraw any or all amounts on deposit in the Rate Stabilization Fund and apply such amounts for any other lawful purposes of the District.

(b) *Deposits and Withdrawals.* From time to time the District may deposit amounts in the Rate Stabilization Fund, from any source of legally available funds, including but not limited to Net Revenues which are released from the pledge and lien that secures the Loan Repayments, the Installment Payments and Parity Debt, as the District may determine.

The District may, but is not required to, withdraw amounts on deposit in the Rate Stabilization Fund and deposit such amounts in the Water Fund in any Fiscal Year for the purpose of paying the Installment Payments, the Loan Repayments and the principal of and interest on any Parity Debt coming due and payable in such Fiscal Year.

Amounts so transferred from the Rate Stabilization Fund to the Water Fund in any Fiscal Year constitute Gross Revenues for that Fiscal Year (except for purposes of Section 5.7(b) relating to the issuance of Parity Debt), and will be applied for the purposes of the Water Fund. Gross Revenues do not include funds transferred from the Water Fund into the Rate Stabilization Fund during a Fiscal Year.

(c) *Springing Amendment.* Effective on and after the date the 2019 Certificates are no longer Outstanding, subsection (b) of this Section 4.5 shall be amended in its entirety to read as follows:

> (b) *Deposits and Withdrawals.* From time to time the District may deposit amounts in the Rate Stabilization Fund, from any source of legally available funds, including but not limited to Net Revenues which are released from the pledge and lien that secures the Loan Repayments, the Installment Payments and Parity Debt, as the District may determine.
>
> The District may, but is not required to, withdraw amounts on deposit in the Rate Stabilization Fund and deposit such amounts in the Water Fund for any Fiscal Year for the purpose of paying the Installment Payments, the Loan Repayments and the principal of and interest on any Parity Debt coming due and payable in such Fiscal Year. Deposits for each Fiscal Year may be made until (but not after) the date that is one hundred twenty (120) days after the end of such Fiscal Year.
>
> Amounts so transferred from the Rate Stabilization Fund to the Water Fund for any Fiscal Year constitute Gross Revenues for that Fiscal Year (except for purposes of Section 5.7(b) relating to the issuance of Parity Debt), and will be applied for the purposes of the Water Fund. Gross Revenues do not include funds transferred from the Water Fund into the Rate Stabilization Fund for a Fiscal Year.

SECTION 4.6. *Special Obligation of the District; Obligations Absolute.* The District's obligation to pay the Loan Repayments and the Installment Payments, and any other amounts coming due and payable hereunder, is a special obligation of the District limited solely to the Net Revenues. Under no circumstances is the District required to advance moneys derived from any source of income other than the Net Revenues and other sources specifically identified herein for the payment of the Loan Repayments, the Installment Payments and such other amounts, and no other funds or property of the District are liable for the payment of the Loan Repayments or the Installment Payments.

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

(a) not suspend or discontinue payment of any Loan Repayments, Installment Payments, Additional Payments or such other amounts,

(b) perform and observe all other agreements contained in this Agreement, and

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

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

SECTION 4.8. *Additional Payments*. In addition to the Loan Repayments and the Installment Payments, the District will pay when due the following amounts to the following parties:

(a) to the Corporation, all reasonable costs and expenses which have been billed to the Corporation in connection with the execution and delivery of the Certificates or otherwise in connection with the performance of any duties of the Corporation under this Agreement or the Trust Agreement;

(b) to the Trustee upon request therefor, all of its costs and expenses payable as a result of the performance of and compliance with its duties hereunder or under the Trust Agreement or any related documents, which costs and expenses have been mutually agreed upon by the Trustee and the District;

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

(d) all costs and expenses of auditors, engineers and accountants, which costs and expenses have been mutually agreed upon by the District and such auditors, engineers and accountants; and

(e) all reimbursements of costs to the Certificate Insurer that do not constitute payment of Loan Repayments or Installment Payments, all amounts owed to the Certificate Insurer in respect of draws on the Reserve Policy.

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

ARTICLE V

COVENANTS OF THE DISTRICT

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

SECTION 5.2. *Sale or Eminent Domain of Water System*. Except as provided herein, the District covenants that the Water System 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 District to pay the Loan Repayments, the Installment Payments and any outstanding Parity Debt, or would materially adversely affect its ability to comply with the terms of this Agreement or the Parity Debt Documents. The District may not enter into any agreement which impairs the operation of the Water System or any part of it necessary to secure adequate Net Revenues to pay the Loan Repayments, the Installment Payments and any outstanding Parity Debt, or which

otherwise would impair the rights of the Certificate Owners or the Trustee with respect to the Net Revenues. If any substantial part of the Water System is sold, the payment therefor must either (a) be used for the acquisition or construction of improvements and extensions or replacement facilities or (b) be applied on a pro rata basis to prepay the Loan Repayments, the Installment Payments and all outstanding Parity Debt on the next available prepayment date.

Any amounts received as awards as a result of the taking of all or any part of the Water System by the lawful exercise of eminent domain, if and to the extent that such right can be exercised against such property of the District, will either (a) be used for the acquisition or construction of improvements and extension of the Water System, or (b) be applied on a pro rata basis to prepay the Loan Repayments, the Installment Payments and outstanding Parity Debt on the next available prepayment date.

SECTION 5.3. *Insurance*. The District will at all times maintain with responsible insurers all such insurance on the Water System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to the Water System. All amounts collected from insurance against accident to or destruction of any portion of the Water System will be used, at the option of the District, either (a) to repair or rebuild such damaged or destroyed portion of the Water System, or (b) to prepay the Loan Repayments, the Installment Payments and any outstanding Parity Debt, in whole or in part, on the next available prepayment date.

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

Any policy of insurance required under this Section may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and may be maintained in whole or in part in the form of self-insurance by the District or in the form of the participation by the District in a joint powers agency or other program providing pooled insurance.

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

The District will cause the books and accounts of the Water System to be audited annually by an Independent Accountant not more than nine months after the close of each Fiscal Year, and will make a copy of such report available for inspection by the Certificate Owners at the office of the District and at the Trust Office of the Trustee. Such report may be part of a combined financial audit or report covering all or part of the District's finances.

SECTION 5.5. *Rates and Charges*.

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

(i) All Operation and Maintenance Costs estimated by the District to become due and payable in the Fiscal Year.

(ii) All Loan Repayments, Installment Payments and payments of principal of and interest on outstanding Parity Debt 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 to the full amount of the Reserve Requirement and any reserve fund established for any outstanding Parity Debt in accordance with the related Parity Debt Documents.

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

(b) Net Revenues Covenant. In addition, the District will fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year which are sufficient to yield Net Revenues which are at least equal to 125% of the amount of all Loan Repayments, Installment Payments and payments of principal of and interest on all outstanding Parity Debt coming due and payable during the Fiscal Year. For purposes of this subsection (b), the amount of Net Revenues for a Fiscal Year will be computed by including in Gross Revenues all Connection Charges received in the Fiscal Year and all amounts transferred into the Water Fund from the Rate Stabilization Fund during the Fiscal Year.

SECTION 5.6. *Superior and Subordinate Obligations*. The District shall not issue or incur any additional bonds or other obligations during the Term of this Agreement having any priority in payment of principal or interest out of the Net Revenues over the Loan Repayments and the Installment Payments. Nothing herein limits or affects the ability of the District to issue or incur (a) Parity Debt under Section 5.7, or (b) obligations that are either unsecured or that are 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 5.7. *Issuance of Parity Debt*. The District may issue or incur any additional Parity Debt during the Term hereof upon satisfaction of all of the following conditions:

(a) No Event of Default has occurred and is continuing.

(b) The Net Revenues, calculated in accordance with sound accounting principles, as shown by the books of the District for the latest Fiscal Year for which audited financial statements are available, or as shown by the books of the District for any more recent 12-month period selected by the District, in either case verified by a certificate or opinion of an Independent Accountant employed by the District, plus (at the option of the District) the Additional Revenues, are at least equal to 125% of the amount of Maximum Annual Debt Service. For purposes of computing such Net Revenues, the amount of Gross Revenues shall not include any amounts transferred from a Rate Stabilization Fund to the Water Fund. If the Parity Debt is being issued solely to prepay Loan Repayments, Installment Payments or any other Parity Debt, and such refunding produces debt service savings in every

year during the term thereof, the District shall not be required to comply with this paragraph (b).

(c) The trustee or Trustee (if any) for such Parity Debt is the same entity performing the functions of Trustee under the Trust Agreement.

(d) The District will deliver to the Trustee a written certificate of a District Representative certifying that the conditions precedent to the issuance of such Parity Debt set forth in subsections (a), (b) and (c) of this Section have been satisfied.

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

SECTION 5.9. *Assignment and Amendment Hereof.* This Agreement may not be assigned by the District in whole or in part. This Agreement may be amended by the District and the Corporation, but only (a) for the purpose of providing for the issuance of additional Parity Debt under and in accordance with Section 5.7, or (b) otherwise under the circumstances and to the extent permitted under Sections 8.01 or 8.02 of the Trust Agreement.

ARTICLE VI

EVENTS OF DEFAULT

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

(a) Failure by the District to pay any Loan Repayment or Installment Payment when due and payable hereunder.

(b) Failure by the District to pay any Additional Payment when due and payable hereunder, and the continuation of such failure for a period of 30 days.

(c) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder or under the Trust Agreement, other than as referred to in the preceding clauses (a) or (b), for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Corporation or the Trustee; *provided, however,* that if the District notifies the Corporation and the Trustee that in its reasonable opinion the failure stated in the notice can be corrected, but not within the 30-day period, such failure will not constitute an event of default hereunder if the District commences to cure such failure within the 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.

(d) The filing by the District of a voluntary petition in bankruptcy, or failure by the District promptly to lift any execution, garnishment or attachment, or adjudication of the District as a bankrupt, or assignment by the District for the benefit of creditors, or the entry by the District into an agreement of

composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the District in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.

(e) The occurrence of any event defined to be an event of default under any Parity Debt Documents.

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

(a) Declare all principal components of the unpaid Loan Repayments and Installment Payments, together with accrued interest thereon at the Overdue Rate from the immediately preceding Certificate Payment Date on which payment was made, to be immediately due and payable, whereupon the same will 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 Loan Repayments and Installment Payments have been so declared due and payable under this subsection (a), and before any judgment or decree for the payment of the moneys due have been obtained or entered, the District will deposit with the Trustee a sum sufficient to pay all principal components of the Loan Repayments and the Installment Payments coming due prior to such declaration and all matured interest components (if any) of the Loan Repayments and the Installment Payments, with interest on such overdue principal and interest components calculated at the Overdue Rate, and the reasonable expenses of the Trustee (including any fees and expenses of its attorneys), and any and all other defaults actually known to the Trustee (other than in the payment of the principal and interest components of the Loan Repayments and the Installment Payments due and payable solely by reason of such declaration) have been cured, then, and in every such case, the Trustee will rescind and annul such declaration and its consequences. However, no such rescission and annulment will extend to or will affect any subsequent default, or will impair or exhaust any right or power consequent thereon. As provided in Section 6.6, the Trustee is required to exercise the remedies provided herein in accordance with the Trust Agreement.

(b) Take whatever action at law or in equity may appear necessary or desirable to collect the Loan Repayments and the Installment Payments then due or thereafter to become due during the Term of this Agreement, or enforce performance and observance of any obligation, agreement or covenant of the District under this Agreement.

(c) As a matter of right, in connection with the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and the Certificate Owners hereunder, cause the appointment of a receiver or receivers of the Gross Revenues and other amounts pledged hereunder, with such powers as the court making such appointment may confer.

SECTION 6.3. *No Remedy Exclusive*. No remedy herein conferred upon or reserved to the Corporation is intended to be exclusive and every such remedy will be cumulative and will 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 will impair any such right or power or will be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Corporation to exercise any remedy reserved to it in this Article, it is not necessary to give any notice, other than such notice as may be required in this Article or by law.

SECTION 6.4. *Agreement to Pay Attorneys' Fees and Expenses*. If either party to this Agreement defaults under any of the provisions hereof and the nondefaulting party, the Trustee or the Owner of any Certificates employs attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the 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 will survive the expiration of the Term of this Agreement and the resignation or removal of the Trustee.

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

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

ARTICLE VII

PREPAYMENT OF LOAN REPAYMENTS AND INSTALLMENT PAYMENTS

SECTION 7.1. *Security Deposit*. Notwithstanding any other provision hereof, the District may on any date secure the payment of the Loan Repayments and the 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 Loan Repayments and Installment Payments, including the principal and interest components thereof, when due under Sections 4.1 and 4.2, respectively, or when due on any optional prepayment date under Section 7.2, as the District instructs at the time of said deposit, or

(b) invested in whole or in part in non-callable Federal Securities, the payments of principal of and interest on which, together with other available cash, are sufficient to pay the Loan Repayments and Installment Payments when due under Sections 4.1 and 4.2, respectively, or when due on any optional prepayment date under Section 7.2, as the District instructs at the time of said deposit.

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

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

Payments made by the Certificate Insurer under the Certificate Insurance Policy or the Reserve Policy will not be considered in determining whether the District has paid and discharged any or all of the Loan Repayments and the Installment Payments under this Section.

SECTION 7.2. *Optional Prepayment*. The District may exercise its option to prepay the principal components of the Loan Repayments or the Installment Payments in whole or in part on any date on or after January 1, 20__. Such option will be exercised by payment of a prepayment price equal to the sum of (a) the aggregate principal components of the Loan Repayments or Installment Payments to be prepaid, plus (b) the interest component of the Loan Repayment or Installment Payment required to be paid on or accrued to such date, plus (c) any premium required to be paid on the corresponding prepayment of the Certificates under Section 4.01(a) of the Trust Agreement. Such prepayment price will be deposited by the Trustee in the Certificate Payment Fund to be applied to the prepayment of Certificates under Section 4.01(a) of the Trust Agreement. If the District prepays the Loan Repayments or the Installment Payments in part but not in whole, the principal components will be prepaid among such maturities and in such integral multiples of $5,000 as the District designates in written notice to the Trustee. The District will give the Trustee written notice of its intention to exercise its option to prepay Loan Repayments or Installment Payments, or both, not less than 45 days in advance of the date of exercise; provided that the Trustee may agree to a shorter period of notice in its sole discretion.

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

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

ARTICLE VIII

MISCELLANEOUS

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

SECTION 8.2. *Notices*. Any notice, request, complaint, demand or other communication under this Agreement will be given by first class mail, electronic transmission or personal delivery to the party entitled thereto at its address set forth below, or by telecopier or other form of telecommunication, at its number set forth below. Notice will be effective upon actual receipt. The Corporation, the District, 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 District:	Diablo Water District 87 Carol Lane Oakley, California 94561 Attention: General Manager
If to the Corporation:	Public Property Financing Corporation of California 2945 Townsgate Road, Suite 200 Westlake Village, California 91361 Attention: Treasurer
If to the Trustee:	U.S. Bank Trust Company, National Association One California Street, Suite 1000 San Francisco, California 94111
If to the Certificate Insurer:	[INSURER]

If the Trustee acts on any communication (including, but not limited to, communication with respect to the wire transfer of funds) sent by electronic transmission, the Trustee, absent negligence or willful misconduct, will not be responsible or liable in the event such communication is not an authorized or authentic communication of the party involved or is not in the form the party involved sent or intended to send (whether due to fraud, distortion or otherwise). The Trustee will not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The District agrees to assume all risks arising out of the use of such electronic transmission to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

SECTION 8.3. *Governing Law*. This Agreement will be construed in accordance with and governed by the laws of the State of California.

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

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

SECTION 8.7. *Payment on Non-Business Days*. Whenever any payment is required to be made hereunder on a day which is not a Business Day, such payment will 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 for all purposes is deemed to be an original and all of which together constitutes but one and the same instrument.

SECTION 8.9. *Waiver of Personal Liability*. No member of the Board of Directors, officer, agent or employee of the District has any individual or personal liability for the payment of Installment Payments, Loan Repayments, 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 and Certificate Insurer as Third Party Beneficiaries*. The Trustee and the Certificate Insurer are each hereby made a third party beneficiary hereof and is entitled to the benefits of this Agreement with the same force and effect as if the Trustee and the Certificate Insurer was a party hereto.

[Signature Page Follows on Next Page]

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

PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA,
as Seller

By: _____
Treasurer

DIABLO WATER DISTRICT,
as Purchaser

By: _____
Daniel Muelrath
General Manager

APPENDIX A

SCHEDULE OF LOAN REPAYMENTS

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

(1) Loan Repayments are due on the 5th Business Day immediately preceding each Certificate Payment Date shown in the table.

APPENDIX B

SCHEDULE OF INSTALLMENT PAYMENTS

Payment Date[1]	Principal Component	Interest Component	Total Payment

(1) Installment Payments are due on the 5th Business Day immediately preceding each Certificate Payment Date shown in the table.

APPENDIX C

SCHEDULE OF TOTAL PAYMENTS

Payment Date[1]	Total Loan Repayments	Total Installment Payments	Total Loan Repayments and Installment Payments

(1) Loan Repayments and Installment Payments are due on the 5th Business Day immediately preceding each Certificate Payment Date shown in the table.

APPENDIX D

DESCRIPTION OF THE PROJECT

The District plans to use proceeds of the Certificates which have been deposited into the Project Fund to finance the acquisition and construction of the Project. The Project is anticipated to consist of certain improvements to the Water System in furtherance of the District's carbon neutrality regulation by financing the installation of photovoltaic power generating systems and related equipment, including solar arrays, and to finance the completion of the District's new Corporation Yard Office Building and related facilities. The new Corporation Yard Office Building is designed to LEED Silver standards and will feature a 100% electric facility that has solar and battery back-up, allowing for 100% offset of the building's electrical needs. Additionally, the new Corporation Yard Office Building is anticipated to be outfitted with required electrical upgrades to support the charging of the District's pending electric vehicle fleet. Landscaping surrounding the building is anticipated to feature a California native landscape that is supplemented with recycled water, that will serve as a demonstration garden to the community regarding the use of low water use plants, drip irrigation, and recycled water. A portion of the proceeds deposited into the Project Fund may also be used by the District to acquire land for the purpose of installing photovoltaic power generating systems and/or related equipment and other improvements to the Water System in the District's capital improvement plan as approved by the Board of Directors from time to time.

TRUST AGREEMENT

Dated as of April 1, 2022

among

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

PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA,

and the

DIABLO WATER DISTRICT

Relating to

$[PAR]
Diablo Water District
2022 Water Revenue Certificates of Participation
(Green Bonds)

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TRUST AGREEMENT

This TRUST AGREEMENT, made and entered into as of April 1, 2022, is among U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as trustee (the "Trustee"), the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Corporation"), and the DIABLO WATER DISTRICT, a county water district duly organized and existing under the County Water District Law of the State of California (the "District").

B A C K G R O U N D :

1. The District owns and operates facilities and property for the supply, treatment, storage and distribution of water within the service area of the District (the "Water System").

2. In order to provide funds to finance the acquisition and construction of improvements to the Water System (the "2005 Project"), the District and the Public Property Financing Corporation of California, a nonprofit public benefit corporation (the "Corporation"), previously entered into an Installment Sale Agreement, dated as of March 1, 2005 (the "2005 Installment Sale Agreement"), under which the Corporation agreed to sell the 2005 Project to the District on an installment basis in exchange for installment payments (the "2005 Installment Payments").

3. The Corporation assigned certain of its rights under the 2005 Installment Sale Agreement to Union Bank, N.A., as trustee (the "2005 Trustee"), and at the direction of the Corporation, the 2005 Trustee executed and delivered 2005 Water Revenue Certificates of Participation in the aggregate original principal amount of $7,500,000 (the "2005 Certificates"), evidencing direct, undivided fractional interests in the 2005 Installment Payments.

4. **I**n order to provide funds to finance the acquisition and construction of additional improvements to the Water System (the "2010 Project"), the District and the Corporation previously entered into an Installment Sale Agreement, dated as of May 1, 2010 (the "2010 Installment Sale Agreement"), under which the Corporation agreed to sell the 2010 Project to the District on an installment basis in exchange for installment payments (the "2010 Installment Payments").

5. The Corporation assigned certain of its rights under the 2010 Installment Sale Agreement to Union Bank, N.A., as trustee (the "2010 Trustee"), and at the direction of the Corporation, the 2010 Trustee executed and delivered 2010 Water Revenue Certificates of Participation in the aggregate original principal amount of $4,200,000 (the "2010 Certificates"), evidencing direct, undivided fractional interests in the 2010 Installment Payments.

6. In order to provide funds to finance the acquisition and construction of additional improvements to the Water System (the "2013 Project") and refinance the 2005 Installment Payments, the District and the Corporation previously entered into a Loan and Installment Sale Agreement, dated as of April 1, 2013 (the "2013 Installment Sale Agreement"), under which the Corporation agreed to (i) sell the 2013 Project to the District on an installment basis in exchange for installment payments (the "2013 Installment Payments") and (ii) make a loan to the District for the purpose of providing funds to refinance the 2005 Installment Payments and the 2005

Certificates, with such loan to be repaid by the District in loan repayments (the "2013 Loan Repayments").

7. The Corporation assigned certain of its rights under the 2013 Loan and Installment Sale Agreement to Union Bank, N.A., as trustee, and at the direction of the Corporation, Union Bank, N.A., as trustee, executed and delivered 2013 Water Revenue Certificates of Participation in the aggregate original principal amount of $6,670,000 (the "2013 Certificates"), evidencing direct, undivided fractional interests in the 2013 Installment Payments and the 2013 Loan Repayments.

8. The 2013 Installment Payments and the 2013 Loan Repayments are outstanding in the aggregate principal amount of $3,555,000.

9. In order to provide funds to finance the acquisition and construction of additional improvements to the Water System (the "2014 Project"), the District and Holman Capital Corporation previously entered into an Installment Sale Agreement, dated June 30, 2014 (the "2014 Installment Sale Agreement"), under which the Holman Capital Corporation agreed to sell the 2014 Project to the District on an installment basis in exchange for installment payments (the "2014 Installment Payments").

10. In order to provide funds to finance the acquisition and construction of additional improvements to the Water System (the "2019 Project") and refinance the 2010 Installment Payments and the 2014 Installment Payments, the District and the Corporation previously entered into a Loan and Installment Sale Agreement, dated as of November 1, 2019 (the "2019 Installment Sale Agreement"), under which the Corporation agreed to (i) sell the 2019 Project to the District on an installment basis in exchange for installment payments (the "2019 Installment Payments") and (ii) make a loan to the District for the purpose of providing funds to refinance the 2010 Installment Payments and the 2014 Installment Payments, with such loan to be repaid by the District in loan repayments (the "2019 Loan Repayments").

11. The Corporation assigned certain of its rights under the 2019 Installment Sale Agreement to MUFG Union Bank, N.A., as trustee, and, at the direction of the Corporation, MUFG Union Bank, N.A. executed and delivered 2019 Water Revenue Certificates of Participation in the aggregate original principal amount of $8,380,000 (the "2019 Certificates"), evidencing direct, undivided fractional interests in the 2019 Installment Payments and the 2019 Loan Repayments.

12. The 2019 Installment Payments and the 2019 Loan Repayments are outstanding in the aggregate principal amount of $7,655,000.

13. The principal component of the 2013 Installment Payments and 2013 Loan Repayments are subject to prepayment at the option of the District in whole or in part on any date on or after January 1, 2022, without premium.

14. The District has determined that it is in its best interests at this time to refinance the 2013 Installment Payments and 2013 Loan Repayments and thereby realize interest rate savings.

15. The District has further determined to finance the acquisition and construction of improvements to the Water System, including without limitation, improvements to the corporation yard facilities of the District and photovoltaic power generating systems and related equipment (as more fully defined herein, the "Project").

16. The Corporation has been formed for the purpose of assisting public agencies in the financing of public capital improvements, and in order to provide funds for the foregoing purposes the Corporation has entered into a Loan and Installment Sale Agreement dated as of April 1, 2022 (the "Loan and Installment Sale Agreement") with the District under which the Corporation agrees to make a loan to the District to enable it to refinance the 2013 Installment Payments and 2013 Loan Repayments in consideration of the agreement by the District to pay semiannual loan repayments (the "Loan Repayments"), and the Corporation further agrees to provide funds to finance the acquisition and construction of the Project in consideration of the agreement by the District to pay the purchase price of the Project in semiannual installments (the "Installment Payments").

17. For the purpose of obtaining the moneys required to make the deposits required under the terms of the Loan and Installment Sale Agreement, the Corporation wishes to assign and transfer certain of its rights under the Loan and Installment Sale Agreement to the Trustee, and at the written direction of the Corporation the Trustee will execute and deliver the Diablo Water District 2022 Water Revenue Certificates of Participation (Green Bonds) in the aggregate principal amount of $[PAR], evidencing direct, undivided fractional interests in the Loan Repayments and the Installment Payments.

18. The District's obligation to make the Loan Repayments to repay the Loan (as hereinafter defined) and the Installment Payments to purchase the Project are secured by a pledge of and lien on the Net Revenues of the Water System as set forth in this Trust Agreement on a parity with the District's obligations with respect to the 2019 Installment Payments and 2019 Loan Repayments.

19. Payment of principal and interest represented by the Certificates is insured by a Municipal Bond Insurance Policy (the "Certificate Insurance Policy") issued by [INSURER] (the "Certificate Insurer"), and the Certificate Insurer is issuing a Municipal Bond Debt Service Reserve Insurance Policy (the "Reserve Policy") to be credited to the Reserve Fund (defined herein).

A G R E E M E N T :

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

ARTICLE I

DEFINITIONS

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

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 include the neuter, masculine or feminine gender, as appropriate.

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

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this 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.

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 $[PAR], which shall represent the direct, undivided fractional ownership interests of the Owners thereof in the Loan Repayments and the Installment Payments.

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

(a) it is executed after a Record Date and on or before the following Certificate Payment Date, in which event interest represented thereby is payable from such Certificate Payment Date; or

(b) it is executed on or before the first Record Date, in which event interest represented thereby is payable from the Closing Date; or

(c) interest represented by such Certificate is in default as of the date of its execution, in which event interest represented thereby is payable from the Certificate Payment Date to which interest represented thereby has previously been paid or made available for payment.

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

Maturity Date (January 1)	Principal Amount	Interest Rate	Maturity Date (January 1)	Principal Amount	Interest Rate

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

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

SECTION 2.05. *Book Entry System*.

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

With respect to Certificates the ownership of which is registered in the name of the Nominee, the District and the Trustee have no responsibility or obligation to any Depository System Participant or to any person on behalf of which the District holds an interest in the Certificates. Without limiting the generality of the immediately preceding sentence, the District and the Trustee have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Certificates, (ii) the delivery to any Depository System Participant or any other person, other than a Certificate Owner as shown in the Registration Books, of any notice with respect to the Certificates, including any notice of prepayment, (iii) the selection by the Depository of the beneficial interests in the Certificates to be prepaid if the District elects to prepay the Certificates in part, (iv) the payment to any Depository System Participant or any other person, other than a Certificate Owner as shown in the Registration Books, of any amount with respect to principal, 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 District and the Trustee may treat and consider the person in whose name each Certificate is registered as the absolute owner of such Certificate for the purpose of payment of principal, 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 will 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 District 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 District shall promptly deliver a copy of the same to the Trustee.

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

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

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

(d) Payments to the Nominee. Notwithstanding any other provision of this Trust Agreement to the contrary, so long as any Certificate is registered in the name of the Nominee, all payments with respect to principal, 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 2.06. *Form and Execution of Certificates*. The Certificates shall be substantially in the form set forth in Appendix B attached hereto and by this reference incorporated herein. The Certificates shall be executed by and in the name of the Trustee by the manual signature of an authorized signatory of the Trustee. If any person whose signature appears on any Certificate ceases to be an authorized signatory before the date of delivery of said Certificate, such signature shall nevertheless be as effective as if such person had remained an authorized signatory until such date.

SECTION 2.07. *Transfer and Exchange*.

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

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

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

SECTION 2.08. *Certificates Mutilated, Lost, Destroyed or Stolen*. If any Certificate is mutilated, the Trustee, at the expense of the Owner of such Certificate, shall execute and deliver a new Certificate of like principal amount, interest rate and maturity in replacement for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. The Trustee will cancel and destroy every mutilated Certificate surrendered to it and shall deliver a certificate of destruction to the District at its request. If any Certificate is lost, destroyed or stolen, evidence of such loss, destruction or theft must be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and the District and, if an indemnity satisfactory to the Trustee and the District shall be given, the Trustee, at the expense of the Certificate Owner, shall execute and deliver a new Certificate of like principal amount, interest rate and maturity and numbered as the Trustee will determine in lieu of and in replacement for the Certificate so lost, destroyed or stolen. The Trustee may require payment of an appropriate fee for each replacement Certificate delivered under this Section and of the expenses which may be incurred by the Trustee in carrying out the duties under this Section. Any Certificate issued under the provisions of this Section in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally entitled to

the benefits of this Trust Agreement with all other Certificates secured by this Trust Agreement. The Trustee is not required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be executed and delivered hereunder or for the purpose of determining any percentage of Certificates Outstanding hereunder, but both the original and replacement Certificate shall be treated as one and the same. Notwithstanding any other provision of this Section, in lieu of delivering a replacement for a Certificate which has been mutilated, lost, destroyed or stolen, and which has matured, the Trustee may make payment with respect to such Certificate upon receipt of indemnity satisfactory to the Trustee and the District.

SECTION 2.09. *Payment*. The Trustee will pay interest represented by the Certificates on each Certificate Payment Date, to the person appearing on the Registration Books as the Owner thereof as of the close of business on the Record Date immediately preceding such Certificate Payment Date, by check mailed to the Owner by first class mail at the Owner's address appearing on the Registration Books. At the written request of the Owner of Certificates in an aggregate principal amount of at least $1,000,000, which written request is on file with the Trustee as of the Record Date preceding any Certificate Payment Date, the Trustee will pay interest represented by the Certificates by wire transfer in immediately available funds to such account in the United States as is specified in the written request. The principal and prepayment price represented by any Certificate at maturity or upon prior prepayment is payable in lawful money of the United States of America upon surrender of such Certificate at the Trust Office of the Trustee. The provisions of this Section are subject in all respects to the provisions of Section 2.05 which shall govern the payment of principal of and interest on the Certificates at all times while they are held in book-entry form.

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

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

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

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

SECTION 2.11. *Registration Books*. The Trustee will keep or cause to be kept sufficient records for the registration and registration of transfer of the Certificates, which shall at all reasonable times upon prior notice be open to inspection by the District, the Corporation during regular business hours; and, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on the Registration Books, Certificates as hereinbefore provided.

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

ARTICLE III

DISPOSITION OF PROCEEDS; ESTABLISHMENT OF FUNDS

SECTION 3.01. *Application of Proceeds*. At the direction of the District which is hereby given to the Trustee, the Trustee will apply the proceeds of the Certificates which are paid to the Trustee on the Closing Date in the amount of $_____(being the par amount of the Certificates of $[PAR], (i) less the Original Purchaser's discount in the amount of $_____, (ii) less the premium paid directly to the Certificate Insurer by the Original Purchaser in the amount of $_____ for the Certificate Insurance Policy and the Reserve Policy, and (iii) plus the amount of original issue premium received on the sale of the Certificates in the amount of $_____, who shall deposit such proceeds in a temporary account called the Proceeds Fund which the Trustee shall establish and maintain, and the Trustee shall forthwith set aside, pay over and deposit such proceeds on the Closing Date as follows (whereupon said temporary account shall be closed):

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

(b) The Trustee will deposit the amount of $_____ in the Project Fund.

(c) The Trustee will transfer the amount of $_____ to the Escrow Agent to be held and applied under the Escrow Agreement for the purpose of refinancing the 2013 Installment Payments and 2013 Loan Repayments and thereby refinance the 2013 Certificates.

The parties hereto are advised and acknowledge that on the Closing Date, on behalf of the District, the Original Purchaser has remitted to the Certificate Insurer the amount of $_____ as payment of the premium for the Certificate Insurance Policy and the amount of $_____ as payment of the premium for the Reserve Policy. The Trustee shall credit to the Reserve Policy to the Reserve Fund.

SECTION 3.02. *Costs of Issuance Fund*. The Trustee will establish and maintain a special fund designated as the "Costs of Issuance Fund" to be held by the Trustee in trust for the benefit of the District. The Trustee will disburse amounts in the Costs of Issuance Fund to pay Costs of Issuance from time to time in accordance with written requisitions filed by the District with the Trustee. Each such written requisition must be signed by a District Representative and must state, with respect to each payment to be made thereby, (i) the amounts to be disbursed for payment or reimbursement of Costs of Issuance, (ii) the name and address of the person or persons to whom said amounts are to be disbursed, and (iii) that all amounts to be disbursed are for Costs of Issuance properly chargeable to the Costs of Issuance Fund. Each requisition will be sufficient evidence to the Trustee of the facts stated therein and the Trustee has no duty to confirm the accuracy of such facts. On July 1, 2022, the Trustee will transfer any funds remaining in the Costs of Issuance Fund to the Project Fund and the Trustee shall thereupon close the Costs of Issuance Fund.

SECTION 3.03. *Project Fund*. The Trustee will establish and maintain a separate fund to be known as the "Project Fund". Except as otherwise provided herein, moneys in the Project Fund will be used solely for the payment of the Project Costs. The Trustee will disburse moneys in the Project Fund from time to time to pay Project Costs (or to reimburse the District for payment of Project Costs) in accordance with written requisitions in the form attached hereto as Appendix E filed by the District with the Trustee. The Trustee has no responsibility for payments made in accordance with this Section. The District shall maintain accurate records showing all disbursements from the Project Fund.

Upon the receipt by the Trustee of a written certificate of a District Representative under Section 3.4(d) of the Loan and Installment Sale Agreement, stating that the Project has been substantially completed, the Trustee will withdraw from the Project Fund and deposit in the Certificate Payment Fund all amounts remaining on deposit in the Project Fund, other than amounts estimated by the District (as identified in such written certificate) to be required to pay future Project Costs. Upon the filing with the Trustee of a written certificate of the District stating that no further amounts are intended to be requisitioned from the Project Fund, amounts remaining in the Project Fund will either (a) be retained therein and applied to acquire and construct additional improvements to the Water System in accordance with written requisitions of the District filed with the Trustee for that purpose from time to time, (b) transferred by the Trustee to the Certificate Payment Fund to be applied to pay the Installment Payments next coming due and payable, or (c) transferred by the Trustee to the Certificate Payment Fund to be applied the prepayment of Installment Payments under Section 7.2 of the Loan and Installment Sale Agreement and the corresponding prepayment of the Certificates under Section 4.01(a).

If an Event of Default occurs under Section 6.1(a) of the Loan and Installment Sale Agreement prior to the closure of the Project Fund by the Trustee, the Trustee will transfer all amounts remaining on deposit in the Project Fund to the Certificate Payment Fund, to be credited to the payment of the Installment Payment then in default.

SECTION 3.04. *Reserve Fund*.

(a) General Provisions. The Trustee will establish and maintain a special fund designated as the "Reserve Fund" to be held by the Trustee in trust for the benefit of the District and the Owners of the Certificates. Moneys in the Reserve Fund shall be held in trust as a reserve for the payment when due of the Loan Repayments and the Installment Payments on behalf of the District. Semiannually on or prior to each Certificate Payment Date, the Trustee will transfer any moneys in the Reserve Fund in excess of the Reserve Requirement to the Certificate Payment Fund to be credited on a pro rata basis towards the Loan Repayments and the Installment Payment coming due and payable on such Certificate Payment Date. Moneys in the Reserve Fund may only be used to make payments on the Certificates and are not available to make payments on any other debt of the District, including the 2019 Certificates.

(b) Application of Reserve Fund. If three Business Days prior to any Certificate Payment Date the moneys available in the Certificate Payment Fund are not at least equal to the amount of the Loan Repayments and Installment Payment coming due and payable on such Certificate Payment Date, the Trustee will apply the moneys available in the Reserve Fund to make such payments on behalf of the District by transferring the amount necessary for this purpose to the Certificate Payment Fund. If on any Certificate Payment Date the moneys on deposit in the Reserve Fund and the Certificate Payment Fund (excluding amounts required for payment of principal and interest represented by any Certificates theretofore having come due but not presented for payment) are sufficient to pay all Outstanding Certificates, including all principal and interest, the Trustee will, upon the written request of the District, transfer all amounts then on deposit in the Reserve Fund to the Certificate Payment Fund to be applied for such purpose to the payment of the Loan Repayments and the Installment Payments on behalf of the District. Any amounts remaining on deposit in the Reserve Fund following the discharge of this Trust Agreement under Section 12.01 will be paid to the District.

(c) Maintenance of Reserve Fund Insurance. The Reserve Requirement will initially be satisfied by deposit in the Reserve Fund of the Reserve Policy delivered by the Certificate Insurer. The District and the Trustee covenant to comply with each of the provisions set forth in Appendix D hereto which provisions are hereby incorporated herein by reference thereto.

ARTICLE IV

PREPAYMENT OF CERTIFICATES

SECTION 4.01. *Prepayment*.

(a) Optional Prepayment. The Certificates maturing on or before January 1, 20__, are not subject to optional prepayment prior to the respective stated maturities of the Certificates. The Certificates maturing on or after January 1, 20__, are subject to optional prepayment in whole or in part, on any date on or after January 1, 20__, from prepayments of the Loan Repayments and Installment Payments made at the option of the District under Section 7.2 of the Loan and Installment Sale Agreement. Certificates shall be subject to prepayment under this subsection at a prepayment price equal to 100% of the principal amount of Certificates or portions thereof to be prepaid together with accrued interest represented thereby to the prepayment date, without premium. The District will give the Trustee written notice of its intention to exercise its option to prepay the Certificates under this subsection (a) not less than 45 days prior to the prepayment date; provided that the Trustee may agree to a shorter period of notice, in its sole discretion.

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

(b) Mandatory Sinking Fund Prepayment. The Term Certificates are subject to mandatory prepayment in part by lot, at a prepayment price equal to 100% of the principal amount thereof to be prepaid, without premium, in the aggregate respective principal amounts and on January 1 in the respective years as set forth in the following table; *provided, however,* that if some but not all of the Term Certificates have been prepaid under subsection (a) of this Section, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of the Term Certificates so prepaid, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of $5,000 (as set forth in a schedule provided by the District to the Trustee).

Term Certificates Maturing
January 1, 20__

Sinking Fund Prepayment Date (January 1)	Principal Amount To Be Prepayment

(Maturity)

Term Certificates Maturing
January 1, 20__

Sinking Fund Prepayment Date (January 1)	Principal Amount To Be Prepayment

(Maturity)

(c) Prepayment From Net Proceeds of Insurance, Sale and Condemnation. The Certificates are subject to mandatory prepayment, on any date, in whole, or in part on a pro rata basis among maturities, from the net proceeds of insurance, sale or condemnation credited towards the prepayment of the Loan Repayments and Installment Payments by the District under Section 7.3 of the Loan and Installment Sale Agreement. Certificates are subject to prepayment under this subsection (c) at a prepayment price equal to the principal amount represented thereby to be prepaid, without premium, together with accrued interest represented thereby to the prepayment date.

SECTION 4.02. *Selection of Certificates for Prepayment*. Whenever provision is made herein for the prepayment of Certificates and less than all Outstanding Certificates of any one maturity are called for prepayment, the Trustee will select Certificates for prepayment within such maturity by lot in any manner deemed fair by the Trustee and in accordance with the rules of the Securities Depositories. For the purposes of such selection, Certificates will be deemed to be composed of $5,000 portions, and any such portion may be separately prepaid. The Trustee will

promptly notify the District in writing of the Certificates or portions thereof so selected for prepayment. The selection by the Trustee of any Certificates for prepayment is final and conclusive.

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

The District has the right to rescind any notice of the prepayment of Certificates under Section 4.01(a) by written notice to the Trustee on or prior to the dated fixed for prepayment. Any notice of prepayment shall be cancelled 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 District 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 redemption was sent.

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

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

SECTION 4.05. *Effect of Notice of Prepayment*. Moneys for the prepayment (including the interest to the applicable date of prepayment) of Certificates having been set aside in the Certificate Payment Fund, the Certificates shall become due and payable on the date of such prepayment, and, upon presentation and surrender thereof at the Trust Office of the Trustee, said

Certificates will be paid at the unpaid principal amount (or applicable portion thereof) represented thereby plus interest accrued and unpaid to said date of prepayment.

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

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

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

ARTICLE V

LOAN REPAYMENTS AND INSTALLMENT PAYMENTS; CERTIFICATE 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 Loan and Installment Sale Agreement (excepting only the Corporation's rights under Sections 4.7 and 6.4 thereof), including but not limited to (i) all of the Corporation's rights to receive and collect all of the Loan Repayments and Installment Payments and all other amounts required to be deposited in the Certificate Payment Fund, and (ii) the Corporation's rights to exercise such rights and remedies conferred on the Corporation under the Loan and Installment Sale Agreement as may be necessary or convenient (a) to enforce payment of the Loan Repayments and the Installment Payments and any other amounts required to be deposited in the Certificate 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. The Trustee hereby accepts such assignment; *provided, however*, that such assignment shall neither create any obligations nor give rise to any duties on the part of the Trustee other than those obligations and duties contained herein and is not liable for any covenants, representations or warranties of the Corporation. All Loan Repayments and 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 Loan Repayments and 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 Loan Repayments and Installment Payments and such other amounts shall be forthwith deposited by the Trustee upon the receipt thereof in the Certificate Payment Fund.

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

SECTION 5.03. *Application of Moneys*. Except as provided in Sections 5.04 and 11.02, the Trustee will apply amounts in the Certificate Payment Fund solely for the purpose of paying the principal and interest represented by the Certificates as the same shall become due and payable, in accordance with the provisions of Article II and Article IV, including the principal amount of any Term Bonds required to be prepaid under Section 4.01(b). If the amounts on deposit in the Certificate Payment Fund are at any time insufficient to pay the amount of principal and interest then due and payable with respect to the Certificates, such amounts shall be applied first, to the payment of interest then due and payable with respect to the Certificates and second, to the payment of principal then due and payable with respect to the Certificates.

SECTION 5.04. *Surplus*. At the written request of the District any surplus remaining in the Certificate Payment Fund, after prepayment and payment of all Certificates and after payment of any fees and expenses then owing to the Certificate Insurer, including all accrued interest (if any) and payment of any applicable fees and expenses to the Trustee, will be withdrawn by the Trustee and remitted to the District.

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 District 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 is not subject to levy or attachment or lien by or for the benefit of any creditor of the Corporation, the Trustee, the District or the Owner of any Certificates.

SECTION 6.02. *Investments Authorized.* Upon the written request of the District filed with the Trustee from time to time, moneys held by the Trustee in any fund or account established hereunder shall be invested and reinvested by the Trustee in Permitted Investments which mature not later than the date such moneys are required or estimated by the District to be required to be expended hereunder. In the absence of any written request of the District directing the investment of uninvested moneys held by the Trustee hereunder, the Trustee shall hold such moneys uninvested. Such investments, if registrable, shall be registered in the name of the Trustee, as trustee or in the name of its nominee, and shall be held by the Trustee. The Trustee may purchase

or sell to itself or any affiliate, as principal or agent, investments authorized by this Section and shall be entitled to its customary fee therefor. Such investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available. The Trustee may act as purchaser or agent in the making or disposing of any investment. Whenever in this Trust Agreement any moneys are required to be transferred by the District to the Trustee, such transfer may be accomplished by transferring a like amount of Permitted Investments. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder. The Trustee is not responsible or liable for any loss, tax, fee or other charge suffered or incurred in connection with any investment, reinvestment or liquidation of an investment hereunder.

The District shall invest amounts held by it in any fund or account established hereunder or under the Loan and Installment Sale Agreement in any investments which are authorized for the investment of District funds under the laws of the State of California.

SECTION 6.03. *Accounting*. The Trustee shall furnish the District periodic cash transaction statements which include detail for all investment transactions effected by the Trustee or brokers selected by the District. Upon the District's election, such statements will be delivered via the Trustee's online service and upon electing such service, paper statements will be provided only upon request. The District waives the right to receive brokerage confirmations of security transactions effected by the Trustee as they occur, to the extent permitted by law. The District further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

SECTION 6.04. *Allocation of Earnings.* Any income, profit or loss on such investments shall be deposited in or charged to the respective funds and accounts from which such investments were made. Notwithstanding the foregoing sentence, however, all income received on the investment of amounts on deposit in the Reserve Fund will be applied as set forth in Section 3.04.

SECTION 6.05. *Valuation and Disposition of Investments.*

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

(b) Investments in the Reserve Fund, and investments in any funds or accounts (or portions thereof) that are subject to a yield restriction under the Tax Code and (unless valuation is undertaken at least annually) investments in the Reserve Fund shall be valued at their present value (within the meaning of Section 148 of the Tax Code). The District shall inform the Trustee which funds are subject to a yield restriction.

(c) Except as provided in subsection (b), for the purpose of determining the amount in any fund, the value of Permitted Investments credited to such fund shall be valued by the Trustee at least quarterly at the Fair 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 is not liable or responsible for any loss resulting from any such Permitted Investment.

ARTICLE VII

THE TRUSTEE

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

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

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

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

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

(c) The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents or receivers

and the Trustee is not responsible for any misconduct or negligence on the part of any attorney, agent or receiver appointed with due care by it hereunder. The Trustee will be entitled to advice of counsel of its selection concerning all matters of trust and its duty hereunder and shall be protected in any action taken or suffered by it hereunder in reliance on such advice.

(d) The Trustee is not responsible for the validity hereof or for any recital herein, or in the Certificates, or for any of the supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Certificates issued hereunder or intended to be secured hereby and the Trustee is not bound to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the Corporation or the District under the Loan and 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 become the Owner of Certificates secured hereby with the same rights which it would have if not the Trustee; may acquire and dispose of other bonds or evidence of indebtedness of the District with the same rights it would have if it were not the Trustee; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Certificates, whether or not such committee shall represent the Owners of the majority in aggregate principal amount of the Certificates then Outstanding.

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

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

case may be, as conclusive evidence that such authorization has been duly adopted, and is in full force and effect.

(h) The permissive right of the Trustee to do things enumerated herein shall not be construed as a duty and it is not answerable for other than its negligence or willful misconduct. The immunities and exceptions from liability of the Trustee will extend to its officers, directors, employees and agents.

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

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

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

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

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

(n) All moneys received by the Trustee will, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent

required by law. The Trustee has no liability for interest, taxes, fees or other charges on any moneys received hereunder.

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

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

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

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

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

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

SECTION 7.03. *Fees, Charges and Expenses of Trustee*. The Trustee is entitled to payment and reimbursement from the District for 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 as mutually agreed upon in writing. Upon the occurrence of an Event of Default, but only upon such occurrence, the Trustee has a first lien with right of payment prior to payment on account of principal and interest represented by any Certificate upon the amounts held hereunder for the foregoing fees, charges and expenses incurred by it respectively.

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

SECTION 7.05. *Removal of Trustee*. The District may, with the written consent of the Certificate Insurer, remove the Trustee at any time, unless an Event of Default shall have occurred

and then be continuing, and shall remove the Trustee (a) if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of a majority in aggregate principal amount of the Certificates then Outstanding (or their attorneys duly authorized in writing) or (b) if at any time the Trustee ceases to be eligible in accordance with Section 7.01, or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer takes control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. In each case such removal will be accomplished by the giving of 30 days' prior written notice of such removal by the District to the Trustee, whereupon the District shall appoint a successor Trustee in accordance with Section 7.07.

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

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

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

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

intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Corporation.

SECTION 7.10. *Non-Liability of Trustee*. The recitals, statements and representations by the District and the Corporation contained herein or in the Certificates shall be taken and construed as made by and on the part of the District and the Corporation, as the case may be, and not by the Trustee, and the Trustee has no responsibility or obligation for the correctness of any thereof.

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

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

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

ARTICLE VIII

MODIFICATION OR AMENDMENT OF AGREEMENTS

SECTION 8.01. *Amendments Permitted Without Consent of Owners*. This Trust Agreement and the rights and obligations of the Owners of the Certificate, and the Loan and 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 the Certificate Insurer or any of the Certificate Owners, only to the extent permitted by law and only for any one or more of the following reasons:

(a) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power herein reserved to the District,

(b) to cure, correct or supplement any ambiguous or defective provision contained herein or therein,

(c) in any respect whatsoever in regard to questions arising hereunder or thereunder, as the parties hereto or thereto may deem necessary or desirable and which do not, in the opinion of Bond Counsel, materially adversely affect the interests of the Owners of the Certificates, or

(d) to provide for matters relating to the issuance of Parity Debt.

Any such supplemental agreement entered into under this Section will become effective upon execution and delivery by the parties hereto or thereto as the case may be. The Trustee will mail a notice thereof to S&P at least 15 days prior to the effective date of the supplemental agreement.

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

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

Any such supplemental agreement may not become effective unless there is filed with the Trustee the written consents of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding (or, in the case of an amendment described in clause (b) of the immediately preceding paragraph, 100%) and the Trustee has given the notice required below. Notice of proposed execution shall be prepared by the District. Each such consent shall be effective only if accompanied by proof of ownership of the Certificates for which such consent is given, which proof shall be such as is permitted by Section 2.10. Any such consent shall be legal, valid and binding upon the Owner of the Certificate giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice hereinafter in this Section provided for has been mailed.

After the Owners of the required percentage of Certificates have filed their consents to such supplemental agreement, the Trustee will mail a notice thereof to (a) the Owners of the Certificates in the manner hereinbefore provided in this Section for the mailing of such supplemental agreement of the notice of adoption thereof, and (b) S&P, which notice to S&P must be mailed at least 15 days prior to the effective date of the supplement agreement. The notice mailed under the preceding sentence must state in substance that such supplemental agreement

has been consented to by the Owners of the required percentage of Certificates and will be effective as provided in this Section (but failure to mail copies of said notice will not affect the validity of such supplemental agreement or consents thereto). A record, consisting of the papers required by this Section to be filed with the Trustee, shall be conclusive proof of the matters therein stated. Such supplemental agreement shall become effective and shall be deemed conclusively binding upon the parties hereto, 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 becomes effective under this Article, this Trust Agreement or the Loan and 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 Loan and Installment Sale Agreement, as applicable, for any and all purposes.

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

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

SECTION 8.06. *Notice to Rating Agency*. The District shall send copies of any proposed amendment or modification hereof to S&P at least 10 days prior to the effective date of any such amendment or modification.

ARTICLE IX

OTHER COVENANTS

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

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

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

SECTION 9.04. *Tax Covenants*.

(a) Private Activity Bond Limitation. The District will assure that the proceeds of the Certificates are not so used as to cause the obligations of the District under the Loan and Installment Sale Agreement 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 District will not take any action or permit or suffer any action to be taken if the result of such action would be to cause the obligations of the District under the Loan and Installment Sale Agreement to be "federally guaranteed" within the meaning of Section 149(b) of the Tax Code.

(c) Rebate Requirement. The District will take any and all actions necessary to assure compliance with section 148(f) of the Tax Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Certificates and the Loan and Installment Sale Agreement.

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

(e) Maintenance of Tax-Exemption. The District shall take all actions necessary to assure the exclusion of interest with respect to the Certificates 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 Closing Date.

(f) Record Retention. The District will retain its records of all accounting and monitoring it carries out with respect to the Certificates for at least 3 years after the Certificates mature or are redeemed (whichever is earlier); however, if the Certificates are prepaid, the District will retain its records of accounting and monitoring at least 3 years after the earlier of the maturity or prepayment of the obligations that prepaid the Certificates.

(g) Compliance with Tax Certificate. The District will comply with the provisions of the Certificate as to Arbitrage and the Use of Proceeds Certificate with respect to the Certificates, which are incorporated herein as if fully set forth herein. The covenants of this Section will survive payment in full or defeasance of the Certificates.

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

SECTION 9.06. *Provisions Relating to Certificate Insurance Policy.* So long as the Certificate Insurance Policy remains in effect, the District and the Trustee shall comply with all of the terms and provisions set forth in Appendix C relating to the Certificate Insurer and the Certificate Insurance Policy. Such provisions are hereby incorporated into this Trust Agreement by this reference, and shall control and supersede any conflicting or inconsistent provisions in this Trust Agreement or the Loan and Installment Sale Agreement.

SECTION 9.07. *Further Assurances*. The Corporation and the District will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and of the Loan and Installment Sale Agreement, and for the better assuring and confirming unto the Owners of the Certificates the rights and benefits provided herein.

ARTICLE X

LIMITATION OF LIABILITY

SECTION 10.01. *Limited Liability of District and Corporation*. Except for the payment of Loan Repayments and Installment Payments when due in accordance with the Loan and Installment Sale Agreement and the performance of the other covenants and agreements of the District contained in the Loan and Installment Sale Agreement and herein, the District has no pecuniary obligation or liability to the Corporation, the Trustee or the Owners of the Certificates with respect hereto or the terms, execution, delivery or transfer of the Certificates, or the

distribution of Loan Repayments and Installment Payments to the Owners by the Trustee, except as expressly set forth herein.

The Corporation has no pecuniary obligation or liability to the District or the Trustee, or to any of the Owners of the Certificates, with respect to the performance by the District of its obligations under the Loan and 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 Loan Repayments and Installment Payments to the Owners by the Trustee.

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

SECTION 10.03. *Indemnification of Corporation and Trustee*. To the extent permitted by law, the District shall indemnify the Corporation and Trustee, and their respective officers, agents and employees, against all claims, losses, costs, expenses, liability and damages, including legal fees and expenses, arising out of or in connection with any of the following: (a) the failure by the District to observe and perform any of its obligations under the Loan and Installment Sale Agreement, (b) the Trustee's exercise and performance of its powers and duties hereunder, or (c) the execution, delivery and sale of the Certificates.

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

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

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

ARTICLE XI

EVENTS OF DEFAULT AND REMEDIES OF CERTIFICATE OWNERS

SECTION 11.01. *Remedies*. If an Event of Default shall happen, then and in each and every such case during the continuance of such Event of Default, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Certificates then

Outstanding the Trustee (to the extent indemnified as provided herein) shall, exercise any and all remedies available under law or granted under the Loan and Installment Sale Agreement.

Notwithstanding any other provisions of this Trust Agreement or in the Loan and Installment Sale Agreement, the Certificate Insurer shall have the right, so long as it is not in payment default under the Certificate Insurance Policy, to direct the remedies to be taken upon any Event of Default hereunder, and the Certificate Insurer's consent shall be required for remedial action taken by the Trustee or the Corporation hereunder.

SECTION 11.02. *Application of Funds*. All moneys received by the Trustee under any right given or action taken under the provisions of this Article or Article VI of the Loan and Installment Sale Agreement and any other funds then held by the Trustee shall be applied by the Trustee in the following order:

> First, to the payment of the fees, costs and expenses of the Trustee in declaring and enforcing such Event of Default and in the performance of its powers and duties under this Trust Agreement including reasonable compensation to its agents, attorneys and counsel, and then to the Certificate Owners in declaring and enforcing an Event of Default, including compensation to their agents, attorneys and counsel;
>
> Second, to the payment of the whole amount then owing and unpaid with respect to the Certificates for principal and interest, with interest on the overdue principal and installments of interest at the Overdue Rate (but such interest on overdue installments of interest shall be paid only to the extent funds are available therefor following payment of principal and interest and interest on overdue principal, as aforesaid), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid with respect to the Certificates, then to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.
>
> Third, to the payment of amounts due and owing to the Certificate Insurer in respect of the Certificate Insurance Policy or the Reserve Policy not paid pursuant to paragraphs First and Second above.

SECTION 11.03. *Institution of Legal Proceedings*. If one or more Events of Default shall happen and be continuing, the Trustee may, and upon the written request of the Owners of a majority in principal amount of the Certificates then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Owners of Certificates by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee will deem most effectual in support of any of its rights or duties hereunder.

SECTION 11.04. *Non-waiver*. Nothing in this Article or in any other provision hereof or in the Certificates, shall affect or impair the obligation of the District, which is absolute and unconditional, to pay or prepay the Loan Repayments and the Installment Payments as provided in the Loan and 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 to the Trustee or the Owners of Certificates may be exercised from time to time and as often as shall be deemed expedient by the Trustee or the Certificate Owners.

SECTION 11.05. *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 11.06. *Power of Trustee to Control Proceedings*. If the Trustee, upon the happening of an Event of Default, has taken any action, by judicial proceedings or otherwise, under its duties hereunder, whether upon its own reasonable judgment or upon the request of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, it has full power, in the exercise of its reasonable judgment 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 11.07 *Limitation on Certificate Owners' Right to Sue*. No Owner of any Certificate issued hereunder has the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Trust Agreement, unless:

(a) such Owner has previously given to the Trustee written notice of the occurrence of an Event of Default hereunder;

(b) the Owners of a majority in aggregate principal amount of all the Certificates then Outstanding have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name;

(c) the Owners have tendered to the Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; and

(d) the Trustee has refused or omitted to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee.

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

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

ARTICLE XII

MISCELLANEOUS

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

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

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

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

If the principal and interest represented by the Certificates are paid by the Certificate Insurer under the Certificate Insurance Policy or the Reserve Policy, all covenants, agreements and other obligations of the District under the Loan and Installment Sale Agreement and this Trust Agreement will continue to exist and the Certificate Insurer shall be subrogated to the rights of the Certificate Owners.

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 transmission, at its address set forth below. Notice shall be effective upon actual receipt. The District, the Corporation, the Trustee may, by written notice to the other parties, from time to time modify the address to which communications are to be given hereunder.

If to the District:	Diablo Water District 87 Carol Lane Oakley, California 94561 Attention: General Manager
If to the Corporation:	Public Property Financing Corporation of California 2945 Townsgate Road, Suite 200 Westlake Village, California 91361 Attention: President
If to the Trustee:	U.S. Bank Trust Company, National Association One California Street, Suite 1000 San Francisco, California 94111
If to the Certificate Insurer:	

The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The party providing electronic instructions agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

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

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

notice, in such form as may be deemed appropriate by the Trustee with respect to the Certificates so payable and not presented and with respect to the provisions relating to the repayment to the District of the moneys held for the payment thereof. Any moneys so held by the Trustee will be held uninvested.

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

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

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

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

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

SECTION 12.10. *Waiver of Notice*. Whenever the giving of notice by mail or otherwise is required hereunder, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any case the giving or receipt of such notice are not a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 12.11. *Severability of Invalid Provisions*. In case any one or more of the provisions contained herein or in the Certificates shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability shall not affect any other provision hereof, and this Trust Agreement shall be construed as if such invalid or illegal

or unenforceable provision had never been contained herein. The parties hereto hereby declare that they would have entered into this Trust Agreement and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the delivery of the Certificates irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases hereof may be held illegal, invalid or unenforceable.

SECTION 12.12. *Force Majeure*. In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, epidemics, pandemics, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

SECTION 12.13. *U.S.A. Patriot Act*. The parties hereto acknowledge that in accordance with Section 326 of the U.S.A. Patriot Act, the Trustee, like all financial institutions and in order to help fight the funding of terrorism and money laundering, is required to obtain, verify, and record information that identifies each person or legal entity that establishes a relationship or opens an account with the Trustee. The parties to this Trust Agreement agree that they will provide the Trustee with such information as it may request in order for the Trustee to satisfy the requirements of the U.S.A. Patriot Act.

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

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

By: _____
Authorized Officer

PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA

By: _____
Stefan Morton
Treasurer

DIABLO WATER DISTRICT

By: _____
Daniel Muelrath
General Manager

APPENDIX A

DEFINITIONS

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

"Additional Payments" means the amounts payable by the District under Section 4.8 of the Loan and Installment Sale Agreement.

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

(a) An allowance for Net Revenues from any additions or improvements to or extensions of the Water System to be constructed by the District from the proceeds of such Parity Debt, or which have been previously constructed by the District from any other source of funds but which were not in service during any part of the preceding Fiscal Year, in an amount equal to 80% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period following the issuance of the proposed Parity Debt, all as shown by the certificate or opinion of a qualified independent consultant retained by the District.

(b) An allowance for Net Revenues arising from any increase in the charges made for service from the Water System which has been adopted prior to the incurring of such Parity Debt, 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 the most recent completed Fiscal Year or during any more recent 12-month period selected by the District, all as shown by the certificate or opinion of a qualified independent consultant retained by the District.

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

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

"Certificate Insurance Policy" means the Municipal Bond Insurance Policy issued by the Certificate Insurer with respect to the Certificates.

"Certificate Insurer" means [INSURER], its successors and assigns, as issuer of the Certificate Insurance Policy and the Reserve Policy.

"Certificate Payment Date" means, with respect to any Certificate, each January 1 and July 1, commencing [January 1, 2023] so long as any Certificates remain Outstanding.

"Certificate Payment Fund" means the fund by that name established and held by the Trustee under Section 5.02.

"Certificates" means the $[PAR] aggregate principal amount of certificates of participation designated the Diablo Water District 2022 Water Revenue Certificates of Participation (Green Bonds), executed and delivered and at any time Outstanding hereunder.

"Closing Date" means April [14], 2022, being the day when the Certificates, duly executed by the Trustee, are delivered to the Original Purchaser.

"Connection Charges" means all amounts levied by the District as a fee for connecting to the Water System, as such fee is established from time to time under the applicable laws of the State of California, including the fee identified by the District as a facilities reserve charge.

"Corporation" means Public Property Financing Corporation of California, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California.

"Corporation Representative" means the President, Treasurer or Secretary 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 Loan and Installment Sale Agreement and this Trust Agreement.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the District relating to the execution, sale and delivery of the Certificates and the refinancing of the 2013 Installment Payments and the 2013 Loan Repayments and prepayment of the 2013 Certificates. Costs of Issuance include (but are not limited to) the following: filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee and the Escrow Agent (which may include legal fees and the first annual administration fee), financing discounts, legal fees and charges, insurance fees and charges, financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Certificates, premiums payable to the Certificate Insurer for the Certificate Insurance Policy and the Reserve Policy, and any charges and fees in connection with the foregoing.

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

"Deposit Date" means, with respect to any Certificate Payment Date, the 5th Business Day preceding such Certificate Payment Date, being the date by which the District is required to deposit the Installment Payments and the Loan Repayments coming due and payable on such Certificate Payment Date with the Trustee.

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

"District" means the Diablo Water District, a county water district duly organized and existing under the County Water District Law of the State of California, constituting Division 12 of the Water Code of the State of California.

"District Representative" means the President or General Manager of the District, or any other person authorized by resolution of the Board of Directors of the District to act on behalf of the District under or with respect to the Loan and Installment Sale Agreement and this Trust Agreement.

"DTC" or "Depository" means The Depository Trust Company, New York, New York, and its successors and assigns.

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

"Escrow Agent" means U.S. Bank Trust Company, National Association, as escrow agent under the Escrow Agreement.

"Escrow Agreement" means the Escrow Agreement dated as of the Closing Date, between the District and U.S. Bank Trust Company, National Association, as the Escrow Agent and as trustee for the 2013 Certificates, relating to the payment and prepayment of the 2013 Installment Payments and the 2013 Loan Repayments, and the subsequent prepayment of the 2013 Certificates.

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

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

"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.

"Fiscal Year" means the 12-month period beginning on July 1 of any year and ending on June 30 of the next succeeding year, or any other twelve-month period selected by the District as its fiscal year.

"Gross Revenues" means all gross charges received for, and all other gross income and receipts derived by the District from, the ownership and operation of the Water System or otherwise arising from the Water System, including but not limited to investment earnings thereon, and including Connection Charges. "Gross Revenues" do not include (a) the proceeds of any *ad valorem* property taxes levied for the purpose of paying general obligation bonds of the District relating to the Water System, and (b) the proceeds of any special assessments or special taxes levied upon real property within any improvement district for the purpose of paying special assessment bonds or special tax obligations of the District relating to the Water System. For the avoidance of doubt, "Gross Revenues" for any Fiscal Year include amounts transferred from the Rate Stabilization Fund into the Water Fund pursuant to Section 4.5(b) of the Loan and Installment Sale Agreement, and exclude amounts transferred from the Water Fund into the Rate Stabilization Fund during such Fiscal Year.

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

"Installment Payment" means all payments required to be paid by the District on any date under Section 4.2 of the Loan and Installment Sale Agreement, including any amounts payable upon delinquent installments and including any prepayment thereof under Section 7.2 or 7.3 of the Loan and Installment Sale Agreement.

"Installment Sale Agreement" means the Loan and Installment Sale Agreement, dated as of April 1, 2022, between the District and the Corporation, together with any duly authorized and executed amendments thereto.

"Loan Repayment" means all payments required to be paid by the District on any date under Section 4.1 of the Loan and Installment Sale Agreement, including any amounts payable upon delinquent installments and including any prepayment thereof under Sections 7.2 or 7.3 of the Loan and Installment Sale Agreement.

"Maximum Annual Debt Service" means, as of the date of any calculation, the maximum sum obtained for the current or any future Fiscal Year so long as any of the Certificates remain Outstanding by totaling (i) the aggregate amount of Loan Repayments and Installment Payments coming due and payable in such Fiscal Year, plus (ii) aggregate of the principal and interest of all outstanding Parity Debt, if any, coming due and payable by their terms in such Fiscal Year.

"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 becoming 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 2.05(a).

"Operation and Maintenance Costs" means the reasonable and necessary costs and expenses paid by the District for maintaining and operating the Water System, including but not limited to (a) the cost of acquiring water, (b) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Water System in good repair and working order, and (c) the reasonable administrative costs of the District attributable to the operation and maintenance of the Water System; but in all cases excluding (i) interest expense relating to obligations of the District with respect to the Water System, (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 Brandis Tallman, a Division of Oppenheimer & Co. Inc., as original purchaser of the Certificates.

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

"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 Debt" means (i) the 2019 Installment Payments, (ii) the 2019 Loan Repayments, and (iii) any bonds, notes, leases, installment sale agreements or other obligations of the District payable from and secured by a pledge of and lien upon any of the Net Revenues on a parity with the Loan Repayments and Installment Payments, entered into or issued under and in accordance with Section 5.7 of the Loan and Installment Sale Agreement.

"Parity Debt Documents" means, collectively, the indenture of trust, trust agreement or other document authorizing the issuance of any Parity Debt or any securities which evidence Parity Debt, including, without limitation, the 2019 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, but only to the extent that the same are acquired at Fair Market Value:

(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.

(c) Interest-bearing deposit accounts (including certificates of deposit) in federal or State chartered savings and loan associations or in federal or State of California banks (including the Trustee), provided that: (i) the unsecured obligations of such commercial bank or savings and loan association are rated A or better by S&P; or (ii) such deposits are fully insured by the Federal Deposit Insurance Corporation or fully collateralized by Federal Securities.

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

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

(f) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAAm-G, AAAm or AAm, excluding those with a floating net asset value (such funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services).

(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, 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.

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

(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 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 the facilities, improvements and other property described more fully in Appendix D attached to the Loan and Installment Sale Agreement.

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

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

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

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

(d) all 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, construction and installation of the Project;

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

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

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

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

"Rate Stabilization Fund" means any fund established and held by the District as a fund for the stabilization of rates and charges imposed by the District with respect to the Water System, which fund is established, held and maintained in accordance with Section 4.5 of the Loan and Installment Sale Agreement.

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

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

"Reserve Fund" means the fund by that name established and held by the Trustee under Section 3.04.

"Reserve Policy" means the Municipal Bond Debt Service Reserve Insurance Policy issued by the Certificate Insurer for credit to the Reserve Fund on the Closing Date.

"Reserve Requirement" means, as of the date of calculation, an amount equal to the lesser of (a) 10% of the original principal amount of the Certificates, or (b) the maximum amount of the Loan Repayments and Installment Payments payable by the District under the Loan and Installment Sale Agreement in the current or any future Fiscal Year, or (c) 125% of the average annual Loan Repayments and Installment Payments coming due in each remaining Fiscal Year. The Reserve Requirement as of the Closing Date is equal to $_____.

"S&P" means Standard & Poor's Ratings Services, its successors and assigns.

"Securities Depositories" means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the District designates in written notice filed with the Trustee.

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

"Term" means, when used with respect to the Loan and Installment Sale Agreement, the time during which the Loan and Installment Sale Agreement is in effect, as provided in Section 3.4 thereof.

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

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

"Trust Office" means, with respect to the Trustee, the corporate trust office of the Trustee 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 District .

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

"2013 Certificates" means the 2013 Water Revenue Certificates of Participation which have been executed and delivered in the aggregate original principal amount of $6,670,000 under a Trust Agreement dated as of April 1, 2013, among the District, the Corporation and U.S. Bank Trust Company, National Association, as successor trustee to MUFG Union Bank of California, N.A.

"2013 Installment Payments" means all payments required to be paid by the District on any date under Section 4.2 of the 2013 Loan and Installment Sale Agreement, including any amounts payable upon delinquent installments and including any prepayment thereof under Section 7.2 or 7.3 of the 2013 Loan and Installment Sale Agreement.

"2013 Installment Sale Agreement" means the Loan and Installment Sale Agreement dated as of April 1, 2013, between the District and the Corporation, as amended from time to time in accordance with its terms.

"2013 Loan Repayments" means all payments required to be paid by the District on any date under Section 4.1 of the 2013 Loan and Installment Sale Agreement, including any amounts payable upon delinquent installments and including any prepayment thereof under Section 7.2 or 7.3 of the 2013 Loan and Installment Sale Agreement.

"2019 Installment Payments" means all payments required to be paid by the District on any date under Section 4.2 of the 2019 Installment Sale Agreement, including any amounts payable upon delinquent installments and including any prepayment thereof under Section 7.2 or 7.3 of the 2019 Installment Sale Agreement.

"2019 Installment Sale Agreement" means the Loan and Installment Sale Agreement dated as of November 1, 2019, between the District and the Corporation, as amended from time to time in accordance with its terms.

"2019 Loan Repayments" means all payments required to be paid by the District on any date under Section 4.1 of the 2019 Installment Sale Agreement, including any amounts payable upon delinquent installments and including any prepayment thereof under Section 7.2 or 7.3 of the 2019 Installment Sale Agreement.

"Water Fund" means the fund established and held by the District with respect to the Water System for the deposit of Gross Revenues.

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

APPENDIX B

[FORM OF CERTIFICATE OF PARTICIPATION]

R-__ ***$_____***

DIABLO WATER DISTRICT
2022 WATER REVENUE CERTIFICATE OF PARTICIPATION

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

DIABLO WATER DISTRICT, CALIFORNIA

Under a Loan and Installment Sale Agreement with the Public Property Financing Corporation of California

RATE OF INTEREST:	MATURITY DATE:	ORIGINAL ISSUE DATE:	CUSIP:
		[Closing Date]	

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 certain Loan Repayments (the "Loan Repayments") and Installment Payments (the "Installment Payments") payable by the Diablo Water District, a county water district duly organized and existing under the laws of the State of California (the "District") under a Loan and Installment Sale Agreement dated as of April 1, 2022, (the "Loan and Installment Sale Agreement") between the District and Public Property Financing Corporation of California, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Corporation"). The Loan Repayments, the Installment Payments and certain other rights and interests under the Loan and Installment Sale Agreement have been assigned by the Corporation to U.S. Bank Trust Company, National Association, as trustee (the "Trustee"), having a corporate trust office in San Francisco, California or such other place as designated by the Trustee (the "Trust Office").

The Registered Owner of this Certificate is entitled to receive, subject to the terms of the Loan and 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 Loan Repayments and the Installment Payments designated as principal, and to receive on January 1 and July 1 of each year commencing [January 1, 2023] (the "Certificate Payment Dates") until payment in full of said principal, the Registered Owner's direct, undivided fractional share of the Loan Repayments and Installment Payments designated as interest coming due during the interest period immediately preceding each of the Certificate Payment Dates. Interest represented hereby shall be payable from the Certificate 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 Certificate Payment Date and on or before such Certificate Payment Date, in which event interest shall be payable from such Certificate Payment Date, or (b) unless this Certificate is executed on or before [December 15, 2022], in which event interest shall be payable from the Original Issue Date identified above. The Registered Owner's share of the portion of the Loan Repayments and Installment Payments designated as interest is the result of the multiplication of the aforesaid share of the portion of the Loan Repayments and 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.

The 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 Certificate 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 Certificate Payment Date, interest represented by such Certificates shall be paid on such Certificate Payment Date by wire transfer in immediately available funds to such account within the United States of America as shall be specified in such request.

This Certificate has been executed and delivered by the Trustee under a Trust Agreement dated as of April 1, 2022, among the Trustee, the Corporation and the District (the "Trust Agreement"). The District has certified that it is authorized to enter into the Loan and Installment Sale Agreement and the Trust Agreement under the laws of the State of California, for the purpose of refinancing outstanding obligations of the District and financing the acquisition, construction and installation of improvements used for the public purposes of the District relating to the Water System. Reference is hereby made to the Loan and Installment Sale Agreement and the Trust Agreement (copies of which are on file at the Trust Office of the Trustee) for a description of the terms on which the Certificates are delivered, the rights thereunder of the owners of the Certificates, the rights, duties and immunities of the Trustee and the rights and obligations of the District under the Loan and Installment Sale Agreement, to all of the provisions of the Loan and Installment Sale Agreement and the Trust Agreement the Registered Owner of this Certificate, by acceptance hereof, assents and agrees.

The District is obligated under the Loan and Installment Sale Agreement to pay the Loan Repayments and the Installment Payments from the Net Revenues of the Water System (as such terms are defined in the Trust Agreement). The obligation of the District to pay the Loan Repayments and the Installment Payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. The obligation

of the District to pay the Loan Repayments and the Installment Payments does not constitute a debt of the District, the State of California or any of its political subdivisions, and does not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

The Certificates maturing on or before January 1, 20__, are not subject to optional prepayment prior to the respective stated maturities. The Certificates maturing on or after January 1, 20__, are subject to optional prepayment in whole or in part, on any date on or after January 1, 20__, from prepayments of the Loan Repayments and the Installment Payments made at the option of the District under the Loan and Installment Sale Agreement. Certificates shall be subject to prepayment under this provision 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 January 1, 20__ and on January 1, 20__ (the "Term Certificates") are subject to mandatory prepayment in part by lot, at a prepayment price equal to 100% of the principal amount thereof to be prepaid, without premium, in the aggregate respective principal amounts and on January 1 in the respective years as set forth in the following tables; *provided, however,* that if some but not all of the Term Certificates have been prepaid under the optional prepayment provisions described above, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of the Term Certificates so prepaid, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of $5,000 (as set forth in a schedule provided by the District to the Trustee).

Term Certificates Maturing
January 1, 20__

Sinking Fund Prepayment Date (January 1)	Principal Amount To Be Prepayment
(Maturity)	

Term Certificates Maturing
January 1, 20__

Sinking Fund Prepayment Date (January 1)	Principal Amount To Be Prepayment
(Maturity)	

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

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

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

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

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

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

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

Execution Date:

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

By: _____
Authorized Signatory

ASSIGNMENT

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

_____

_____

_____

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

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

Dated: _____

Signature Guaranteed:

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

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

APPENDIX C

PROVISIONS RELATING TO THE CERTIFICATE INSURANCE POLICY

[To be updated]

The following terms and provisions are hereby incorporated into this Trust Agreement by this reference. Such provisions shall control and supersede any conflicting or inconsistent provisions in this Trust Agreement.

1. Notice and Other Information to be given to the Certificate Insurer. The District will provide the Certificate Insurer with all notices and other information it is obligated to provide (i) under its Continuing Disclosure Certificate and (ii) to the holders of Certificates or the Trustee under this Trust Agreement and the Loan and Installment Sale Agreement (collectively, the "Security Documents"). The notice address of the Certificate Insurer is:

Email:

In each case in which notice or other communication refers to an event of default or a claim on the Certificate Insurance Policy, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel at the same address and at _____ or at Telecopier: _____ and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

2 Defeasance. The investments in any defeasance escrow for the Certificates shall be limited to non-callable, direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, or otherwise be approved by the Certificate Insurer.

At least three Business Days prior to any defeasance, the District shall deliver to the Certificate Insurer copies of an escrow agreement, opinions regarding the validity and enforceability of the escrow agreement, a verification report (a "Verification Report") of a nationally recognized independent financial analyst or firm of certified public accountants regarding sufficiency of the escrow and a defeasance legal opinion. Such opinions and Verification Report shall be addressed to the Certificate Insurer and shall be in form and substance satisfactory to the Certificate Insurer. In addition, the escrow agreement shall provide that:

(a) Any substitution of securities shall require the delivery of a Verification Report, an opinion of bond counsel that such substitution will not adversely affect the exclusion (if interest on the Certificates is excludable) from gross income of the holders of the Certificates of the interest on the Certificates for federal income tax purposes and the prior written consent of the Certificate Insurer.

(b) The District will not exercise any prior optional prepayment of Certificates secured by the escrow agreement or any other prepayment other than mandatory sinking fund prepayments (if any) unless (i) the right to make any such prepayment has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding certificates, and (ii) as a condition to any such prepayment there shall be provided to the Certificate Insurer a Verification Report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such prepayment.

(c) The District shall not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of the Certificate Insurer.

3. Trustee.

(a) The Certificate Insurer shall receive prior written notice of any name change of the Trustee or the resignation or removal of the Trustee. Any Trustee must be (i) a national banking association that is supervised by the Office of the Comptroller of the Currency and has at least $250 million of assets, (ii) a state-chartered commercial bank that is a member of the Federal Reserve System and has at least $1 billion of assets, or (iii) otherwise approved by the Certificate Insurer in writing.

(b) No removal, resignation or termination of the Trustee shall take effect until a successor, acceptable to the Certificate Insurer, shall be appointed.

4. Amendments, Supplements and Consents. The Certificate Insurer's prior written consent is required for all amendments and supplements to this Trust Agreement, with the exceptions noted below. The District shall send copies of any such amendments or supplements to the Certificate Insurer and the rating agencies which have assigned a rating to the Certificates.

(a) *Consent of the Certificate Insurer*. Any amendments or supplements to this Trust Agreement shall require the prior written consent of the Certificate Insurer with the exception of amendments or supplements:

(i) to cure any ambiguity or formal defect or omissions or to correct any inconsistent provisions in this Trust Agreement or in any supplement thereto, or

(ii) to grant or confer upon the Certificate holders any additional rights, remedies, powers authority or security that may lawfully be granted to or conferred upon the Certificate holders, or

(iii) to add to the conditions, limitations and restrictions on the delivery of Certificates under the provisions of the transaction documents other conditions, limitations and restrictions thereafter to be observed or

(iv) to add to the covenants and agreements of the District in this Trust Agreement other covenants and agreements thereafter to be observed by the District or to surrender any right or power therein reserved to or conferred upon the District.

(b) *Consent of the Certificate Insurer in Addition to Certificate Holder Consent*. Any amendment, supplement, modification to, or waiver of, any of the Security Documents that requires the consent of holders of the Certificates or adversely affects the rights or interests of the Certificate Insurer shall be subject to the prior written consent of the Certificate Insurer.

(c) *Consent of the Certificate Insurer in the Event of Insolvency*. Any reorganization or liquidation plan with respect to the District must be acceptable to the Certificate Insurer in writing. In the event of any reorganization or liquidation of the District, the Certificate Insurer shall have the right to vote on behalf of all holders of the Certificates absent a continuing failure by the Certificate Insurer to make a payment under the Certificate Insurance Policy.

(d) *Consent of the Certificate Insurer Upon Default*. Anything in Security Documents to the contrary notwithstanding, upon the occurrence and continuance of a default or an event of default, the Certificate Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Certificates or the Trustee for the benefit of the holders of the Certificates under any Security Document. The Trustee may not waive any default or event of default without the Certificate Insurer's written consent.

(e) *Certificate Insurer as Owner*. Upon the occurrence and continuance of a default or an event of default, the Certificate Insurer shall be deemed to be the sole owner of the Certificates for all purposes under the Security Documents, including, without limitations, for purposes of exercising remedies and approving amendments.

(f) *Consent of the Certificate Insurer for Acceleration.* The Certificate Insurer's prior written consent is required as a condition precedent to and in all instances of acceleration. No acceleration is permitted under the Loan and Installment Sale Agreement.

(g) *Grace Period for Payment Defaults*. No grace period shall be permitted for payment defaults on the Certificates.

(h) *Special Provisions for Insurer Default*. If an Insurer Default shall occur and be continuing, then, notwithstanding anything in paragraphs 4(a)-(e) above to the contrary, (1) if at any time prior to or following an Insurer Default, the Certificate Insurer has made payment under the Certificate Insurance Policy, to the extent of such payment the Certificate Insurer shall be treated like any other holder of the

Certificates for all purposes, including giving of consents, and (2) if the Certificate Insurer has not made any payment under the Certificate Insurance Policy, the Certificate Insurer shall have no further consent rights until the particular Insurer Default is no longer continuing or the Certificate Insurer makes a payment under the Certificate Insurance Policy, in which event, the foregoing clause (1) shall control. For purposes of this paragraph (h), "Insurer Default" means: (A) the Certificate Insurer has failed to make any payment under the Certificate Insurance Policy when due and owing in accordance with its terms; or (B) the Certificate Insurer shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality shall order the suspension of payments on the Certificate Insurance Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of the Certificate Insurer (including without limitation under the New York Insurance Law).

5. Certificate Insurer As Third Party Beneficiary. The Certificate Insurer is recognized as and shall be deemed to be a third party beneficiary of the Security Documents and may enforce the provisions of the Security Documents as if it were a party thereto.

6. Payment Procedure Under the Certificate Insurance Policy. In the event that principal and/or interest due on the Certificates shall be paid by the Certificate Insurer pursuant to the Certificate Insurance Policy, the Certificates shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the District, the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the District to the registered owners shall continue to exist and shall run to the benefit of the Certificate Insurer, and the Certificate Insurer shall be subrogated to the rights of such registered owners including, without limitation, any rights that such owners may have in respect of securities law violations arising from the offer and sale of the Certificates.

In the event that on the second Business Day prior to any payment date on the Certificates, the Trustee has not received sufficient moneys to pay all principal and interest represented by the Certificates due on such payment date, the Trustee shall immediately notify the Certificate Insurer or its designee on the same business day by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the payment date, the Trustee shall so notify the Certificate Insurer or its designee.

In addition, if the Trustee has notice that any holder of the Certificates has been required to disgorge payments of principal or interest represented by the Certificates pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such holder within the meaning of any applicable bankruptcy law, then the Trustee shall notify the Certificate Insurer or its designee of such fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of the Certificate Insurer.

The Trustee shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for holders of the Certificates as follows:

(a) If there is a deficiency in amounts required to pay interest and/or principal on the Certificates, the Trustee shall (i) execute and deliver to the Certificate Insurer, in form satisfactory to the Certificate Insurer, an instrument appointing the Certificate Insurer as agent and attorney-in-fact for such holders of the Certificates in any legal proceeding related to the payment and assignment to the Certificate Insurer of the claims for interest on the Certificates, (ii) receive as designee of the respective holders (and not as Paying Agent) in accordance with the tenor of the Certificate Insurance Policy payment from the Certificate Insurer with respect to the claims for interest so assigned, and (iii) disburse the same to such respective holders; and

(b) If there is a deficiency in amounts required to pay principal of the Certificates, the Trustee shall (i) execute and deliver to the Certificate Insurer, in form satisfactory to the Certificate Insurer, an instrument appointing the Certificate Insurer as agent and attorney in- fact for such holder of the Certificates in any legal proceeding related to the payment of such principal and an assignment to the Certificate Insurer of the Certificates surrendered to the Certificate Insurer, (ii) receive as designee of the respective holders (and not as Paying Agent) in accordance with the tenor of the Certificate Insurance Policy payment therefore from the Certificate Insurer, and (iii) disburse the same to such holders. The Trustee shall designate any portion of payment of principal on Certificates paid by the Certificate Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Certificates registered to the then current holder, whether DTC or its nominee or otherwise, and shall issue a replacement Certificate to the Certificate Insurer, registered in the name directed by the Certificate Insurer, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Certificate shall have no effect on the amount of principal or interest payable by the District on any Certificate or the subrogation or assignment rights of the Certificate Insurer.

Payments with respect to claims for interest and principal represented by Certificates disbursed by the Trustee from proceeds of the Certificate Insurance Policy shall not be considered to discharge the obligation of the District with respect to such Certificates, and the Certificate Insurer shall become the owner of such unpaid Certificates and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise.

Irrespective of whether any such assignment is executed and delivered, the District and the Trustee agree for the benefit of the Certificate Insurer that:

(a) They recognize that to the extent the Certificate Insurer makes payments directly or indirectly (*e.g.*, by paying through the Trustee), on account of principal or interest represented by the Certificates, the Certificate Insurer will be subrogated to the rights of such holders to receive the amount of such principal and interest from the District, with interest thereon, as provided and solely from the sources stated in the transaction documents and the Certificates; and

(b) They will accordingly pay to the Certificate Insurer the amount of such principal and interest, with interest thereon as provided in the transaction documents and the Certificates, but only from the sources and in the manner provided therein for the payment of principal and interest represented by the Certificates to holders, and will otherwise treat the Certificate Insurer as the owner of such rights to the amount of such principal and interest.

7 Additional Payments. The District agrees unconditionally that it will pay or reimburse the Certificate Insurer on demand any and all reasonable charges, fees, costs, losses, liabilities and expenses that the Certificate Insurer may pay or incur, including, but not limited to, fees and expenses of the Certificate Insurer's agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of the Security Documents ("Administrative Costs"). For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation and overhead attributable to the time of employees of the Certificate Insurer spent in connection with the actions described in the preceding sentence. The District agrees that failure to pay any Administrative Costs on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, compounded semi-annually, from the date that payment is first due to the Certificate Insurer until the date the Certificate Insurer is paid in full.

Notwithstanding anything herein to the contrary, the District agrees to pay to the Certificate Insurer (i) a sum equal to the total of all amounts paid by the Certificate Insurer under the Certificate Insurance Policy ("the Certificate Insurer Policy Payment"); and (ii) interest on such the Certificate Insurer Policy Payments from the date paid by the Certificate Insurer until payment thereof in full by the District, payable to the Certificate Insurer at the Late Payment Rate (as defined in Appendix D) per annum (collectively, "the Certificate Insurer Reimbursement Amounts") compounded semi-annually. The District hereby covenants and agrees that the Certificate Insurer Reimbursement Amounts are

payable from and secured by a lien on and pledge of the same revenue and other collateral pledged to the Installment Payments and Loan Payments on a parity with such payments under the Loan and Installment Sale Agreement.

8. Reserve Fund. The prior written consent of the Certificate Insurer is a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the Reserve Fund, if any. Amounts on deposit in the Reserve Fund shall be applied solely to the payment of debt service due on the Certificates.

9. Exercise of Rights by the Certificate Insurer. The rights granted to the Certificate Insurer under the Security Documents to request, consent to or direct any action are rights granted to the Certificate Insurer in consideration of its issuance of the Certificate Insurance Policy. Any exercise by the Certificate Insurer of such rights is merely an exercise of the Certificate Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the holders of the Certificates and such action does not evidence any position of the Certificate Insurer, affirmative or negative, as to whether the consent of the holders of the Certificates or any other person is required in addition to the consent of the Certificate Insurer.

10. Entitlement to Payment. The Certificate Insurer shall be entitled to pay principal or interest on the Certificates that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the District (as such terms are defined in the Certificate Insurance Policy) and any amounts due on the Certificates as a result of acceleration of the maturity thereof in accordance with this Trust Agreement, whether or not the Certificate Insurer has received a claim upon the Certificate Insurance Policy.

APPENDIX D

PROVISIONS RELATING TO RESERVE POLICY

[To be updated]

Notwithstanding anything to the contrary set forth in the Trust Agreement the District and the Trustee agree to comply with the following provisions:

(a) The District shall repay any draws under the Reserve Policy and pay all related reasonable expenses incurred by the Certificate Insurer. Interest shall accrue and be payable on such draws and expenses from the date of payment by the Certificate Insurer at the Late Payment Rate. "Late Payment Rate" means the lesser of (A) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such changes are announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Certificates, and (B) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such bank, banking association or trust company bank as the Certificate Insurer in its sole and absolute discretion shall specify.

Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, the "Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.

Amounts in respect of Policy Costs paid to the Certificate Insurer shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Certificate Insurer on account of principal due, the coverage under the Reserve Policy will be increased by a like amount, subject to the terms of the Reserve Policy.

All cash and investments in the Reserve Fund established for the Certificates shall be transferred to the Certificate Payment Fund for payment of the debt service on the Certificates before any drawing may be made on the Reserve Policy or any other Reserve Facility in lieu of cash.

Payment of any Policy Cost shall be made prior to replenishment of any cash amounts. Draws on all Reserve Facilities (including the Reserve Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Fund. Payment of Policy Costs and reimbursement of amounts with respect to other Reserve Facilities shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Fund. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or

willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

(b) Draws under the Reserve Policy may only be used to make payments on Certificates insured by the Certificate Insurer.

(c) If the District shall fail to pay any Policy Costs in accordance with the requirements of paragraph (a) above, the Certificate Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Security Documents other than (i) acceleration of the maturity of the Certificates, or (ii) remedies which would adversely affect owners of the Certificates.

(d) The Security Documents shall not be discharged until all Policy Costs owing to the Certificate Insurer shall have been paid in full. The District's obligation to pay such amount shall expressly survive payment in full of the Certificates.

(e) The Trustee shall ascertain the necessity for a claim upon the Reserve Policy in accordance with the provisions of paragraph (a) hereof and provide notice to the Certificate Insurer at least three business days prior to each date upon which interest or principal is due on the Certificates.

(f) The Reserve Policy shall expire on the earlier of the date the Certificates are no longer outstanding and the final maturity date of the Certificates.

APPENDIX E

FORM OF PROJECT FUND REQUISITION

DISBURSEMENT REQUEST NO.: _____

U.S. Bank Trust Company, National Association
One California Street, Suite 1000
San Francisco, California 94111
Attention: Global Corporate Trust

Re: $[PAR] Diablo Water District 2022 Water Revenue Certificates of Participation (Green Bonds)

Ladies and Gentlemen:

In accordance with the terms of a Trust Agreement, by and among U.S. Bank Trust Company, National Association, the Public Property Financing Corporation of California, and the Diablo Water District (the "District") dated as of April 1, 2022 (the "Trust Agreement"), you are hereby authorized and requested by the District to make immediate disbursement of funds held by you in the Project Fund for Project Costs relating to the Project pursuant to Section 3.03 of the Trust Agreement. All capitalized terms used but not defined herein have the meanings given to such terms in the Trust Agreement.

You are hereby requested to pay from the Project Fund established by the Trust Agreement, to the person(s), corporation(s) or other entity(ies) designated on Schedule A attached hereto, in payment of all or a portion of the Project Costs described on said Schedule.

The undersigned hereby certifies that (i) the amounts listed on Schedule A constitute Project Costs, (ii) no part of the amount requested herein has been included in any other request previously filed with you; (iii) to the knowledge of the undersigned, there has not been filed with or served upon the District any notice of any lien or attachment upon or claim (except for any preliminary notice of lien as may be filed in accordance with law) affecting the right of the person, corporation or other entity stated below to receive payment of the amount stated below, which lien has not been released or will not be released simultaneously with the payment requested hereunder; and (iv) the labor, services and/or materials covered hereby have been performed upon or furnished to the Project and the payment requested herein is due and payable under a purchase order, contract or other authorization;

Dated: _____, 20___.

DIABLO WATER DISTRICT

By:_____
Authorized Representative

ESCROW AGREEMENT

This ESCROW AGREEMENT (this "Agreement"), dated as of April 1, 2022, is between the DIABLO WATER DISTRICT, a county water district duly organized and existing under the County Water District Law of the State of California (the "District"), and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, acting as escrow agent (the "Escrow Agent") and as successor trustee (the "2013 Trustee") for the 2013 Certificates.

B A C K G R O U N D :

1. In order to provide funds to finance the acquisition and construction of improvements to the District's public water system (the "2005 Project"), the District and the Public Property Financing Corporation of California, a nonprofit public benefit corporation (the "Corporation"), previously entered into an Installment Sale Agreement, dated as of March 1, 2005 (the "2005 Installment Sale Agreement"), under which the Corporation agreed to sell the 2005 Project to the District on an installment basis in exchange for installment payments (the "2005 Installment Payments").

2. In order to provide funds to finance the acquisition and construction of additional improvements to the District's public water system (the "2013 Project") and refinance the 2005 Installment Payments, the District and the Corporation previously entered into a Loan and Installment Sale Agreement, dated as of April 1, 2013 (the "2013 Installment Sale Agreement"), under which the Corporation agreed to (i) sell the 2013 Project to the District on an installment basis in exchange for installment payments (the "2013 Installment Payments") and (ii) make a loan to the District for the purpose of providing funds to refinance the 2005 Installment Payments and the 2005 Certificates, with such loan to be repaid by the District in loan repayments (the "2013 Loan Repayments").

3. Pursuant to a Trust Agreement, dated as of April 1, 2013 (the "2013 Trust Agreement"), among the District, the Corporation, and Union Bank, N.A., the Corporation assigned certain of its rights under the 2013 Loan and Installment Sale Agreement to Union Bank, N.A., as trustee, and at the direction of the Corporation, Union Bank, N.A., as trustee, executed and delivered 2013 Water Revenue Certificates of Participation in the aggregate original principal amount of $6,670,000 (the "2013 Certificates"), evidencing direct, undivided fractional interests in the 2013 Installment Payments and the 2013 Loan Repayments.

4. U.S. Bank Trust Company, National Association, is the successor trustee under the 2013 Trust Agreement.

5. The 2013 Installment Payments and the 2013 Loan Repayments are outstanding in the aggregate principal amount of $3,555,000.

6. The principal component of the 2013 Installment Payments and 2013 Loan Repayments are subject to prepayment at the option of the District in whole or in part on any date on or after January 1, 2022, without premium.

7. In order to provide funds to, among other things, prepay the 2013 Installment Payments and 2013 Loan Repayments and thereby cause the prepayment of the 2013 Certificates, the District, the Corporation and U.S. Bank Trust Company, National Association, as

trustee (the "2022 Trustee") have entered into a Trust Agreement dated as of April 1, 2022 (the "2022 Trust Agreement"), under which the 2022 Trustee has executed and delivered Diablo Water District 2022 Water Revenue Certificates of Participation (Green Bonds) in the initial aggregate principal amount of $[PAR] (the "2022 Certificates").

8. The District wishes to appoint the Escrow Agent for the purpose of establishing an irrevocable escrow fund to be funded, held and administered for the purpose of providing for the payment and prepayment in full of the principal and interest and premium (if any) with respect to the outstanding 2013 Certificates, and to provide certain directions to the 2013 Trustee with respect to the 2013 Certificates. The District intends for the funding of such irrevocable escrow fund to constitute a security deposit for the prepayment of the 2013 Installment Payments and 2013 Loan Repayments as described in Section 7.1 of the 2013 Installment Sale Agreement.

A G R E E M E N T :

In consideration of the premises and the material covenants contained herein, the District, the Escrow Agent and the 2013 Trustee hereby agree as follows:

SECTION 1. *Establishment of Escrow Fund.* The District hereby appoints the Escrow Agent to act as escrow agent for purposes of administering the funds required to (a) establish a security deposit for and pay and prepay the 2013 Installment Payments and the 2013 Loan Repayments pursuant to the 2013 Installment Sale Agreement and (b) defease, pay and prepay the 2013 Certificates in accordance with the 2013 Trust Agreement. The Escrow Agent is directed to establish an escrow fund (the "Escrow Fund") to be held by the Escrow Agent in trust as an irrevocable escrow securing the payment of the 2013 Certificates as set forth below. All cash and securities in the Escrow Fund are hereby irrevocably pledged as a special fund for (a) the payment and prepayment of the 2013 Installment Payments and the 2013 Loan Repayments and (b) the payment of the principal of and interest and premium (if any) with respect to the 2013 Certificates in accordance with the 2013 Trust Agreement.

SECTION 2. *Deposits into Escrow Fund.* On April [14], 2022 (the "Closing Date"), the District shall cause to be transferred to the Escrow Agent for deposit into the Escrow Fund the amount of $____ in immediately available funds derived from proceeds of the 2022 Certificates.

In addition, the District hereby directs the 2013 Trustee to transfer to the Escrow Agent for deposit into the Escrow Fund the amount of $_____, to be derived from moneys related to the 2013 Certificates that are available as a result of the defeasance of the 2013 Certificates.

As a result of the deposits described above, the total amount to be deposited in the Escrow Fund on the Closing Date is $_____.

SECTION 3. *No Investment of Funds.* The Escrow Agent shall hold all funds in the Escrow Fund in cash, uninvested.

SECTION 4. *Application of Funds.* The Escrow Agent is hereby instructed to withdraw from the Escrow Fund and transfer to the 2013 Trustee an amount required to pay the principal of and interest and prepayment premium (if any) with respect to the 2013 Certificates, in accordance with the following schedule:

Payment Date	Interest	Redeemed Principal	Total Payment
April [25], 2022		$3,555,000	

Following the payment and prepayment of the 2013 Certificates in full, the Escrow Agent shall transfer any amounts remaining on deposit in the Escrow Fund to 2022 Trustee for deposit in the Certificate Payment Fund established under the 2022 Trust Agreement, to be applied to pay interest next coming due and payable on the 2022 Certificates.

SECTION 5. *Irrevocable Election to Prepay 2013 Certificates*. The District hereby irrevocably elects to pay and prepay all of the outstanding 2013 Certificates on the date set forth in Section 4 in accordance with the provisions of the 2013 Trust Agreement. Such payment and prepayment shall constitute a payment and prepayment of the 2013 Installment Payments and the 2013 Loan Repayments.

The District previously directed the Escrow Agent, as 2013 Trustee, to give notice of the prepayment of the 2013 Certificates in accordance with the requirements of the 2013 Trust Agreement in the form set forth in Exhibit A.

The District further directs the Escrow Agent, as 2013 Trustee, to file on the Closing Date the notice attached as Exhibit B on the Municipal Securities Rulemaking Board's EMMA system.

SECTION 6. *Application of Certain Terms of 2013 Trust Agreement.* All of the terms of the 2013 Trust Agreement relating to the payment and prepayment of principal and interest on the 2013 Certificates, and the protections, immunities and limitations from liability afforded the Escrow Agent as trustee for the 2013 Certificates, are incorporated in this Agreement as if set forth in full herein.

SECTION 7. *Compensation to Escrow Agent.* The District shall pay the Escrow Agent full compensation for its services under this Agreement, including out-of-pocket costs such as publication costs, prepayment expenses, legal fees and expenses and other costs and expenses relating hereto. Under no circumstances shall amounts deposited in or credited to the Escrow Fund be deemed to be available for said purposes. The Escrow Agent has no lien upon or right of set off against the cash and securities at any time on deposit in the Escrow Fund.

SECTION 8. *Effect of This Agreement.* As a result of the deposit of funds in accordance with this Agreement, (a) a security deposit as described in Section 7.1 of the 2013 Installment Sale Agreement has been established and shall have the effect described in such Section 7.1 and (b) the 2013 Certificates have been discharged and defeased in accordance with the provisions of Section 12.01 of the 2013 Trust Agreement and prepaid in accordance with the provisions of Section 4.01(a) of the 2013 Trust Agreement. The District hereby signifies its intention that the deposits made hereunder shall constitute a security deposit for the payment and discharge of the 2013 Installment Payments and the 2013 Loan Repayments. This Agreement constitutes an escrow deposit and trust agreement for all purposes of those provisions of the 2013 Trust Agreement relating to the discharge of the 2013 Installment Payments and the 2013 Loan Repayments and the 2013 Certificates.

SECTION 9. *Termination of Agreement*. Upon payment and prepayment in full of the 2013 Certificates, and upon payment of all fees, expenses and charges of the Escrow Agent as described above, this Agreement shall terminate and the Escrow Agent shall be discharged from any further obligation or responsibility hereunder.

SECTION 10. *Execution in Counterparts.* This 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 instrument. The exchange of copies of this Agreement and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of this Agreement as to the parties hereto and may be used in lieu of the original Agreement and signature pages for all purposes.

SECTION 11. *Applicable Law*. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

[Signature Page Follows on Next Page]

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

DIABLO WATER DISTRICT

By: _____
Daniel Muelrath
General Manager

U.S. BANK TRUST COMPANY,
NATIONAL ASSOCIATION
as Escrow Agent and as 2013 Trustee

By: _____
Authorized Signatory

EXHIBIT A

FORM OF CONDITIONAL NOTICE OF PREPAYMENT

Diablo Water District
2013 Revenue Certificates of Participation

NOTICE IS HEREBY GIVEN, by the Diablo Water District (the "District") that all of the captioned certificates of participation (the "2013 Certificates") maturing on or after January 1, 2023 have been called for prepayment under and within the meaning of the Trust Agreement, dated as of April 1, 2013 (the "2013 Trust Agreement"), by and among the District, the Public Property Financing Corporation of California, and U.S. Bank Trust Company, National Association, as successor trustee (the "Trustee"), on April [25], 2022 (the "Prepayment Date"), at a prepayment price equal to 100% of the par amount of the 2013 Certificates to be redeemed together with accrued interest thereon to the Prepayment Date (the "Prepayment Price").

The 2013 Certificates to be prepaid consist of the following:

Maturity Date (January 1)	Principal Amount	Interest Rate	CUSIP*
2023	$400,000	2.75%	25245A BH1
2024	410,000	3.00	25245A BJ7
2025	420,000	3.00	25245A BK4
2026	435,000	3.25	25245A BL2
2027	450,000	3.25	25245A BM0
2028	465,000	3.50	25245A BN8
2029	480,000	3.50	25245A BP3
2030	495,000	3.70	25245A BQ1

* CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright© CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Trustee, the District or their agents or counsel shall be liable for any inaccuracies in such numbers.

The prepayment of the Prepayment Price is conditioned upon the receipt by the Trustee of the funds required to pay the prepayment on or before the Prepayment Date. Interest on the principal amount of 2013 Certificates called for prepayment shall cease to accrue and be payable on and after the Prepayment Date. Payment of the Prepayment Price of the 2013 Certificates called for prepayment will become due and payable on the Prepayment Date upon presentation and surrender thereof in the following manner:

Delivery Instructions:
U.S. Bank Trust Company, National Association
Global Corporate Trust
111 Fillmore Ave E
St. Paul, MN 55107

Please call Bondholder Services at (800) 934-6802 with any questions

IMPORTANT TAX NOTICE

Federal law requires the Paying Agent to withhold taxes at the applicable rate from the payment if an IRS Form W-9 or applicable IRS Form W-8 is not provided. Please visit www.irs.gov for additional information on the tax forms and instructions.

Dated: March __, 2022

U.S. Bank Trust Company, National Association, as Trustee

EXHIBIT B

FORM OF NOTICE OF DEFEASANCE

Diablo Water District
2013 Revenue Certificates of Participation

NOTICE IS HEREBY GIVEN, by the Diablo Water District (the "District") that all of the outstanding captioned certificates of participation (the "2013 Certificates") have been defeased and discharged under and within the meaning of the Trust Agreement, dated as of April 1, 2013 (the "2013 Trust Agreement"), by and among the District, the Public Property Financing Corporation of California, and U.S. Bank Trust Company, National Association, as successor trustee. Funds for the payment of the 2013 Certificates have been deposited with U.S. Bank Trust Company, National Association, as escrow bank and successor trustee for the outstanding 2013 Certificates. As a consequence of the foregoing actions and in accordance with the 2013 Trust Agreement, the outstanding 2013 Certificates are now payable solely from the moneys set aside in escrow as described above.

The outstanding 2013 Certificates consist of the following:

Maturity Date (January 1)	Principal Amount	Interest Rate	CUSIP*
2023	$400,000	2.75%	25245A BH1
2024	410,000	3.00	25245A BJ7
2025	420,000	3.00	25245A BK4
2026	435,000	3.25	25245A BL2
2027	450,000	3.25	25245A BM0
2028	465,000	3.50	25245A BN8
2029	480,000	3.50	25245A BP3
2030	495,000	3.70	25245A BQ1

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The District has irrevocably elected to prepay all of the outstanding 2013 Certificates described in the table above at a prepayment price equal to the par amount thereof together with accrued interest with respect thereto to the prepayment date, without premium. All obligations of the District under the Continuing Disclosure Certificate relating to the 2013 Certificates, dated April 30, 2013, executed by the District, have ceased and terminated.

Dated: April [14], 2022

U.S. Bank Trust Company, National Association, as Trustee

$____
DIABLO WATER DISTRICT
2022 WATER REVENUE CERTIFICATES OF PARTICIPATION

CERTIFICATE PURCHASE AGREEMENT

_____, 2022

Diablo Water District
87 Carol Lane
Oakley, California 94561

Public Property Financing Corporation of California
2945 Townsgate Road, Suite 200
Westlake Village, California 91361

Ladies and Gentlemen:

The undersigned, Oppenheimer & Co. Inc. (the "Underwriter"), acting not as a fiduciary or agent for you, but on behalf of itself, offers to enter into this Certificate Purchase Agreement (which, together with the exhibits hereto, is referred to as the "Purchase Agreement") with the Diablo Water District (the "District") and the Public Property Financing Corporation of California (the "Corporation"), which, upon acceptance by the District and the Corporation, will be binding upon the District, the Corporation and the Underwriter. This offer is made subject to acceptance by the District and the Corporation by the execution of the Purchase Agreement and delivery of the same to the Underwriter prior to 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 District and the Corporation at any time prior to the acceptance hereof by the District and the Corporation. Capitalized terms that are used herein and not otherwise defined have the meanings that are set forth in the Trust Agreement, dated as of April 1, 2022 (the "Trust Agreement"), by and among the Corporation, the District and U.S. Bank Trust Company, National Association, as trustee (the "Trustee").

The District and the Corporation acknowledge and agree that: (a) the purchase and sale of the Certificates (as such term is defined herein) pursuant to the Purchase Agreement is an arm's length commercial transaction among the District, the Corporation and the Underwriter, and the only obligations that the Underwriter has to the District and the Corporation with respect to the transaction that is contemplated hereby expressly are set forth in the Purchase Agreement; (b) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as principal and is not acting as a Municipal Advisor (as such term is defined in Section 15B of The Securities Exchange Act of 1934, as amended) to the District or the Corporation; (c) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the District or the Corporation with respect to the offering that is contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the District or the Corporation on other matters); (d) the Underwriter has financial and other interests that may differ from and be adverse to those of the District and the Corporation; and (e) the District and

the Corporation have consulted their own legal, financial, accounting, tax and other advisors to the extent that they have deemed appropriate.

Section 1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements herein, the Underwriter hereby agrees to purchase, and the District and the Corporation hereby agree to cause the Trustee to execute, sell and deliver to the Underwriter all (but not less than all) of the Diablo Water District 2022 Water Revenue Certificates of Participation in the aggregate principal amount of $_____ (the "Certificates"). The Certificates will be dated as of their date of delivery. Interest with respect to the Certificates will be payable semiannually on January 1 and July 1 of each year, commencing [January 1, 2023], and will mature and bear interest as set forth in Exhibit A. The purchase price of the Certificates is $_____ (being the aggregate principal amount of $_____ [plus] an original issue premium of $_____ and less an Underwriter's discount of $_____). Such purchase price shall be subject to the provisions of Section 5 hereof.

Section 2. The Certificates. The Certificates shall be secured by installment payments (the "Installment Payments") and loan repayments (the "Loan Repayments") to be paid by the District to the Corporation pursuant to the Loan and Installment Sale Agreement, dated as of April 1, 2022 (the "Installment Sale Agreement"), by and between the District and the Corporation. The Corporation's right to receive the Installment Payments and the Loan Repayments under the Installment Sale Agreement and to exercise remedies upon default under the Installment Sale Agreement shall be assigned to the Trustee for the benefit of the owners of the Certificates pursuant to the Trust Agreement.

The Installment Payments and Loan Repayments are secured by a pledge of revenues of the District's water system and payable from net revenues remaining after the payment of operation and maintenance costs of the District's water system.

The Certificates shall be as described in, and shall be secured under and pursuant to the Trust Agreement substantially in the form previously submitted to the Underwriter, with only such changes therein as shall be mutually agreed upon by the District, the Corporation and the Underwriter.

The Certificates shall be insured under a municipal bond insurance policy (the "Policy") from _____ (the "Insurer"). Additionally, the reserve fund for the Certificates shall be funded with a debt service reserve fund insurance policy (the "Reserve Policy") to be issued by the Insurer.

The proceeds of the Certificates shall be applied: (i) to finance the construction of certain capital improvements to the District's water system; (ii) to prepay and defease the District's obligation to make certain installment payments and loan repayments (collectively, the "2013 Installment Payments") in connection with the District's currently outstanding 2013 Water Revenue Certificates of Participation (the "2013 Certificates"); and (iii) to pay the costs of delivery of the Certificates, including the payment of the premiums for the Policy and the Reserve Policy.

The Certificates, the Trust Agreement, the Purchase Agreement, the Installment Sale Agreement and the resolution of the Board of Directors of the Corporation authorizing the execution and delivery of the Certificates and the foregoing documents are collectively referred to herein as the "Corporation Documents."

The Certificates, the Purchase Agreement, the Continuing Disclosure Certificate of the District relating to the Certificates, dated as of the Closing Date (the "Continuing Disclosure Certificate"), the Trust Agreement, the Installment Sale Agreement, the Escrow Agreement related to the prepayment of the 2013 Installment Payments (the "Escrow Agreement") entered into with U.S. Bank Trust Company, National Association (the "Escrow Agent"), and the resolution of the Board of Directors of the District authorizing the execution and delivery of the foregoing documents are collectively referred to herein as the "District Documents."

Section 3. Public Offering; Establishment of Issue Price for Certificates.

(a) The Underwriter agrees to assist the District in establishing the issue price of the Certificates and shall execute and deliver to the District at Closing an "issue price" or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the District and Special Counsel to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Certificates. All actions to be taken by the District under this section to establish the issue price of the Certificates may be taken on behalf of the District by Urban Futures, Incorporated (the "Municipal Advisor") and any notice or report to be provided to the District may be provided to the Municipal Advisor.

(b) [Except as otherwise set forth in Exhibit A,] the District will treat the first price at which 10% of each maturity of the Certificates (the "10% test") is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). At or promptly after the execution of the Purchase Agreement, the Underwriter shall report to the District the price or prices at which it has sold to the public each maturity of Certificates. If at that time the 10% test has not been satisfied as to any maturity of the Certificates, the Underwriter agrees to promptly report to the District the prices at which it sells the unsold Certificates of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the Certificates of that maturity or until the Underwriter has sold all Certificates of that maturity to the public; provided that the Underwriter's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter, the District or Special Counsel.

(c) [The Underwriter confirms that it has offered the Certificates to the public on or before the date of the Purchase Agreement at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in Exhibit A, except as otherwise set forth therein. Exhibit A also sets forth, identified under the column "Hold the Offering Price Rule Used," as of the date of the Purchase Agreement, the maturities, if any, of the Certificates for which the 10% test has not been satisfied and for which the District, the Corporation and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the District to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the "hold-the-offering-price rule"). So long as the hold-the-offering-price rule remains applicable to any maturity of the Certificates, the Underwriter will neither offer nor sell unsold Certificates of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

1. the close of the fifth (5th) 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 District 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) Also:

(i) The Underwriter confirms that any selling group agreement and any retail 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 retail distribution agreement, as applicable, to:

(A) report the prices at which it sells to the public the unsold Certificates of each maturity allocated to it, whether or not the Closing Date has occurred, until either: (I) all Certificates of that maturity allocated to it have been sold; or (II) 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 Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter;

(B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter;

(C) 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

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

(e) The District and the Corporation acknowledge that, in making the representations set forth in this subsection, the Underwriter will rely on: (A) in the event that a selling group has been created in connection with the initial sale of the Certificates to the public, the agreement of each

dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in a selling group agreement and the related pricing wires; and (B) in the event that a retail 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 retail distribution agreement and the related pricing wires. The District and the Corporation further acknowledge 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 retail distribution agreement, to comply 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:

1. "public" means any person other than an underwriter or a related party;

2. "underwriter" means: (A) any person that agrees pursuant to a written contract with the District or the Corporation (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 retail distribution agreement participating in the initial sale of the Certificates to the public);

3. 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); (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another); or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other)[; and

4. "sale date" means the date of execution of the Purchase Agreement by all parties.]

Section 4. The Official Statement. By its acceptance of this proposal, the District and Corporation hereby ratify, confirm and approve of the use and distribution by the Underwriter prior to the date hereof of the preliminary official statement relating to the Certificates dated _____, 2022 (including the front cover page, inside front cover page, all appendices and all information incorporated therein and any supplements or amendments thereto and as disseminated in its printed physical form or in electronic form in all respects materially consistent with such physical form, the "Preliminary Official Statement") that authorized officers of the District deemed "final" as of its date

for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), except for certain information that is permitted to be omitted therefrom by Rule 15c2-12. The District hereby agrees to deliver or cause to be delivered to the Underwriter, within seven business days of the date hereof, copies of a final official statement, dated the date hereof, relating to the Certificates (including all information previously permitted to have been omitted by Rule 15c2-12), including the cover page, inside cover page, all appendices, all information incorporated therein and any amendments or supplements as have been approved by the District and the Underwriter (the "Official Statement") in such quantity as the Underwriter shall reasonably request to comply with Section (b)(4) of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board (the "MSRB").

The Underwriter hereby agrees that it will not request that payment be made by any purchaser of the Certificates prior to delivery by the Underwriter to the purchaser of a copy of the Official Statement. The Underwriter agrees: (i) to provide the District with final pricing information on the Certificates on a timely basis; and (ii) to promptly file a copy of the Official Statement, including any supplements prepared by the District, with the MSRB at http://emma.msrb.org. The District hereby approves of the use and distribution by the Underwriter of the Preliminary Official Statement in connection with the offer and sale of the Certificates. The District will cooperate with the Underwriter in the filing by the Underwriter of the Official Statement with the MSRB.

Section 5. Closing. At 8:00 a.m., California Time, on _____, 2022, or at such other time or date as the District and the Underwriter agree upon (the "Closing Date"), the District shall cause the Trustee to deliver the Certificates, in definitive form, registered in the name of Cede & Co., as the nominee of The Depository Trust Company ("DTC"), so that the Certificates may be credited to the account specified by the Underwriter under DTC's FAST procedures. Concurrently with the delivery of the Certificates, the District will deliver the documents required to be delivered under Section 9(e) hereof at the offices of Jones Hall, A Professional Law Corporation, San Francisco, California ("Special Counsel"), or another place to be mutually agreed upon by the District and the Underwriter. The Underwriter will accept such delivery and pay the purchase price of the Certificates as set forth in Section 1 hereof by wire transfer in immediately available funds. From the purchase price for the Certificates, the Underwriter shall withhold and hereby agrees to wire a designated portion thereof on the Closing Date, being $_____ in immediately available funds, as directed in writing by the District, for the payment of the premium(s) of the Policy and Reserve Policy. This payment for and delivery of the Certificates, together with the delivery of the aforementioned documents, is herein called the "Closing."

The Certificates shall be registered in the name of Cede & Co., as nominee of DTC in denominations of five thousand dollars ($5,000) or any integral multiple thereof. The District acknowledges that the services of DTC will be used initially by the Underwriter in order to permit the delivery of the Certificates in book-entry form, and agree to cooperate fully with the Underwriter in employing such services.

Section 6. Representations, Warranties and Covenants of the Corporation. The Corporation represents, warrants and covenants to the Underwriter and the District that:

(a) The Corporation is a nonprofit public benefit corporation that is duly organized, operating and existing under the laws of the State of California (the "State").

(b) The Corporation has full legal right, power and authority to adopt or enter into, as the case may be, and to carry out and consummate the transactions on its part contemplated by the Corporation Documents.

(c) By all necessary official action, the Corporation has duly authorized and approved the Corporation Documents and has duly authorized and approved the execution and delivery of, and the performance by the Corporation of the obligations on its part contained in, the Corporation Documents and the consummation by it of all other transactions contemplated by the Corporation Documents in connection with the execution and delivery of the Certificates. As of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, and assuming due execution and delivery by the other parties thereto, if applicable, the Corporation Documents will constitute the legally valid and binding obligations of the Corporation enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally, or by the exercise of judicial discretion and the limitations on legal remedies against nonprofit public benefit corporations in the State. The Corporation has complied, and will at the Closing be in compliance in all material respects, with the terms of the Corporation Documents.

(d) To the best of its knowledge, the Corporation is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of any state or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Corporation is a party which breach or default has or may have a materially adverse effect on the ability of the Corporation to perform its obligations under the Corporation Documents, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the adoption, execution and delivery of the Corporation Documents, if applicable, and compliance with the provisions on the Corporation's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Corporation is a party, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Corporation or under the terms of any such law, regulation or instrument, except as may be provided by the Corporation Documents.

(e) To the best of its knowledge, all material authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the Corporation of its obligations in connection with the Corporation Documents have been duly obtained or, when required for future performance, are expected to be obtained, other than such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Certificates. Except as described in or contemplated by the Preliminary Official Statement and the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would

materially adversely affect the due performance by, the Corporation of its obligations under the Corporation Documents have been duly obtained.

(f) The Corporation hereby agrees that it will notify the other parties hereto if, within the period from the date of the Purchase Agreement to and including the date that is twenty-five (25) days following the Closing, the Corporation discovers any pre-existing or subsequent fact or becomes aware of the occurrence of any event, in any such case, which might cause the Official Statement (as the same may have then been supplemented or amended) to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(g) As of the time of acceptance hereof and the Closing, except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental authority, public board or body, pending, with service of process upon the Corporation having been accomplished, or threatened in writing to the Corporation: (i) in any way questioning the corporate existence of the Corporation or the titles of the officers of the Corporation to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the execution or delivery of any of the Certificates, the collection of Revenues under the Loan and Installment Sale Agreement or any amounts pledged or to be pledged to pay the principal of and interest with respect to the Certificates, in any way contesting or affecting the validity of the Certificates or the other Corporation Documents or the consummation of the transactions contemplated thereby or hereby, contesting the exclusion of the interest with respect to the Certificates from federal taxation or the exclusion of the interest with respect to the Certificates from State taxation or contesting the powers of the Corporation or its authority to cause the execution and delivery of the Certificates; (iii) which would be likely to result in any material adverse change relating to the business, operations or financial condition of the Corporation; or (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(h) To the Corporation's knowledge, there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of paragraph (g).

(i) The information in the Official Statement set forth under the caption "THE CORPORATION" does not contain any untrue statement of a material fact or omit to state a material fact that is necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(j) The Corporation will refrain from taking any action, or permitting any action to be taken, with regard to which the Corporation may exercise control, that results in the loss of the tax-exempt status of the interest for federal income tax purposes with respect to the Certificates.

(k) The Corporation will refrain from taking any action, or permitting any action to be taken, to reduce the amount of the Loan Repayments or Installment Payments while the Certificates are Outstanding, and the Corporation will assign to the Trustee all rights to collect the

Loan Repayments and Installment Payments under the Loan and Installment Sale Agreement in accordance with the Trust Agreement.

(l) Any certificate signed by any officer of the Corporation authorized to execute such certificate in connection with the execution, sale and delivery of the Certificates and delivered to the Underwriter shall be deemed to be a representation and warranty of the Corporation to the Underwriter and the District as to the statements made therein but not of the person signing such certificate.

Section 7. Representations, Warranties and Covenants of the District. The District represents, warrants and covenants to the Underwriter that:

(a) The District is a county water district that is duly organized and existing under and by virtue of the laws of the State.

(b) The District has full legal right, power and authority to adopt or enter into, as the case may be, and to carry out and consummate the transactions on its part contemplated by the District Documents.

(c) By all necessary official action, the District has duly authorized and approved the District Documents, has duly authorized and approved the Preliminary Official Statement and the Official Statement and has duly authorized and approved the execution and delivery of, and the performance by the District of the obligations on its part contained in, the District Documents and the consummation by it of all other transactions contemplated by the District Documents in connection with the execution and delivery of the Certificates. As of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, and assuming due execution and delivery by the other parties thereto, if applicable, the District Documents will constitute the legally valid and binding obligations of the District enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally, or by the exercise of judicial discretion and the limitations on legal remedies against municipal corporations in the State. The District has complied, and will at the Closing be in compliance in all material respects, with the terms of the District Documents.

(d) To the best of its knowledge, the District is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of any state or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the District is a party which breach or default has or may have a materially adverse effect on the ability of the District to perform its obligations under the District Documents, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the adoption, execution and delivery of the District Documents, if applicable, and compliance with the provisions on the District's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the District is a party, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security

interest or encumbrance of any nature whatsoever upon any of the property or assets of the District or under the terms of any such law, regulation or instrument, except as may be provided by the District Documents.

(e) To the best of its knowledge, all material authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the District of its obligations in connection with the District Documents have been duly obtained or, when required for future performance, are expected to be obtained, other than such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Certificates.

(f) The Preliminary Official Statement was as of its date, and the Official Statement is, and at all times subsequent to the date of the Official Statement up to and including the Closing will be, true and correct in all material respects, and the Preliminary Official Statement and the Official Statement do not and up to and including the Closing will not contain any untrue statement of a material fact or omit to state a material fact that is necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading (except that this representation does not include statements in the Official Statement under the captions "TAX MATTERS," "THE CORPORATION" and "UNDERWRITING," Appendix D and information regarding DTC and its book-entry only system, as to which no view is expressed).

(g) The District will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement. The District will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental authority prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale or distribution of the Certificates.

(h) As of the time of acceptance hereof and the Closing, except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental authority, public board or body, pending, with service of process upon the District having been accomplished, or threatened in writing to the District: (i) in any way questioning the corporate existence of the District or the titles of the officers of the District to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the execution or delivery of any of the Certificates, or the collection of Gross Revenues under the Installment Sale Agreement or of any amounts pledged or to be pledged to pay the principal of and interest with respect to the Certificates, or in any way contesting or affecting the validity of the District Documents or the consummation of the transactions contemplated thereby or hereby, contesting the exclusion of the interest with respect to the Certificates from federal taxation or the exclusion of interest with respect to the Certificates from State taxation or contesting the powers of the District or its authority to cause the execution and delivery of the Certificates; (iii) which would be likely to result in any material adverse change relating to the business, operations or financial condition of the District; or (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact that is necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(i) To the District's knowledge, there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of paragraph 7(h).

(j) Until the date which is twenty-five (25) days after the end of the underwriting period (but not later than 90 days after the Closing Date), if any event shall occur of which the District is aware that would cause the Official Statement to contain any untrue statement of a material fact or to omit to state a material fact that is necessary in order to make the statements in the Official Statement, in light of the circumstances under which they were made, not misleading (except that this representation does not include statements in the Official Statement under the captions "THE CORPORATION" and "UNDERWRITING," and information regarding DTC and its book-entry only system, as to which no view is expressed), the District shall forthwith notify the Underwriter of any such event of which it has knowledge and shall cooperate fully in furnishing any information available to it for any supplement to the Official Statement necessary, in the Underwriter's reasonable opinion, so that the statements therein as so supplemented will not be misleading in light of the circumstances existing at such time and the District shall promptly furnish to the Underwriter a reasonable number of copies of such supplement. As used herein, the term "end of the underwriting period" means the later of such time as: (i) the Trustee delivers the Certificates to the Underwriter; or (ii) 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. Unless the Underwriter gives notice to the contrary, the "end of the underwriting period" shall be deemed to be the Closing Date. Any notice delivered pursuant to the preceding sentence shall be written notice delivered to the District at or prior to the Closing Date of the Certificates and shall specify a date (other than the Closing Date) to be deemed the end of the underwriting period.

(k) Except as disclosed in the Preliminary Official Statement and the Official Statement, the District has not within the last five years failed to comply in any material respect with any continuing disclosure undertakings with regard to Rule 15c2-12 to provide annual reports or notices of material events specified in such rule.

(l) The District will refrain from taking any action, or permitting any action to be taken, with regard to which the District may exercise control, that results in the loss of the tax-exempt status of the interest for federal income tax purposes with respect to the Certificates or the inclusion of such interest in California personal income taxes.

(m) The financial statements relating to the receipts, expenditures and cash balances of the District as of June 30, 2021 attached as an appendix to the Official Statement fairly represent the receipts, expenditures and cash balances of the District. 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 District or in its operations since June 30, 2021 and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change.

(n) To the extent required by law, the District will undertake, pursuant to the Continuing Disclosure Certificate and the other District Documents, to provide annual reports and notices of certain events. A description of these undertakings is set forth in an appendix to the Preliminary Official Statement and will also be set forth in the Official Statement.

(o) The District will refrain from taking any action, or permitting any action to be taken, to reduce the amount of the Installment Payments and Loan Repayments while the Certificates

are Outstanding, and the District will pay the Installment Payments and Loan Repayments in accordance with the Installment Sale Agreement.

(p) Any certificate signed by any officer of the District authorized to execute such certificate in connection with the execution, sale and delivery of the Certificates and delivered to the Underwriter shall be deemed a representation and warranty of the District to the Underwriter as to the statements made therein but not of the person signing such certificate.

Section 8. Representations, Warranties and Covenants of the Underwriter. The Underwriter represents to and agrees with the District and the Corporation that, as of the date hereof and as of the date of the Closing:

(a) The Underwriter is duly authorized to execute this Purchase Agreement and the Underwriter is duly authorized to take any action(s) under the Purchase Agreement required to be taken by it.

(b) The Underwriter is in compliance with MSRB Rule G-37 with respect to the District, and is not prohibited thereby from acting as underwriter with respect to securities of the District.

(c) The Underwriter has, and has had, no financial advisory relationship, as that term is defined in California Government Code Section 53590(c) or MSRB Rule G-23, with the District with respect to the Certificates, and no investment firm controlling, controlled by or under common control with the Underwriter has or has had any such financial advisory relationship.

(d) The Underwriter has not paid or agreed to pay, nor will it pay or agree to pay, any entity, company, firm or person (including, but not limited to, the District's financial/municipal consultant(s), or any officer, agent or employee thereof), other than a bona fide officer, agent or employee working for the Underwriter, any compensation, fee, gift or other consideration contingent upon or resulting from the entering into this Purchase Agreement.

Section 9. Conditions to the Obligations of the Underwriter. The Underwriter has entered into the Purchase Agreement in reliance upon the representations and warranties of the Corporation and the District contained herein. The obligations of the Underwriter to accept delivery of and pay for the Certificates on the Closing Date shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the statements of the officers and other officials of the Corporation and the District, as well as authorized representatives of Special Counsel and the Trustee made in any Certificates or other documents furnished pursuant to the provisions hereof; to the performance by the District of its obligations to be performed hereunder at or prior to the Closing Date; and to the following additional conditions:

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

(b) At the time of Closing, the District Documents and the Corporation Documents shall be in full force and effect as valid and binding agreements between or among the various parties thereto, and the District Documents, the Corporation Documents and the Official

Statement shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter.

(c) At the time of the Closing, no material default shall have occurred or be existing under the District Documents, the Corporation Documents or any other agreement or document pursuant to which any of the District's financial obligations were executed and delivered, and the District shall not be in default in the payment of principal or interest with respect to any of its financial obligations, which default would materially adversely impact the ability of the District to pay the Installment Payments and the Loan Repayments.

(d) In recognition of the desire of the District, the Corporation and the Underwriter to effect a successful public offering of the Certificates, and in view of the potential adverse impact of any of the following events on such a public offering, the Purchase Agreement shall be subject to termination in the discretion of the Underwriter by notification, in writing, to the District prior to delivery of and payment for the Certificates, if at any time prior to such time, regardless of whether any of the following statements of fact were in existence or known of on the date of the Purchase Agreement:

(i) any event shall occur which makes untrue any material statement or results in an omission to state a material fact that is necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading, which event, in the reasonable opinion of the Underwriter would materially or adversely affect the ability of the Underwriter to market the Certificates;

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

(iii) any legislation, ordinance, rule or regulation shall be enacted by any governmental body, department or authority of the State, or a decision by any court of competent jurisdiction within the State shall be rendered which materially adversely affects the market price of the Certificates;

(iv) an order, decree or injunction issued by any court of competent jurisdiction, or order, ruling, regulation (final, temporary or proposed), official statement or other form of notice or communication issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental authority having jurisdiction of the subject matter, to the effect that: (i) obligations of the general character of the Certificates, or the Certificates, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Trust Agreement is not exempt from qualification under the Trust Indenture Act of 1939, as amended; or (ii) the issuance, offering or sale of obligations of the general character of the Certificates, or the execution, delivery, offering or sale of the Certificates, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect;

(v) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, to the effect that obligations of the general character of the Certificates, or the Certificates, are not exempt from registration under or other requirements of the Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act of 1934, as amended and as then in effect, or that the Trust Agreement is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended and as then in effect;

(vi) additional material restrictions 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 (i) are material to the marketability of the Certificates, (ii) affect the extension of credit by underwriters in general, or (iii) effect a change to the net capital requirements of underwriters in general;

(vii) a general banking moratorium shall have been declared by federal, State or New York authorities, or the general suspension of trading on any national securities exchange;

(viii) there shall have occurred any outbreak or escalation of hostilities, declaration by the United States of a national emergency or war or other calamity or crisis, or escalation thereof, the effect of which on financial markets is materially adverse such as to make it, in the sole judgment of the Underwriter, impractical or inadvisable to proceed with the purchase or delivery of the Certificates as contemplated by the Official Statement (exclusive of any amendment or supplement thereto);

(ix) a material disruption in securities settlement, payment or defeasance services affecting the Certificates, the 2013 Installment Payments or the 2013 Installment Payments shall have occurred;

(x) any rating of the Certificates or the rating of any obligations of the District shall have been downgraded or withdrawn by a national rating service, which, in the opinion of the Underwriter, materially adversely affects the market price of the Certificates; or

(xi) the commencement of any action, suit or proceeding described in Section 7(h).

(e) at or prior to the Closing, the Underwriter shall receive the following documents, in each case to the reasonable satisfaction in form and substance of the Underwriter:

(i) The executed resolution of the Corporation relating to the Certificates and authorizing the execution and delivery of the Corporation Documents;

(ii) The executed resolution of the District relating to the Certificates and authorizing the execution and delivery of the Certificates, the District Documents and the Official Statement signed by an authorized official of the District;

(iii) The District Documents and the Corporation Documents duly executed and delivered by the respective parties thereto, with only such amendments, modifications or supplements as may have been agreed to in writing by the Underwriter;

(iv) A certification of the District that the insurance required to be in effect on the Closing Date under the Installment Sale Agreement is in fact in effect as of such date;

(v) The approving opinion of Special Counsel dated the Closing Date and addressed to the District, in substantially the form attached as APPENDIX D to the Official Statement, and reliance letters thereon addressed to the Underwriter and the Trustee;

(vi) A supplemental opinion of Special Counsel dated the Closing Date and addressed to the Underwriter, to the effect that:

(A) the statements on the cover of the Official Statement and in the Official Statement under the captions "INTRODUCTION," "FINANCING PLAN," "THE CERTIFICATES," "SECURITY FOR THE CERTIFICATES" and "TAX MATTERS," and in Appendices B and D, excluding any material that may be treated as included under such captions and appendices by any cross-reference, insofar as such statements expressly summarize provisions of the District Documents, the Corporation Documents and Special Counsel's final opinion concerning the Certificates, the tax-exempt nature of the interest with respect to the Certificates or state legal conclusions, present a fair and accurate summary of the provisions thereof, provided that Special Counsel need not express any opinion with respect to any financial or statistical data contained therein or with respect to the book-entry system in which the Certificates are initially delivered;

(B) The Purchase Agreement and the Continuing Disclosure Certificate have been duly authorized, executed and delivered by the District and are the valid, legal and binding agreements of the District enforceable in accordance with their respective terms, except that the rights and obligations under the Purchase Agreement and the Continuing Disclosure Certificate are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State, and provided that no opinion is expressed with respect to any indemnification or contribution provisions contained therein; and

(C) The Certificates are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Trust Agreement is exempt from qualification under the Trust Indenture Act of 1939, as amended;

(vii) The Official Statement, executed on behalf of the District, and the Preliminary Official Statement;

(viii) Evidence that the ratings on the Certificates are as described in the Official Statement;

(ix) A certificate, dated the Closing Date, signed by a duly authorized officer of the Corporation satisfactory in form and substance to the Underwriter to the effect that: (i) the representations, warranties and covenants of the Corporation contained in the Purchase Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date by the Corporation, and the Corporation has complied with, in all material respects, all of the terms and conditions of the Purchase Agreement required to be complied with by the Corporation at or prior to the Closing Date; (ii) to the best of such officer's knowledge, no event affecting the Corporation has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purposes for which it is to be used or which is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; (iii) the information and statements contained in the Official Statement under the caption "THE CORPORATION" did not as of its date and do not as of the Closing contain an untrue statement of a material fact or omit to state any material fact that is necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect; and (iv) to the best of its knowledge after reasonable investigation, the Corporation is not, in any material respect, in breach of or default under any applicable law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement (including but not limited to the Loan and Installment Sale Agreement) or other instrument to which the Corporation is a party or is otherwise subject, which would have a material adverse impact on the Corporation's ability to perform its obligations under the Corporation Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument;

(x) An opinion dated the Closing Date and addressed to the Underwriter, of counsel to the Corporation, to the effect that:

(A) The Corporation is a nonprofit public benefit corporation, organized and existing under the Constitution and laws of the State;

(B) The resolution relating to the Certificates adopted by the Board of Directors of the Corporation has been duly adopted at a regular meeting of the Corporation at which a quorum was present and acting throughout, is in full force and effect and has not been modified, amended, rescinded or repealed since its date of adoption;

(C) Except as otherwise disclosed in the Official Statement and to the best knowledge of such counsel, there is no litigation, proceeding, action, suit or investigation at law or in equity before or by any court, governmental authority or body, pending, with service of process upon the Corporation having been accomplished, or threatened in writing against the Corporation, challenging the creation, organization or existence of the Corporation, or the validity of the Corporation Documents or seeking to restrain or enjoin the collection of Loan Repayments or Installment Payments under the Loan and Installment Sale Agreement or the repayment of the Certificates or in any way contesting or affecting the validity of the Corporation Documents or

contesting the authority of the Corporation to enter into or perform its obligations under any of the Corporation Documents; and

(D) To the best of such counsel's knowledge, the execution and delivery of the Corporation Documents and compliance with the provisions thereof do not and will not in any material respect conflict with or constitute on the part of the Corporation a breach of or default under any agreement or other instrument to which the Corporation is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the Corporation is subject, which breach or default has or may have a material adverse effect on the ability of the Corporation to perform its obligations under the Corporation Documents;

(xi) A certificate, dated the Closing Date, signed by a duly authorized officer of the District satisfactory in form and substance to the Underwriter to the effect that: (i) the representations, warranties and covenants of the District contained in the Purchase Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date by the District, and the District has complied with, in all material respects, all of the terms and conditions of the Purchase Agreement required to be complied with by the District at or prior to the Closing Date; (ii) to the best of such officer's knowledge, no event affecting the District has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purposes for which it is to be used or which is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; (iii) the information and statements contained in the Official Statement (other than information in the Official Statement under the captions "TAX MATTERS," "THE CORPORATION" and "UNDERWRITING," Appendix D, and information regarding DTC and its book-entry only system) did not as of its date and do not as of the Closing contain an untrue statement of a material fact or omit to state any material fact that is necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect; and (iv) to the best of its knowledge after reasonable investigation, the District is not, in any material respect, in breach of or default under any applicable law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement (including but not limited to the Installment Sale Agreement) or other instrument to which the District is a party or is otherwise subject, which would have a material adverse impact on the District's ability to perform its obligations under the District Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument;

(xii) an opinion dated the Closing Date and addressed to the Underwriter, Special Counsel, and the Trustee, of the District's General Counsel, to the effect that:

(A) The District is a county water district, duly organized and existing under and by virtue of the laws of the State;

(B) The resolution relating to the Certificates adopted by the Board of Directors of the District has been duly adopted at a regular meeting of the District at which a quorum was present and acting throughout, is in full force and effect and has not been modified, amended, rescinded or repealed since its date of adoption;

(C) Except as otherwise disclosed in the Official Statement and to the best knowledge of such counsel, there is no litigation, proceeding, action, suit or investigation at

law or in equity before or by any court, governmental authority or body, pending, with service of process upon the District having been accomplished, or threatened in writing against the District, challenging the creation, organization or existence of the District, or the validity of the District Documents or seeking to restrain or enjoin the payment of the Installment Payments and the Loan Repayments or in any way contesting or affecting the validity of the District Documents or contesting the authority of the District to enter into or perform its obligations under any of the District Documents, or which, in any manner, questions the right of the District to pay the Installment Payments and the Loan Repayments under the Installment Sale Agreement; and

(D) To the best of such counsel's knowledge, the execution and delivery of the District Documents and compliance with the provisions thereof, do not and will not in any material respect conflict with or constitute on the part of the District a breach of or default under any agreement or other instrument to which the District is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the District is subject, which breach or default has or may have a material adverse effect on the ability of the District to perform its obligations under the District Documents;

(xiii) An opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, counsel to the Underwriter, in form and substance satisfactory to the Underwriter;

(xiv) An opinion of counsel to the Trustee, addressed to the Underwriter and dated the Closing Date, in form and substance satisfactory to the Underwriter and to Special Counsel, addressing both the Trust Agreement and the Escrow Agreement;

(xv) A letter of Jones Hall, A Professional Law Corporation as disclosure counsel to the District in connection with the Certificates ("Disclosure Counsel"), addressed to the Underwriter, to the effect that during the course of serving as Disclosure Counsel in connection with the execution and delivery of the Certificates and without having undertaken to determine independently or assuming any responsibility for the accuracy, completeness or fairness of the statements contained in the Preliminary Official Statement or the Official Statement, no information came to the attention of the attorneys in such firm rendering legal services in connection with the execution and delivery of the Certificates that would lead them to believe that the Preliminary Official Statement as of its date or as of _____, 2022, or the Official Statement as of its date or as of the Closing Date (excluding therefrom the financial statements, any financial or statistical data, or forecasts, charts, numbers, estimates, projections, assumptions or expressions of opinion included in the Preliminary Official Statement or the Official Statement, information regarding the District's compliance with any obligations to provide notice of the events described in part (b)(5)(i)(C) of Rule 15c2-12 promulgated under the Securities Act of 1934 ("Rule 15c2-12") or to file annual reports described in part (b)(5)(i)(A) of Rule 15c2-12, any information with respect to the underwriter or underwriting matters with respect to the Certificates, including but not limited to information under the caption "UNDERWRITING," information regarding DTC and the book-entry system for the Certificates, information that is contained or incorporated by reference in the Preliminary Official Statement and the Official Statement, and the appendices to the Preliminary Official Statement or the Official Statement, as to which no opinion need be expressed), contains or contained any untrue statement of a material fact or omits or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(xvi) A certificate, dated the Closing Date, signed by a duly authorized official of the Trustee in form and substance satisfactory to the Underwriter, addressing both the Trust Agreement and the Escrow Agreement, and an incumbency certificate of the Trustee;

(xvii) Evidence that the required filings were made to the California Debt and Investment Advisory Commission pursuant to Section 53583 of the Government Code and Section 8855(g) of the Government Code;

(xviii) A copy of the executed Blanket Issuer Letter of Representations by and between the District and DTC relating to the book-entry system;

(xix) The certificates as to arbitrage and used of proceeds of the District relating to the Certificates, and a form 8038-G relating to the Certificates, each in form and substance to the reasonable satisfaction of Special Counsel and the Underwriter;

(xx) A certificate, dated the date of the Preliminary Official Statement, of the District, as required under Rule 15c2-12;

(xxi) Certified copies of the Corporation's organizing documents and all amendments thereto and related certificates issued by the Secretary of State of the State of California;

(xxii) Evidence that a Debt Management Policy which complies with Section 8855 of the Government Code has been adopted by the District;

(xxiii) A defeasance opinion of Special Counsel relating to the 2013 Installment Payments;

(xxiv) Any certificates required for the Certificates to be executed and delivered as debt on a parity basis with the District's 2019 Water Revenue Certificates of Participation;

(xxv) The executed Policy and Reserve Policy of the Insurer insuring the scheduled payment of principal and interest due with respect to the Certificates, the Policy being substantially in the form attached as Appendix H to the Official Statement;

(xxvi) An opinion of counsel to the Insurer, dated as of the date of Closing, addressed to the Underwriter and the District in form and substance acceptable to the Underwriter, substantially to the effect that: (i) the Insurer has been duly incorporated and is validly existing and in good standing under the laws of the State of its incorporation; and (ii) the Policy and the Reserve Policy constitute the legal, valid and binding obligations of the Insurer enforceable in accordance with their respective terms, subject, as to enforcement, to bankruptcy, insolvency, reorganization, rehabilitation and other similar laws of general applicability relating to or affecting creditors' and/or claimants' rights against insurance companies and to general equity principles;

(xxvii) A certificate of the Insurer to the effect that the information contained in the Official Statement under the caption "BOND INSURANCE" does 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 light of the circumstances under which they were made, not misleading; and

(xxviii) Such additional legal opinions, certificates, proceedings, instruments or other documents as Special Counsel or the Underwriter may reasonably request.

Section 10. Changes in Official Statement. After the Closing, the District will not adopt any amendment of or supplement to the Official Statement to which the Underwriter shall reasonably object in writing. Within 25 days following the end of the underwriting period, if any event relating to or affecting the Certificates, the Trustee, the District or the Corporation shall occur as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in any material respect in the light of the circumstances existing at the time it is delivered to a purchaser, the District will forthwith prepare and furnish to the Underwriter an amendment or supplement that 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 purchaser, not misleading. The District shall cooperate with the Underwriter in the filing by the Underwriter of such amendment or supplement to the Official Statement with the MSRB. The Underwriter acknowledges that the end of the underwriting period will be the Closing Date.

Section 11. Expenses. Whether or not the Certificates are delivered to the Underwriter as set forth herein:

(a) The Underwriter shall be under no obligation to pay, and the District shall pay or cause to be paid (from the proceeds of the Certificates or from any legally available funds) all expenses that are incident to the performance of the District's obligations hereunder, including, but not limited to, the cost of printing and delivering the Certificates to the Underwriter, the cost of preparation, printing, distribution and delivery of the District Documents, the Corporation Documents, the Preliminary Official Statement, the Official Statement and all other agreements and documents that are contemplated hereby (and drafts of any thereof) in such reasonable quantities as requested by the Underwriter (excluding the fees and disbursements of the Underwriter's counsel), the fees and disbursements of the Trustee, Special Counsel and any accountants, engineers or any other experts or consultants that the District has retained in connection with the execution and delivery of the Certificates and any other expenses that are agreed to by the parties; and

(b) The District shall be under no obligation to pay, and the Underwriter shall pay, any fees of the California Debt and Investment Advisory Commission, the cost of preparation of any "blue sky" or legal investment memoranda and the Purchase Agreement; expenses to qualify the Certificates for sale under any "blue sky" or other state securities laws; and all other expenses that are incurred by the Underwriter in connection with the public offering and distribution of the Certificates (except those which are specifically enumerated in paragraph (a) of this section), including the fees and disbursements of its counsel and any advertising expenses.

Section 12. Notices. Any notice or other communication to be given to the Underwriter under the Purchase Agreement may be given by delivering the same in writing to Oppenheimer & Co. Inc., 580 California Street, Suite 2300, San Francisco, California 94104 Attention: Municipal Capital Markets Group. All notices or communications hereunder by any party shall be given and served upon each other party. Any notice or communication to be given to the District under the Purchase Agreement may be given by delivering the same in writing to the address set forth on the first page of the Purchase Agreement.

Section 13. Parties in Interest. The Purchase Agreement is made solely for the benefit of the District, the Corporation and the Underwriter (including the successors or assigns thereof) and no other person shall acquire or have any right hereunder or by virtue hereof. All representations, warranties and agreements of the District and the Corporation in the Purchase Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriter and shall survive the delivery of and payment for the Certificates.

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

Section 15. Counterparts. The Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 16. Survival of Representations and Warranties. The representations and warranties of the District and the Corporation in or made pursuant to the Purchase Agreement shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing or termination of the Purchase Agreement and regardless of any investigations made by or on behalf of the Underwriter (or statements as to the results of such investigations) concerning such representations and statements of the District and the Corporation, and regardless of delivery of and payment for the Certificates.

Section 17. Effectiveness. The Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the District and shall be valid and enforceable as of the time of such acceptance.

Section 18. Governing Law. The Purchase Agreement shall be governed by and construed in accordance with the laws of the State.

OPPENHEIMER & CO. INC., as Underwriter

By: _____
Title: Authorized Officer

Accepted as of the date first stated above:

DIABLO WATER DISTRICT

By: _____
Its: General Manager

Time of Execution: _____ p.m. California Time

PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA

By: _____
Its: _____
Time of Execution: _____ a.m./p.m.

EXHIBIT A

$_____
Diablo Water District
2022 Water Revenue Certificates of Participation

MATURITY SCHEDULE

Maturity Date (January 1)	*Principal Amount*	*Interest Rate*	*Yield*	*Initial Offering Price*	*10% Test Used*	*Hold the Offering Price Rule Used*

_____

PREPAYMENT

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

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

Mandatory Sinking Fund Prepayment. The Certificates maturing on January 1, _____ (the "**Term Certificates**") are subject to mandatory prepayment in part by lot, at a prepayment price equal to 100% of the principal amount thereof to be prepaid, without premium, in the aggregate respective principal amounts and on January 1 in the respective years as set forth in the following table; *provided, however,* that if some but not all of the Term Certificates have been prepaid pursuant to the provisions of the Trust Agreement relating to optional prepayments or prepayment from net proceeds of insurance, sale or condemnation as described above, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of the Term Certificates so prepaid, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of $5,000.

Term Certificates Maturing
January 1, _____

Sinking Fund Prepayment Date (January 1)	***Principal Amount***
(maturity)	

EXHIBIT B

$_____
Diablo Water District
2022 Water Revenue Certificates of Participation

FORM OF ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Oppenheimer & Co. Inc. ("Oppenheimer") hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Certificates").

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

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

(a) Oppenheimer 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.

(b) As set forth in the Certificate Purchase Agreement, dated _____, 2022, by and among Oppenheimer, the Public Property Financing Corporation of California and the Issuer (as defined below), Oppenheimer 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 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.]

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, or (ii) the date on which Oppenheimer 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 Diablo Water District.

(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.

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

(h) [*Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Certificates. The Sale Date of the Certificates is _____, 2022.]

(h) *Underwriter* means: (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the 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).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Oppenheimer'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 Certificate as to Arbitrage of the Issuer and with respect to compliance with the federal income tax rules affecting the Certificates, and by Jones Hall, A Professional Law Corporation, in connection with rendering its opinion that the interest with respect to 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.

OPPENHEIMER & CO. INC.

By:_____

Name:_____

Dated: _____, 2022

SCHEDULE A

SALE PRICES OF THE GENERAL RULE MATURITIES [AND INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES]

(*Attached*)

[SCHEDULE B

PRICING WIRE OR EQUIVALENT COMMUNICATION

(*Attached*)]

PRELIMINARY OFFICIAL STATEMENT DATED MARCH __, 2022

NEW ISSUE — BOOK-ENTRY ONLY

INSURED RATING: S&P: "__"
UNDERLYING RATING: S&P: "__"
See "RATINGS"

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

$[PAR]*
DIABLO WATER DISTRICT
2022 WATER REVENUE CERTIFICATES OF PARTICIPATION
(GREEN BONDS)

Dated: Date of Delivery **Due: January 1, as shown below**

The captioned certificates (the "Certificates") evidence direct, undivided and proportionate interests of the Owners thereof in certain loan repayments (the "Loan Repayments") and installment payments (the "Installment Payments") to be made by the Diablo Water District (the "District") pursuant to the Loan and Installment Sale Agreement (as defined in this Official Statement), between the District and the Public Property Financing Corporation of California (the "Corporation"). The Corporation, for the benefit of the Owners of the Certificates, has assigned, among other things, its right to receive Loan Repayments and Installment Payments to U.S. Bank Trust Company, National Association, as trustee (the "Trustee").

The Certificates are being issued to: (i) finance the acquisition, construction and improvement of certain capital improvements; (ii) refinance the District's outstanding obligations to make loan repayments and installment payments under a Loan and Installment Sale Agreement dated as of April 1, 2013, between the District and the Corporation, and cause the refunding of all of the District's outstanding 2013 Water Revenue Certificates of Participation; (iii) establish a debt service reserve fund for the Certificates by purchasing a municipal bond debt service reserve insurance policy to be issued concurrently with the execution and delivery of the Certificates by [Certificate Insurer] (the "Certificate Insurer"); and (iv) pay the costs of executing and delivering the Certificates See "FINANCING PLAN."

The Certificates will be delivered as fully registered certificates, registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), and will be available to ultimate purchasers ("Beneficial Owners") in integral multiples of $5,000, under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of certificates representing their ownership interest in the Certificates. The portion of the Loan Repayments and Installment Payments designated as and comprising interest is payable on January 1 and July 1 of each year, commencing January 1, 2023, by the Trustee to DTC for subsequent disbursement to DTC participants, so long as DTC or its nominee remains the registered owner of the Certificates. ***The Certificates are subject to prepayment prior to maturity***. ***See "THE CERTIFICATES – Prepayment."***

The District's obligation to make Loan Repayments and Installment Payments is a special obligation of the District payable and secured exclusively from Net Revenues of the District under the Loan and Installment Sale Agreement and from amounts on deposit in certain funds and accounts established under the Trust Agreement (as defined in this Official Statement). The District previously incurred obligations that are outstanding and that are payable on a parity basis with the Loan Repayments and Installment Payments. In addition, under the Loan and Installment Sale Agreement, the District may incur additional debt secured by Net Revenues on a parity with the Loan Repayments and the Installment Payments, provided that the conditions set forth in the Loan and Installment Sale Agreement are met. See "RISK FACTORS" and "SECURITY FOR THE CERTIFICATES – Parity Obligations." The scheduled payment of principal of and interest on the Certificates when due will be guaranteed under a Municipal Bond Insurance Policy to be issued concurrently with the execution and delivery of the Certificates by the Certificate Insurer. See "BOND INSURANCE."

[Insurer Logo]

THE LOAN REPAYMENTS AND THE INSTALLMENT PAYMENTS ARE PAYABLE SOLELY FROM NET REVENUES PLEDGED BY THE DISTRICT AND AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE TRUST AGREEMENT. This cover page contains certain information for quick reference only. It is not intended to be a summary of all factors relating to an investment in the Certificates. Investors should review the entire Official Statement before making any investment decision.

MATURITY SCHEDULE
(See inside cover)

The Certificates are offered when, as and if executed and delivered, subject to approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel. Jones Hall is also acting as Disclosure Counsel to the District. Certain legal matters will be passed upon for the District by Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Sacramento, California, as General Counsel to the District. Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, is serving as counsel to the Underwriter. It is anticipated that the Certificates will be available for delivery in book-entry form on or about April [14], 2022.

[Oppenheimer Logo]

The date of this Official Statement is: _____, 2022

* Preliminary, subject to change

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

MATURITY SCHEDULE

$[PAR]*
DIABLO WATER DISTRICT
2022 WATER REVENUE CERTIFICATES OF PARTICIPATION
(GREEN BONDS)

Base CUSIP†: _____

Maturity (January 1)	Principal Amount*	Interest Rate	Yield	Price	CUSIP† Number

$____ - ____% Term Certificates due January 1, 20__; Yield ____%; Price ____ ; CUSIP†: ___

$____ - ____% Term Certificates due January 1, 20__; Yield ____%; Price ____ ; CUSIP†: ___

**Preliminary, subject to change.*

† CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright© CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the Underwriter or their agents or counsel take any responsibility for the accuracy of such numbers.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

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

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

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

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

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

Stabilization of Prices. In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market price of the Certificates at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Certificates to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

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

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

Website. The District maintains a website. However, the information presented on the website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Certificates.

Certificate Insurer*. [Certificate Insurer] (the "Certificate Insurer") makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, the Certificate Insurer has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Certificate Insurer, supplied by the Certificate Insurer and presented under the heading "BOND INSURANCE" and "APPENDIX H – SPECIMEN MUNICIPAL BOND INSURANCE POLICY".*

DIABLO WATER DISTRICT

BOARD OF DIRECTORS

Paul Seger, *President*
Scott R. Pastor, *Vice President*
Kenneth L. Crockett, *Director*
Marilyn Tiernan, *Director*
Joe Kovalick*, Director*

DISTRICT STAFF

Daniel Muelrath, *General Manager*
Jennifer McCoy, *Finance & Accounting Manager*
Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation,
General Counsel

SPECIAL SERVICES

SPECIAL COUNSEL AND DISCLOSURE COUNSEL
Jones Hall, A Professional Law Corporation
San Francisco, California

MUNICIPAL ADVISOR
Urban Futures, Inc.
Daly City, California

TRUSTEE/ESCROW AGENT
U.S. Bank Trust Company, National Association
San Francisco, California

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[INSERT REGIONAL MAP]

[INSERT SERVICE AREA MAP]

OFFICIAL STATEMENT

$[PAR]*
DIABLO WATER DISTRICT
2022 WATER REVENUE CERTIFICATES OF PARTICIPATION
(GREEN BONDS)

INTRODUCTION

*This Official Statement, including the cover page and appendices, is provided to furnish information concerning the execution and delivery by the Diablo Water District (the "**District**") of its 2022 Water Revenue Certificates of Participation (Green Bonds) (the "**Certificates**"). This Introduction contains a brief summary of certain information contained in this Official Statement. It is not intended to be complete and is qualified by the more detailed information contained elsewhere in this Official Statement. Definitions of certain terms used in this Official Statement are set forth in "APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."*

The Certificates. The Certificates are being executed and delivered pursuant to the provisions of a Trust Agreement, dated as of April 1, 2022 (the "**Trust Agreement**"), among the District, the Public Property Financing Corporation of California, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "**Corporation**"), and U.S. Bank Trust Company, National Association, as trustee (the "**Trustee**").

Prepayment. The Certificates are subject to prepayment prior to their scheduled payment dates as described in this Official Statement. See "THE CERTIFICATES – Prepayment."

Security for the Certificates. The Certificates evidence direct, undivided and proportionate interests in certain loan repayments (the "**Loan Repayments**") and installment payments (the "**Installment Payments**") to be made by the District pursuant to a Loan and Installment Sale Agreement, dated as of April 1, 2022 (the "**Loan and Installment Sale Agreement**"), between the District and the Corporation. The Corporation, for the benefit of the Owners of the Certificates, has assigned, among other things, its right to receive Loan Repayments and Installment Payments to the Trustee pursuant to the Trust Agreement.

The payment of Loan Repayments and Installment Payments is secured by a pledge of and lien on the Net Revenues (as defined in this Official Statement) and certain funds and accounts established and held by the Trustee under the Trust Agreement. See "SECURITY FOR THE CERTIFICATES – Security for the Loan Repayments and Installment Payments."

Use of Proceeds. The proceeds of the Certificates will be used to: (i) finance the acquisition and construction of certain improvements to the District's facilities and property for the

* Preliminary; subject to change.

supply, treatment and distribution of water (the "**Water System**"); (ii) refinance the District's remaining installment payment obligation (the "**2013 Installment Payments**") and loan repayment ("**2013 Loan Repayments**") obligation under a Loan and Installment Sale Agreement dated as of April 1, 2013, between the District and the Corporation, and cause the refunding of all of the District's outstanding 2013 Water Revenue Certificates of Participation (the "**2013 Certificates**"); (iii) establish a debt service reserve fund for the Certificates by purchasing a municipal bond debt service reserve insurance policy (the "**Reserve Policy**") to be issued by [Certificate Insurer] (the "**Certificate Insurer**") on the date of execution and delivery of the Certificates (the "**Closing Date**") in the stated amount of $_____ to satisfy the Reserve Requirement (as hereinafter defined) for the Certificates; and (iv) pay the costs of executing and delivering the Certificates, including the premium of the Bond Insurance Policy (as hereinafter defined). See "FINANCING PLAN" and "SECURITY FOR THE CERTIFICATES – Debt Service Reserve Fund."

Under the Loan and Installment Sale Agreement, the Corporation agrees to sell the completed Project (as hereinafter defined) to the District in consideration of the payment by the District of the Installment Payments as provided therein. In addition, under the Loan and Installment Sale Agreement, the Corporation agrees to make a loan to the District for the purpose of providing funds to refinance the 2013 Installment Payments and 2013 Loan Repayments, which the District agrees to repay the principal amount of such loan 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 Loan Repayments.

Existing Parity Debt. The District's pledge of Net Revenues as security for the Loan Repayments and the Installment Payments is on a parity with the District's pledge of Net Revenues to the District's loan repayment obligations ("**2019 Loan Repayments**") and installment payment obligations (the "**2019 Installment Payments**") under the Loan and Installment Sale Agreement dated as of November 1, 2019 (the "**2019 Loan and Installment Sale Agreement**"), between the District and the Corporation. The 2019 Installment Payments and the 2019 Loan Repayments are outstanding in the aggregate principal amount of $7,655,000.

Pursuant to a Trust Agreement dated as of November 1, 2019 (the "**2019 Trust Agreement**"), among the District, the Corporation, and U.S. Bank Trust Company, National Association, as successor trustee, the Corporation has assigned certain of its rights under the 2019 Loan and Installment Sale Agreement to U.S. Bank Trust Company, National Association, as successor trustee to MUFG Union Bank, N.A. At the direction of the Corporation, MUFG Union Bank, N.A., as predecessor trustee, executed and delivered 2019 Water Revenue Certificates of Participation in the aggregate original principal amount of $8,380,000 (the "**2019 Certificates**"), evidencing direct, undivided fractional interests in the 2019 Installment Payments and the 2019 Loan Repayments.

The 2019 Certificates are additionally secured by a pledge and lien on amounts on deposit in a debt service reserve fund (the "**2019 Certificates Reserve Fund**") established and held under the 2019 Trust Agreement. Amounts on deposit in the 2019 Certificates Reserve Fund are not available to pay the Loan Repayments, the Installment Payments or any other obligations of the District except the payments due with respect to the 2019 Certificates.

See "SECURITY FOR THE CERTIFICATES – Existing Parity Debt; Limitations on Future Debt" and "FINANCING PLAN – Debt Service Schedule."

Rate Covenant. Pursuant to the Loan and Installment Sale Agreement, the District has covenanted, to the maximum extent permitted by law, to fix, prescribe and collect certain rates and charges related to the Water System to ensure the availability of Net Revenues to pay the Loan Repayments, the Installment Payments, the 2019 Loan Repayments, the 2019 Installment Payments, and any other Parity Debt (as hereinafter defined). See "SECURITY FOR THE CERTIFICATES – Rate Covenants."

Debt Service Reserve Fund. A debt service reserve fund will be established for the Certificates in an amount equal to the Reserve Requirement. The Reserve Requirement for the Certificates will be satisfied with the delivery of the Reserve Policy in the stated amount of $_____ to the Trustee on the Closing Date. See "FINANCING PLAN – Estimated Sources and Uses of Funds" and "SECURITY FOR THE CERTIFICATES – Debt Service Reserve Fund."

Bond Insurance. Concurrently with the execution and delivery of the Certificates, the Certificate Insurer will issue its Municipal Bond Insurance Policy for the Certificates (the "**Bond Insurance Policy**"). The Bond Insurance Policy guarantees the scheduled payment of principal of and interest on the Certificates when due as set forth in the form of the Bond Insurance Policy included as Appendix H to this Official Statement. See "BOND INSURANCE" and "APPENDIX H – SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

Future Parity Debt. The Loan and Installment Sale Agreement provides that the District may issue or incur additional bonds, notes, leases, installment sale agreements or other obligations of the District payable from and secured by a pledge of and lien upon any of the Net Revenues on a parity with the Loan Repayments, the Installment Payments, the 2019 Installment Payments, and the 2019 Loan Repayments only upon the satisfaction of certain conditions. The 2019 Installment Payments, the 2019 Loan Repayments and such additional bonds, notes, leases, installment sale agreements or other obligations are referred to in this Official Statement as, "**Parity Debt**." See "SECURITY FOR THE CERTIFICATES – Existing Parity Debt; Limitations on Future Debt."

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

Limited Obligation THE DISTRICT'S OBLIGATION TO MAKE LOAN REPAYMENTS AND INSTALLMENT PAYMENTS IS A SPECIAL OBLIGATION OF THE DISTRICT PAYABLE SOLELY NET REVENUES AND OTHER FUNDS PROVIDED THEREFORE IN THE LOAN AND INSTALLMENT SALE AGREEMENT. THE DISTRICT HAS NOT AGREED TO LEVY AND DOES NOT LEVY ANY FORM OF TAXATION TO PAY THE LOAN REPAYMENTS AND INSTALLMENT PAYMENTS.

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

The District. The District is located in the northeastern corner of the Contra Costa County, California (the "**County**") about 50 miles northeast of San Francisco. The District provides water service over an area totaling approximately 21 square miles. The District's service area includes 11,600 acres in and around the City of Oakley. An additional 4,400 adjacent acres lie within the District's sphere of influence and are planned to be served by the District when developed. The District's sphere of influence includes the City of Oakley, the small community of Knightsen, portions of the City of Antioch and a portion of Bethel Island, as well as several thousand acres of reclaimed land surrounded by levees including Hotchkiss Tract, and Veale Tract. See "THE DISTRICT."

Summaries Not Definitive. All descriptions and summaries of various documents in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements in this Official Statement are qualified in their entirety by reference to each document. Certain capitalized terms used in this Official Statement and not defined in this Official Statement have the meaning given them in "APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS." Copies of the documents described in this Official Statement are available from the District for a reasonable copying and mailing fee.

FINANCING PLAN

The Project

In 2021, the District adopted regulations to address climate change and protection of the environment. First and foremost, the District adopted a carbon neutrality regulation stating that the District will be carbon neutral in its operation by December 31, 2027. Since the adoption of such regulation, the District has installed solar and battery back-up to fully offset the electrical needs at its office location.

A portion of the net proceeds of the Certificates will be used to finance the acquisition and construction of certain improvements to the Water System (the "**Project**") in furtherance of the District's carbon neutrality regulation by financing the installation of solar arrays to 100% offset all current electrical needs of the District, and to finance the completion of the District's new Corporation Yard Office Building and related facilities. The new Corporation Yard Office Building is designed to LEED Silver standards and will feature a 100% electric facility that has solar and battery back-up, allowing for 100% offset of the building's electrical needs. Additionally, the new Corporation Yard Office Building is anticipated to be outfitted with required electrical upgrades to support the charging of the District's pending electric vehicle fleet. Landscaping surrounding the building is anticipated to feature a California native landscape that is supplemented with recycled water, that will serve as a demonstration garden to the community regarding the use of low water use plants, drip irrigation, and recycled water.

The District's new Corporation Yard Office Building is anticipated to be completed on or about May 2023. The total cost of the new Corporation Yard Office Building and related improvements is estimated at approximately $9.5 million, of which $4 million was financed with proceeds of the 2019 Certificates and the remaining $5.5 million will be financed with proceeds of the Certificates.

The solar, battery back-up and related improvements are anticipated to be completed on or about December 2024. The total cost of the solar project is estimated at approximately $2.5 million, all of which is anticipated to be funded with proceeds of the Certificates.

Designation as Green Bonds

The Certificates are being delivered as "Green Bonds" due to the intended use of the net proceeds thereof, including the prepayment of the 2013 Certificates which were used on environmentally beneficial projects (as described below). The projects financed with the proceeds of the 2013 Certificates have been completed. The designation of the Certificates as Green Bonds is intended to allow investors the opportunity to invest directly in obligations that finance environmentally beneficial projects. The term "Green Bonds" is not defined in the Trust Agreement, and its use in this Official Statement is for identification purposes only and is not intended to provide or imply that the holders of the Certificates are entitled to any additional terms or security in addition to those provided in the Trust Agreement.

Several organizations have created programs to support the Green Bond market, including the Green Bond Principles of the International Capital Market Association (the "**ICMA Principles**") and the Climate Bond Initiative of the Climate Statements Board (the "**CB Initiative**"), but there is currently a lack of agreed-upon standards for the types of activities undertaken by the District. Accordingly, in 2021, the District adopted a set of resolutions and regulations relating to the environment and sustainability (the "**Green Initiatives**"). The Green Initiatives focus on three primary areas: (1) groundwater sustainability and protections; (2) carbon neutrality; and (3) recycled water.

The use of the net proceeds of the Certificates supports the Green Initiatives as they relate to carbon neutrality and recycled water through the financing of the projects described under the subcaption "– The Project" above. The projects funded with proceeds of the 2013 Certificates supported the Green Initiatives as they relate to groundwater sustainability and protection.

The District will account for the use of the net proceeds of the Certificates allocable to the Project in its books and records. The District will post annual reports regarding the use of such proceeds with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("**EMMA**") system, currently located at www.emma.msrb.org (which website is not incorporated into this Official Statement by reference), annually, by each April 1, commencing April 1, 2023. The District will post a final list of projects funded with such proceeds on EMMA once all such proceeds have been spent. A form of such project report is attached as "APPENDIX G – FORM OF GREEN BONDS PROJECT REPORT."

The District currently expects the Project to be completed by December 31, 2024. Once all net proceeds of the Certificates have been spent, no further updates regarding the use of the net proceeds of the Certificates will be provided or filed. The projects financed with the proceeds of the 2013 Certificates have been completed and therefore, the District will not post annual reports regarding the use of the 2013 Certificates on EMMA.

Refinancing and Redemption

On the Closing Date, pursuant to an Escrow Agreement, dated as of April 1, 2022 (the "**Escrow Agreement**"), by and between the U.S. Bank Trust Company, National Association, as escrow agent (in such capacity, the "**Escrow Agent**") and as Trustee of the 2013 Certificates, the District will cause a portion of the proceeds of the Certificates to be delivered to the Escrow Agent

which, together with other moneys, will be deposited by the Escrow Agent in the escrow fund established under the Escrow Agreement (the "**Escrow Fund**"), on behalf of the District and for the benefit of the owners of the outstanding 2013 Certificates.

The Escrow Agent will hold the amounts deposited into the Escrow Fund in cash, uninvested. On April [25], 2022, the Escrow Agent will apply the amounts on deposit in the Escrow Fund to prepay the outstanding 2013 Certificates at a price equal to 100% of their aggregate principal amount, together with accrued interest to the Prepayment Date, without premium.

The outstanding 2013 Certificates are described in the following table.

Maturity Date (January 1)	Principal Amount	Interest Rate
2023	$400,000	2.75%
2024	410,000	3.00
2025	420,000	3.00
2026	435,000	3.25
2027	450,000	3.25
2028	465,000	3.50
2029	480,000	3.50
2030	495,000	3.70

The amounts held by the Escrow Agent in the Escrow Fund are pledged solely to the prepayment of the outstanding 2013 Certificates, as described above. The funds deposited into the Escrow Fund will not be available for the payment of debt service on the Certificates. As a result of the deposit and application of funds as provided in the Escrow Agreement, all of the outstanding 2013 Certificates will be discharged on the Closing Date pursuant to the provisions of the Trust Agreement, dated as of April 1, 2013, by and among the District, the Corporation, and the 2013 Trustee, relating to the 2013 Certificates.

Estimated Sources and Uses of Funds

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

Sources:	
Principal Amount of the Certificates	
Plus: Original Issue Premium	
Moneys Relating to 2013 Certificates	
Total Sources:	
Uses:	
Project Fund	
Escrow Fund	
Delivery Costs [(1)]	
Total Uses:	

(1) Includes Underwriter's discount, Trustee fees, Municipal Advisor fees, Special Counsel and Disclosure Counsel fees, Escrow Agent fees, Bond Insurance Policy and Reserve Policy premiums, printing costs, rating agency fees, and other related costs.

Debt Service Schedule

Scheduled debt service on the 2019 Certificates and the Certificates is shown in the following table.

DIABLO WATER DISTRICT
2022 Water Revenue Certificates of Participation
Debt Service Schedule

Certificate Year Ending January 1	2019 Certificates Total Debt Service	2022 Certificates Principal Amount	2022 Certificates Interest Amount	2022 Certificates Total Debt Service	Total Parity Debt Service
2023	$706,200.00				
2024	715,200.00				
2025	708,200.00				
2026	705,800.00				
2027	707,800.00				
2028	709,000.00				
2029	704,400.00				
2030	709,200.00				
2031	443,000.00				
2032	446,600.00				
2033	449,600.00				
2034	447,000.00				
2035	454,000.00				
2036	215,200.00				
2037	215,400.00				
2038	215,400.00				
2039	215,200.00				
2040	214,800.00				
2041	214,200.00				
2042	213,400.00				
2043	212,400.00				
2044	211,200.00				
2045	214,800.00				
2046	213,000.00				
2047	216,000.00				
2048	213,600.00				
2049	211,000.00				
2050	213,200.00				
2051	--				
2052	--				
Total	**$11,114,800.00**				

THE CERTIFICATES

Description

The Certificates will be dated as of the date of original delivery, will bear interest at the rates per annum set forth on the inside cover page hereof payable semiannually on January 1 and July 1 (each, a "**Certificate Payment Date**"), commencing January 1, 2023, and will mature on the dates and in the amounts set forth on the inside front cover. Said interest represents the portion of Loan Repayments and Installment Payments designated as interest and coming due on each of the respective Certificate Payment Dates. The share of the portion of Loan Repayments and Installment Payments designated as interest with respect to any Certificate will be computed by multiplying the portion of Loan Repayments and Installment Payments designated as principal represented by such Certificate by the rate of interest represented by such Certificate (on the basis of a 360-day year of twelve 30-day months).

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

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

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

Prepayment*

Optional Prepayment. The Certificates maturing on or before January 1, 20__, are not subject to optional prepayment prior to the respective stated maturities. The Certificates maturing

* Preliminary; subject to change.

on or after January 1, 20__, are subject to optional prepayment in whole or in part, on any date on or after January 1, 20__, from prepayments of the Loan Repayments and Installment Payments made at the option of the District under the prepayment provisions of the Loan and Installment Sale Agreement. Certificates shall be subject to prepayment under this subsection at a prepayment price equal to 100% of the principal amount of Certificates or portions thereof to be prepaid together with accrued interest represented thereby to the prepayment date, without premium.

Mandatory Sinking Fund Prepayment. The Certificates maturing on January 1, 20__ (the "**20__ Term Certificates**") are subject to mandatory prepayment in part by lot, at a prepayment price equal to 100% of the principal amount thereof to be prepaid, without premium, in the aggregate respective principal amounts and on January 1 in the respective years as set forth in the following table; *provided, however,* that if some but not all of the 20__ Term Certificates have been optionally prepaid as described above, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of the 20__ Term Certificates so prepaid, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of $5,000.

Term Certificates Maturing
January 1, 20__

Sinking Fund Prepayment Date (January 1)	Principal Amount To Be Prepayment
(Maturity)	

The Certificates maturing on January 1, 20__ (the "**20__ Term Certificates**" and together with the 20__ Term Certificates, the "**Term Certificates**") are subject to mandatory prepayment in part by lot, at a prepayment price equal to 100% of the principal amount thereof to be prepaid, without premium, in the aggregate respective principal amounts and on January 1 in the respective years as set forth in the following table; *provided, however,* that if some but not all of the 20__ Term Certificates have been optionally prepaid as described above, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of the 20__ Term Certificates so prepaid, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of $5,000.

Term Certificates Maturing
January 1, 20__

Sinking Fund Prepayment Date (January 1)	Principal Amount To Be Prepayment
(Maturity)	

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

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

The District has the right to rescind any notice of the optional prepayment of Certificates by written notice to the Trustee on or prior to the dated fixed for prepayment. Any notice of prepayment shall be cancelled 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 District 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 redemption was sent.

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

However, while the Certificates are subject to DTC's book-entry system, the Trustee will be required to give notice of prepayment only to DTC as provided in the letter of representations executed by the District and received and accepted by DTC. DTC and the Participants will have sole responsibility for providing any such notice of prepayment to the Beneficial Owners of the Certificates to be redeemed. Any failure of DTC to notify any Participant, or any failure of Participants to notify the Beneficial Owner of any Certificates to be prepaid, of a notice of

prepayments or its content or effect will not affect the validity of the notice of prepayment, or alter the effect of prepayment set forth in the Trust Agreement.

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

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

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

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

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

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

Book-Entry System

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered Certificates registered in the name of Cede & Co., (DTC's partnership nominee). One fully-registered Certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See "APPENDIX F – Book Entry Only System."

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

Transfer and Exchange

So long as the Certificates are registered in the name of Cede & Co., as nominee of DTC, transfers and exchanges by beneficial owners of their interest in the Certificates will be made in accordance with DTC procedures and not as hereinafter described. See "APPENDIX F – Book Entry Only System."

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

Whenever any Certificate or Certificates shall be surrendered for registration of transfer, the Trustee will execute and deliver a new Certificate or Certificates representing the same maturity, interest rate and aggregate principal amount, in any authorized denominations. The District shall pay all costs of the Trustee incurred in connection with any such transfer, except that the Trustee may require the payment by the Certificate Owner of any tax or other governmental charge required to be paid with respect to such transfer.

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

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

SECURITY FOR THE CERTIFICATES

General

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

Certificate Payment Fund

The Trustee will establish and maintain a special fund designated as the "**Certificate Payment Fund**," into which the Trustee will deposit the Loan Repayments and the Installment Payments paid to the Trustee under the Loan and Installment Sale Agreement. All moneys at any time deposited by the Trustee in the Certificate Payment Fund shall be held by the Trustee in trust for the benefit of the District and the Owners of the Certificates. So long as any Certificates are Outstanding, neither the District nor the Corporation have any beneficial right or interest in the Certificate Payment Fund or the moneys deposited therein, except only as provided in the Loan and Installment Sale Agreement or in the Trust Agreement, and such moneys shall be used and applied by the Trustee as described below.

Except as provided in the provisions of the Trust Agreement relating to surplus and payment of fees and expenses of the Trustee in declaring and enforcing an Event of Default and in the performance of its powers and duties under the Trust Agreement, the Trustee will apply amounts in the Certificate Payment Fund solely for the purpose of paying the principal and interest represented by the Certificates as the same shall become due and payable, including the principal amount of any Term Certificates required to be prepaid. If the amounts on deposit in the Certificate Payment Fund are at any time insufficient to pay the amount of principal and interest then due and payable with respect to the Certificates, such amounts shall be applied first, to the payment of interest then due and payable with respect to the Certificates and second, to the payment of principal then due and payable with respect to the Certificates.

At the written request of the District any surplus remaining in the Certificate Payment Fund, after prepayment and payment of all Certificates and after payment of any fees and expenses then owing to the Certificate Insurer, including all accrued interest (if any) and payment of any applicable fees and expenses to the Trustee, will be withdrawn by the Trustee and remitted to the District.

Loan Repayments and Installment Payments

The Loan and Installment Sale Agreement requires the District to make semi-annual payments of Loan Repayments and Installment Payments on the 5th Business Day preceding each Certificate Payment Date, and continuing thereafter during the term of the Certificates, in the amounts specified in the Loan and Installment Sale Agreement. As a result of the assignment by the Corporation to the Trustee, the District will pay the Loan Repayments and the Installment Payments directly to the Trustee.

Security for the Loan Repayments and Installment Payments

Pledge of Net Revenues. Pursuant to the Loan and Installment Sale Agreement, all of the Net Revenues and all moneys on deposit in any of the funds and accounts established and held by the Trustee under the Trust Agreement (excluding the Project Fund and the Costs of Issuance Fund) are irrevocably pledged, charged and assigned to the punctual payment of the Loan Repayments and the Installment Payments.

The obligation of the District to pay the Loan Repayments, the Installment Payments, the 2019 Loan Repayments, the 2019 Installment Payments, and debt service on any other Parity Debt issued in the future does not constitute an obligation of the District for which the District is obligated to levy any form of taxation.

Definitions. Set forth in the following paragraphs are some of the terms defined in the Trust Agreement that are most relevant to understanding the pledge of Net Revenues to the Loan Repayments and the Installment Payments.

"**Gross Revenues**" means all gross charges received for, and all other gross income and receipts derived by the District from, the ownership and operation of the Water System or otherwise arising from the Water System, including but not limited to investment earnings thereon, and including Connection Charges. "Gross Revenues" do not include (a) the proceeds of any *ad valorem* property taxes levied for the purpose of paying general obligation bonds of the District relating to the Water System, and (b) the proceeds of any special assessments or special taxes levied upon real property within any improvement district for the purpose of paying special assessment bonds or special tax obligations of the District relating to the Water System. For the avoidance of doubt, "Gross Revenues" for any Fiscal Year include amounts transferred from the Rate Stabilization Fund into the Water Fund pursuant to the Loan and Installment Sale Agreement, and exclude amounts transferred from the Water Fund into the Rate Stabilization Fund during such Fiscal Year.

"**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 becoming payable during such period.

"**Operation and Maintenance Costs**" means the reasonable and necessary costs and expenses paid by the District for maintaining and operating the Water System, including but not limited to (a) the cost of acquiring water, (b) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Water System in good repair and working order, and (c) the reasonable administrative costs of the District attributable to the operation and maintenance of the Water System; but in all cases excluding (i) interest expense relating to obligations of the District with respect to the Water System, (ii) depreciation, replacement and obsolescence charges or reserves therefor, and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

Flow of Funds

Deposit of Net Revenues into Water Fund; Transfers to Make Payments. The District has previously established a fund or funds for the deposit of Gross Revenues (collectively, the "**Water Fund**"), which the District will continue to hold and maintain for the purposes and uses set forth herein. The District will deposit all Gross Revenues in the Water Fund immediately on receipt. The District will apply amounts in the Water Fund as set forth in the Loan and Installment

Sale Agreement and the Parity Debt Documents (which include the 2019 Loan and Installment Sale Agreement). The District will apply amounts on deposit in the Water Fund to pay when due the following amounts in the following order of priority:

(i) all Operation and Maintenance Costs;

(ii) the Loan Repayments, the Installment Payments, and all payments of principal of and interest on all outstanding Parity Debt;

(iii) to the Trustee the amount of any deficiency in the Reserve Fund established for the Certificates and in any reserve fund established for any outstanding Parity Debt, the notice of which deficiency has been sent to the District in accordance with the Trust Agreement and the related Parity Debt Documents, respectively;

(iv) any other payments required to comply with the provisions of the Loan and Installment Sale Agreement and the Parity Debt Documents; and

(v) any other purposes authorized under the Loan and Installment Sale Agreement as described below under the subcaption "– *Other Uses of Net Revenues Permitted*."

The Water Fund currently consists of a general water fund (the "**General Water Fund**") and a facilities reserve fund (the "**Facilities Reserve Fund**").

No Preference or Priority*.* If, at any time, there is a deficiency in Net Revenues available to pay the Loan Repayments, the Installment Payments, and any amounts due with respect to Parity Debt, available Net Revenues shall be applied on a pro rata basis to the payment thereof. If, at any time, there is a deficiency in Net Revenues available to replenish the Reserve Fund and any reserve fund established for any Parity Debt, available Net Revenues shall be applied to the replenishment thereof on a pro rata basis.

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

Rate Stabilization Fund

General. Under the Loan and Installment Sale Agreement, the District has the right at any time to establish a fund to be known as the "**Rate Stabilization Fund**," to be held by it and administered in accordance with the Loan and Installment Sale Agreement as described below, for the purpose of stabilizing the rates and charges imposed by the District with respect to the Water System.

Amounts on deposit in the Rate Stabilization Fund are not pledged to and shall not secure the Loan Repayments, the Installment Payments or any Parity Debt. All interest or other earnings

on deposits in the Rate Stabilization Fund will be retained therein or, at the option of the District, be applied for any other lawful purposes. The District has the right at any time to withdraw any or all amounts on deposit in the Rate Stabilization Fund and apply such amounts for any lawful purposes of the District.

Deposits and Withdrawals. Under the Loan and Installment Sale Agreement, from time to time the District may deposit amounts in the Rate Stabilization Fund, from any source of legally available funds, including but not limited to Net Revenues which are released from the pledge and lien that secures the Loan Repayments, the Installment Payments and Parity Debt, as the District may determine.

The District may, but is not required to, withdraw amounts on deposit in the Rate Stabilization Fund and deposit such amounts in the Water Fund in any Fiscal Year for the purpose of paying the Installment Payments, the Loan Repayments and the principal of and interest on any Parity Debt coming due and payable in such Fiscal Year.

Amounts so transferred from the Rate Stabilization Fund to the Water Fund in any Fiscal Year constitute Gross Revenues for that Fiscal Year (except for purposes of the provisions in the Loan and Installment Sale Agreement relating to the issuance of Parity Debt), and will be applied for the purposes of the Water Fund. Gross Revenues do not include funds transferred from the Water Fund into the Rate Stabilization Fund during a Fiscal Year.

Springing Amendment. Under the Loan and Installment Sale Agreement, effective on and after the date the 2019 Certificates are no longer Outstanding, the provisions relating to deposits and withdrawals described under the caption "– Deposits and Withdrawals" above will be amended to read in their entirety as follows :

> (b) *Deposits and Withdrawals.* From time to time the District may deposit amounts in the Rate Stabilization Fund, from any source of legally available funds, including but not limited to Net Revenues which are released from the pledge and lien that secures the Loan Repayments, the Installment Payments and Parity Debt, as the District may determine.
>
> The District may, but is not required to, withdraw amounts on deposit in the Rate Stabilization Fund and deposit such amounts in the Water Fund for any Fiscal Year for the purpose of paying the Installment Payments, the Loan Repayments and the principal of and interest on any Parity Debt coming due and payable in such Fiscal Year. Deposits for each Fiscal Year may be made until (but not after) the date that is 120 days after the end of such Fiscal Year.
>
> Amounts so transferred from the Rate Stabilization Fund to the Water Fund in any Fiscal Year constitute Gross Revenues for that Fiscal Year (except for purposes of the provisions in the Loan and Installment Sale Agreement relating to the issuance of Parity Debt), and will be applied for the purposes of the Water Fund. Gross Revenues do not include funds transferred from the Water Fund into the Rate Stabilization Fund for a Fiscal Year.

The District has established a Rate Stabilization Fund pursuant to its Reserve Fund Management Policy. As of February 1, 2022, the balance in the Rate Stabilization Fund totaled $1 million. See "THE DISTRICT – Designated Reserve Funds."

Existing Parity Debt; Limitations on Future Debt

General. Under the Loan and Installment Sale Agreement, the District may issue Parity Debt only in compliance with the conditions described below.

Existing Parity Debt. As of the date of this Official Statement, the outstanding Parity Debt consists of the 2019 Loan Repayments and 2019 Installment Payments. The 2019 Installment Payments and the 2019 Loan Repayments are outstanding in the aggregate principal amount of $7,655,000.

Future Parity Debt. Under the Loan and Installment Sale Agreement, the District may issue or incur any additional Parity Debt during the Term thereof upon satisfaction of all of the following conditions:

(a) No Event of Default has occurred and is continuing.

(b) The Net Revenues, calculated in accordance with sound accounting principles, as shown by the books of the District for the latest Fiscal Year for which audited financial statements are available, or as shown by the books of the District for any more recent 12-month period selected by the District, in either case verified by a certificate or opinion of an Independent Accountant employed by the District, plus (at the option of the District) the Additional Revenues, are at least equal to 125% of the amount of Maximum Annual Debt Service. For purposes of computing such Net Revenues, the amount of Gross Revenues shall not include any amounts transferred from a Rate Stabilization Fund to the Water Fund. If the Parity Debt is being issued solely to prepay Loan Repayments, Installment Payments or any other Parity Debt, and such refunding produces debt service savings in every year during the term thereof, the District shall not be required to comply with the provisions described above.

(c) The trustee or Trustee (if any) for such Parity Debt is the same entity performing the functions of Trustee under the Trust Agreement.

(d) The District will deliver to the Trustee a written certificate of a District Representative certifying that the conditions precedent to the issuance of such Parity Debt described above have been satisfied.

The Trust Agreement defines "**Maximum Annual Debt Service**" to mean, as of the date of any calculation, the maximum sum obtained for the current or any future Fiscal Year so long as any of the Certificates remain Outstanding by totaling (i) the aggregate amount of Loan Repayments and Installment Payments coming due and payable in such Fiscal Year, plus (ii) aggregate of the principal and interest of all outstanding Parity Debt, if any, coming due and payable by their terms in such Fiscal Year.

The Trust Agreement defines "**Additional Revenues**" to mean, with respect to the issuance of any Parity Debt, any or all of the following amounts:

(a) An allowance for Net Revenues from any additions or improvements to or extensions of the Water System to be constructed by the District from the proceeds of such Parity Debt, or which have been previously constructed by the District from any other source of funds but which were not in service during any part of the preceding Fiscal Year, in an amount equal to 80% of

the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period following the issuance of the proposed Parity Debt, all as shown by the certificate or opinion of a qualified independent consultant retained by the District.

(b) An allowance for Net Revenues arising from any increase in the charges made for service from the Water System which has been adopted prior to the incurring of such Parity Debt, 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 the most recent completed Fiscal Year or during any more recent 12-month period selected by the District, all as shown by the certificate or opinion of a qualified independent consultant retained by the District.

No Superior Obligations. In the Loan and Installment Sale Agreement, the District covenants not to issue or incur any additional bonds or other obligations having any priority in payment of principal or interest out of the Net Revenues over the Loan Repayments and the Installment Payments.

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

Rate Covenants

Gross Revenues Covenant. In the Loan and Installment Sale Agreement, the District covenants to fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year, which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Gross Revenues sufficient to pay the following amounts in the following order of priority:

(i) All Operation and Maintenance Costs estimated by the District to become due and payable in the Fiscal Year.

(ii) All Loan Repayments, Installment Payments and payments of principal of and interest on outstanding Parity Debt 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 to the full amount of the Reserve Requirement and any reserve fund established for any outstanding Parity Debt in accordance with the related Parity Debt Documents.

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

Net Revenues Covenant. In addition, the District covenants to fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during

each Fiscal Year which are sufficient to yield Net Revenues which are at least equal to 125% of the amount of all Loan Repayments, Installment Payments and payments of principal of and interest on all outstanding Parity Debt coming due and payable during the Fiscal Year. For purposes of this covenant, the amount of Net Revenues for a Fiscal Year will be computed by including in Gross Revenues all Connection Charges received in the Fiscal Year and all amounts transferred into the Water Fund from the Rate Stabilization Fund during the Fiscal Year.

Debt Service Reserve Fund

General. The Trustee will establish and maintain a special fund designated as the "**Reserve Fund**" to be held by the Trustee in trust for the benefit of the District and the Owners of the Certificates. Moneys in the Reserve Fund shall be held in trust as a reserve for the payment when due of the Loan Repayments and the Installment Payments on behalf of the District. Semiannually on or prior to each Certificate Payment Date, the Trustee will transfer any moneys in the Reserve Fund in excess of the Reserve Requirement to the Certificate Payment Fund to be credited on a pro rata basis towards the Loan Repayments and the Installment Payment coming due and payable on such Certificate Payment Date. Moneys in the Reserve Fund may only be used to make payments on the Certificates and are not available to make payments on any other debt of the District, including the 2019 Certificates.

Definition of Reserve Requirement. The Trust Agreement defines "**Reserve Requirement**" to mean, as of the date of calculation, an amount equal to the lesser of (a) 10% of the original principal amount of the Certificates, or (b) the maximum amount of the Loan Repayments and Installment Payments payable by the District under the Loan and Installment Sale Agreement in the current or any future Fiscal Year, or (c) 125% of the average annual Loan Repayments and Installment Payments coming due in each remaining Fiscal Year. The Reserve Requirement for the Certificates will be satisfied by the delivery of the Reserve Policy in the stated amount of $____ by the Insurer on the Closing Date.

Application of Reserve Fund. If three Business Days prior to any Certificate Payment Date the moneys available in the Certificate Payment Fund are not at least equal to the amount of the Loan Repayments and Installment Payment coming due and payable on such Certificate Payment Date, the Trustee will apply the moneys available in the Reserve Fund to make such payments on behalf of the District by transferring the amount necessary for this purpose to the Certificate Payment Fund. If on any Certificate Payment Date the moneys on deposit in the Reserve Fund and the Certificate Payment Fund (excluding amounts required for payment of principal and interest represented by any Certificates theretofore having come due but not presented for payment) are sufficient to pay all Outstanding Certificates, including all principal, and interest, the Trustee will, upon the written request of the District, transfer all amounts then on deposit in the Reserve Fund to the Certificate Payment Fund to be applied for such purpose to the payment of the Loan Repayments and the Installment Payments on behalf of the District. Any amounts remaining on deposit in the Reserve Fund following the discharge of the Trust Agreement will be paid to the District.

Additional Covenants

The District makes certain additional covenants in the Loan and Installment Sale Agreement and the Trust Agreement, including a covenant to maintain and preserve the Water System and a covenant to maintain insurance.

See "APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Limited Obligation

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

BOND INSURANCE

The following information has been furnished by the Certificate Insurer for use in this Official Statement. No representation is made as to the accuracy or completeness of this information, or the absence of material adverse changes therein at any time subsequent to the date hereof. Reference is made to APPENDIX H for a specimen of the Certificate Insurance Policy.

[To come from Certificate Insurer]

THE CORPORATION

The Corporation was organized on April 15, 1991, as a California nonprofit public benefit corporation. The Corporation was formed for the specific and primary purposes of benefiting California governmental agencies by participating with such governmental agencies in projects to maintain, improve and assist the activities of such governmental agencies by acquiring, purchasing, selling, leasing or otherwise transferring real and personal property in connection with such projects, and assisting the governmental agencies in financing, acquiring and constructing of such projects, as well as other purposes as specified in the Corporation's articles of incorporation. The Corporation is unrelated to the District.

The Corporation has no financial liability to the owners of the Certificates with respect to the payment of Loan Repayments, Installment Payments or Parity Debt by the District or with respect to the performance by the District of the other agreements and covenants it is required to perform.

The Corporation functions as an independent entity and its policies are determined by a board of directors. Under the bylaws of the Corporation, the board of directors of the Corporation consist of at least two but no more than five directors, holding office for terms of six years. The Corporation has no employees and the directors of the Corporation receive no compensation for work or service performed as Corporation directors.

THE DISTRICT

General Description; Service Area

Formation. The District was created in May 1953 under provisions of the County Water District Law of California, Division 12 of the Water Code. The District was formed for the purpose of providing a water supply to communities within its service area. Most of the existing components of the Water System were built between 1980 and 2015.

Service Area. The District is located in the northeastern corner of Contra Costa County, about 50 miles northeast of San Francisco. The District's current service area includes the City of Oakley, the Town of Knightsen, and some of Bethel Island and has a total population of 43,357 as of January 1, 2021. The District's ultimate service area, or Sphere of Influence ("**SOI**"), encompasses the existing service area and incorporated County lands east and south of Oakley. The SOI could also eventually include all of Bethel Island if residents wish to secure water service from the District. The District's SOI encompass approximately 19,000 acres. Currently, the District serves approximately 75% of the SOI; the remainder is undeveloped or is served by groundwater wells of individual property owners. The District also serves as the Groundwater Sustainability Agency for 100% or the area within the District's service area.

Approximately 98% of the District's service area is composed of the City of Oakley. The City of Oakley incorporated in 1999 and had a population of 42,859 as of January 1, 2021. See "APPENDIX C – Economic and Demographic Information for the City of Oakley" for additional information regarding the City of Oakley and the County.

Source of Water. The District's current water needs are met by a combination of groundwater produced from two groundwater wells owned by the District and surface water purchased from the Contra Costa Water District ("**CCWD**"). See "THE WATER SYSTEM – Source of Water."

Service Area Connections. The following table highlights the District's water service connections over the past 10 fiscal years.

Table 1
DIABLO WATER DISTRICT
Service Connections
Fiscal Years 2011-12 to 2020-21

Fiscal Year	Water Service Connections
2011-12	10,500
2012-13	10,700
2013-14	10,938
2014-15	11,063
2015-16	11,209
2016-17	11,748
2017-18	11,923
2018-19	11,981
2019-20	12,323
2020-21	12,770

Source: Diablo Water District.

Board of Directors

The District is governed by a five-member Board of Directors elected by registered voters in the District to serve staggered four-year terms. Each Director is elected through an at-large voting process, one of whom is annually elected President. The following table lists the current directors, noting the initial year of election or appointment to office and the final date of the current term of office.

Board of Directors	First Elected/ Appointed	End of Current Term
Paul Seger, President	2018	Fall 2022
Scott R. Pastor, Vice President	2020	Fall 2022
Kenneth L. Crockett, Director	1984	Fall 2022
Marilyn Tiernan, Director	2020	Fall 2024
Joe Kovalick, Director	2020	Fall 2024

The members of the Board of Directors are elected by-division within the District.

Management

Following are brief biographies of the District's key management personnel.

Daniel Muelrath, General Manager. Daniel Muelrath is the General Manager of the District. Mr. Muelrath joined the District as its General Manager in December 2018. He was previously the General Manager at Valley of the Moon Water District in Sonoma, where he worked for six years. In total, Mr. Muelrath has over 16 years of experience working with public water agencies, including nine years as a General Manager. He earned a Master's in Business

Administration and a Bachelor of Science in agribusiness, with a minor in water science engineering — both from California Polytechnic State University. Mr. Muelrath is also a Certified Special District Administrator.

Jennifer McCoy, Finance & Accounting Manager. Jennifer McCoy is the Finance & Accounting Manager of the District. Ms. McCoy has over 19 years of finance and accounting experience with public agencies, including ten years as the Finance & Accounting Manager at the District. She earned a Bachelor of Science in Business Administration from California State University, East Bay, and a Governmental Accounting Certificate from the University of Georgia.

Public Health Emergency – COVID-19

General. The spread of the novel strains of coronavirus that causes the disease known as COVID-19 ("**COVID-19**") and local, state and federal actions in response to COVID-19, have impacted the District's operations and finances. On February 11, 2020, the World Health Organization ("**WHO**") announced the official name for the outbreak of COVID-19, an upper respiratory tract illness. COVID-19 has since spread across the globe. The COVID-19 pandemic has had an adverse effect on, among other things, the world economy, global supply chain, international travel and a number of travel-related industries. The temporary and permanent business closures caused by the COVID-19 pandemic have led to an increase in unemployment across County and the nation. Depending on the length and the breadth of the impacts of the COVID-19 pandemic, the economic costs may be very significant for the District and the region's economy. In addition, domestic and international stock markets experienced declines in market value following the onset of the COVID-19 pandemic. Although rebounds in the global financial markets have since occurred, price volatility remains.

With widespread vaccination currently underway worldwide, some of the domestic governmental imposed "stay-at-home" orders and restrictions on operations of schools and business implemented to respond and control the outbreak have been eased. On June 15, 2021, California fully reopened its economy ending capacity limits, physical distancing and certain mask requirements for individuals who are fully vaccinated in accordance with guidance from the Centers for Disease Control and Prevention (the "**CDC**").

In response to the COVID-19 pandemic, the District's Board of Directors declared a state of emergency at the District in March, 2020. The District's Water System is deemed federally designated critical infrastructure, entitled to exemptions under governmental "stay-at-home" orders as needed to maintain continuity of operations. District personnel necessary for the operation and delivery of water within the District's service area have remained onsite. The District did modify its operations to implement remote work opportunities for certain employees performing administrative functions and provide District services online and cancelled in-person programs and events. The District has worked to provide its employees with personal protective equipment and voluntary access to screening and vaccinations. Board of Directors meetings occurred via teleconference, and public comment and participation for Board of Directors meetings was also conducted via teleconference and electronic means. The District has maintained continuity of service throughout the COVID-19 pandemic, without any impact or pandemic related interruptions to water services. However, there can be no assurance that absences of employees or District leadership due to COVID-19 will not adversely impact District operations in the future.

With improvements in local COVID-19 case rates, the District phased in the resumption of normal in-person staff operations and activities in 2021, while complying with public health orders

and California Occupational Safety and Health Administration COVID-19 Prevention Plan mandates. The District does not believe COVID-19 presents a threat to the District's treated water supplies. To date the District's operations have delivered ongoing water services to the District's customers that meet or exceed all local, state, and federal standards for safety, quality, and environmental protection.

The COVID-19 pandemic is ongoing, and the duration and severity of the outbreak and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. The ultimate impact of COVID-19 on the operations and finances of the District is unknown. The District reports that Net Revenues for Fiscal Years 2019-20 and 2020-21 were not materially affected by the COVID-19 pandemic. The District's customer base is primarily residential, and its rate structure consists of variable and fixed rate components, which partially mitigates the effect of any reduced water usage by non-residential customers. See the captions "THE WATER SYSTEM – Current Water Rates."

In April 2020, the Governor suspended utility service shutoffs and the collection (although not the imposition) of late fees and penalties for residential customers (including Water System customers) through December 31, 2021. As of December 31, 2021, less than 11% of the District's customers were delinquent in the payment of their bills. As of December 31, 2021, bills totaling approximately $351,000 were delinquent for the period commencing January 2020 through December 31, 2021. To date, such delinquencies have not adversely affected the District's ability to pay debt service on its outstanding debt obligations. Additionally, to date, the District has not experienced and does not at this time foresee a future negative impact on District's operations as a result of the COVID-19 pandemic. See the caption "THE WATER SYSTEM – Billing and Collection Procedures."

The State Water Resources Control Board has established the California Water and Wastewater Arrearage Payment Program (the "**Arrearage Payment Program**"), a $1 billion program to provide relief to water and wastewater systems for unpaid bills of residential and commercial customers accrued between March 4, 2020 and June 15, 2021. The District received assistance under the Arrearage Payment Program in the approximate amount of $247,000. See the caption "THE WATER SYSTEM – Billing and Collection Procedures."

The District continues to actively monitor usage, payment delinquencies, revenues and expenditures so that any further impacts of the COVID-19 pandemic can be anticipated. The District does not currently expect that the COVID-19 pandemic will have a material adverse effect on the District's ability to make Installment Payments and Loan Repayments when due.

Employees

The District had 17 full-time employees as of June 30, 2021. None of the District's current employees are represented by collective bargaining units. The District has not experienced strikes or other labor actions in the previous 10 years.

Pension Plan. *This section contains certain information relating to* the *California Public Employees' Retirement System ("**CalPERS**"). The information is primarily derived from information produced by CalPERS, its independent accountants and actuaries. The District has not independently verified the information provided by CalPERS and makes no representations and expresses no opinion as to the accuracy of the information provided by CalPERS. The comprehensive annual financial reports of CalPERS are available on its internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS' most recent actuarial*

valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference in this Official Statement. None of the District, the Municipal Advisor or the Underwriter can guarantee the accuracy of such information.

Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or may be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

Plan Description. All qualified permanent full and part-time District employees working at least 1,000 hours per year are eligible to participate in the District's cost-sharing multiple-employer defined benefit pension plan ("**Pension Plan**") administered by CalPERS. The Pension Plan consists of individual rate plans (benefit tiers) within CalPERS' miscellaneous risk pool – (i) a plan for employees employed prior to January 1, 2013 (the "**Classic Rate Plan**"), and (ii) a plan for employees employed on or after January 1, 2013 (the "**PEPRA Rate Plan**"). Accordingly, the rate plans pools are not separate plans under GASB Statement No. 68. Benefit provisions under the Pension Plan are established by State statute and District resolution.

The following table shows the number of District employees within each of the Classic Rate Plan and the PEPRA Rate Plan as of June 30, 2021.

Pension Plan	Number of Employees
Classic Rate Plan	10
PEPRA Rate Plan	8
Total	18

Benefits Provided. CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Active members belonging to the Classic Plan are required to contribute 8.0% of their annual covered salary. Active members belonging to the PEPRA Rate Plan are required to contribute 7.25% of their annual covered salary. The District makes the contributions required of the Classic Rate Plan and PEPRA Rate Plan employees on their behalf and for their account.

California Public Employees' Pension Reform Act of 2013. Employees hired prior to January 1, 2013 and have remained under continuous employment with a CalPERS agency are considered "Classic" employees. California Public Employees' Pension Reform Act of 2013 ("**PEPRA**"), which was signed by the State Governor on September 12, 2012, established a new pension benefit tier for employees who were hired on and after January 1, 2013, who were not previously CalPERS members or have left employment with a CalPERS agency for more than 6 months.

PEPRA adjusted the benefit formulas, required employee contribution, calculation of benefits and maximum pay, as well as other benefits. PEPRA employees receive the following benefit formulas: (i) 2.0% at age 62 formula for Miscellaneous employees; and (ii) 2.7% at age 57 for Safety employees. Employees are required to pay at least 50% of the total (annual) normal cost rate, and are required to make the full amount of required employee contributions themselves under PEPRA. Retirement benefits for such employees are calculated on the highest average annual compensation over a consecutive 36-month period. Accordingly, retirement benefits for

PEPRA miscellaneous employees are calculated as 2% of the average final 36 months compensation and retirement benefits for PEPRA safety employees are calculated as 2.7% of the average final 36 months of compensation. Retirement benefits for Classic miscellaneous employees are calculated as 2% of the average final 12 months of compensation and retirement benefits for Classic safety employees are calculated as 3% of the average final 12 months compensation. Retroactive benefits increases are also prohibited, as are contribution holidays, and purchases of additional non-qualified service credit. PEPRA also capped pensionable income as noted below. Maximum amounts are set annually, subject to adjustment in accord with the Consumer Price Index.

CalPERS Pension Compensation Limits for Calendar Year 2022 (Classic and PEPRA members)

	Classic	***PEPRA***
Maximum Pensionable Income	$305,000	$161,969[(1)]

(1) The Maximum Pensionable income for PEPRA members employed at agencies that participate in Social Security is $134,974.
Source: CalPERS Payroll Circular Letter dated January 3, 2022.

Additional employee contributions, limits on pensionable compensation and higher retirement ages for new members as a result of the passage of PEPRA are expected to reduce the District's unfunded pension lability and potentially reduce District contribution levels in the long term.

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

Beginning in Fiscal Year 2017-18, CalPERS collects employer contributions for each rate plan as a percentage of payroll for the normal cost portion and as a dollar amount for contributions toward the unfunded accrued liability (the "**UAL**"). The dollar amounts are billed on an annual basis. The actuarially determined normal cost rates and UAL contribution amounts for the Classic Rate Plan and the PEPRA Rate Plan for Fiscal Years 2020-21 through 2022-23, are as follows:

CalPERS Employer Contribution Rates Fiscal Years 2020-21 through 2022-23

	Fiscal Year 2020-21		**Fiscal Year 2021-22**		**Fiscal Year 2022-23**	
	Employer Normal Cost Rate	**Employer Payment of UAL**	**Employer Normal Cost Rate**	**Employer Payment of UAL**	**Employer Normal Cost Rate**	**Employer Payment of UAL**
Classic Rate Plan	15.202%	$170,659	15.02%	$200,337	15.03%	$230,513
PEPRA Rate Plan	7.847	1,428	7.70	1,867	7.65	2,404

Source: CalPERS Annual Valuation Actuarial Reports dated, July 2019, July 2020 July 2021.

The District's total employer contributions and rates for the Classic Rate Plan and the PEPRA Rate Plan in aggregate as a percentage of payroll for the last four fiscal years are set forth in the following table.

CalPERS Employer Contributions
Fiscal Years 2019-20 through 2021-22

	Fiscal Year 2019-20		Fiscal Year 2020-21		Fiscal Year 2021-22	
	Total Employer Contribution	% of Covered Payroll	Total Employer Contribution	% of Covered Payroll	Total Employer Contribution	% of Covered Payroll
Classic Rate Plan	$310,400	27.769%	$353,384	29.400%	$382,432	31.54%
PEPRA Rate Plan	29,925	7.470	37,014	8.162	42,869	8.05

Source: CalPERS Actuarial Reports dated, July 2018, July 2019, and July 2020.

Funded Status. The following tables set forth the schedule of funding for the Classic Rate Plan and the PEPRA Rate Plan as of June 30 of the years 2016 through 2020.

CalPERS Funded Status
As of June 30 of the years 2016 through 2020

Classic Rate Plan

Valuation Date (June 30)	Entry Age Normal Accrued Liability	Plan's Share of Pool's Market Value of Assets	Plan's Share of Unfunded Accrued Liability	Funded Ratio(1)	Annual Covered Payroll
2016	$7,613,184	$5,462,038	$2,151,146	71.7%	$ 982,161
2017	8,188,753	6,046,525	2,142,228	13.8	1,026,680
2018	9,039,581	6,564,915	2,474,666	72.6	1,108,028
2019	10,538,185	7,922,704	2,615,481	75.2	1,117,586
2020	11,218,802	8,334,703	2,884,099	74.3	1,212,722

PEPRA Rate Plan

Valuation Date (June 30)	Entry Age Normal Accrued Liability	Plan's Share of Pool's Market Value of Assets	Plan's Share of Unfunded Accrued Liability	Funded Ratio(1)	Annual Covered Payroll
2016	$ 81,744	$ 73,606	$ 8,138	90.0%	$240,317
2017	139,539	132,144	7,425	94.7	306,450
2018	209,931	193,170	16,761	92.0	418,047
2019	273,190	248,020	25,170	90.8	490,872
2020	358,346	320,350	37,996	89.4	595,120

(1) Based on the market value of assets.
Source: CalPERS Annual Valuation Actuarial Report dated July 2021 for each Pension Plan.

There is a two-year lag between the valuation date and the start of the contribution Fiscal Year. The UAL was determined in the June 30, 2020 actuarial valuation, but the corresponding UAL payments commence two years after the valuation date in Fiscal Year 2022-23. This two-year lag is necessary due to the amount of time needed to extract and test the membership and

financial data, and the need to provide public agencies with their required employer contribution well in advance of the start of the Fiscal Year.

Sensitivity to Changes in Discount Rate. The discount rate used to measure the total pension liability at June 30, 2021 with respect to the Pension Plan (i.e. the Classic Rate Plan and the PEPRA Rate Plan in aggregate) was 7.15%. The following table presents the District's proportionate share of the net pension liability for the Pension Plan as of the June 30, 2020 measurement date, calculated using the discount rate for the Pension Plan, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 100 basis points higher or 100 basis points lower than the current rate:

	1% Decrease (6.15%)	Discount Rate (7.15%)	1% Increase (8.15%)
Net Pension Liability	$4,097,579	$2,617,587	$1,394,717

Source: Diablo Water District Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2021.

Potential Impacts on Future Required Contributions. The CalPERS Board of Administration has adjusted and may in the future further adjust certain assumptions used in the CalPERS actuarial valuations, which adjustments may increase the District's required contributions to CalPERS in future years. Accordingly, the District cannot provide any assurances that the District's required contributions to CalPERS in future years will not significantly increase (or otherwise vary) from any past or current projected levels of contributions.

Change in Assumptions/Discount Rate. On December 21, 2016, the CalPERS Board of Administration voted to lower its discount rate from the rate of 7.50% to 7.00% over a three-year period. The change was reflected in the June 30, 2016 actuarial report, which lowered the discount rate from 7.50% to 7.375%; in the June 30, 2017 actuarial report, which lowered the discount rate from 7.375% to 7.25%; and in the June 30, 2018 actuarial report, which lowered the discount rate from 7.25% to 7.00. On November 15, 2021, the CalPERS Board of Administration voted to lower its discount rate from 7.00% to 6.80% for the June 30, 2021 actuarial report.

Investment Performance. CalPERS earnings reports for Fiscal Years 2010 through 2020 report investment gains of approximately 13.3%, 21.7%, 0.1%, 13.2%, 18.4%, 2.4%, 0.6%, 11.2%, 8.6%, 6.7% and 4.7%, respectively. The CalPERS Fiscal Year 2019-20 investment gain of 4.7% is not included as an amortization base in the most recent CalPERS valuation report and is not reflected in the numbers included herein. Future earnings performance may increase or decrease future contribution rates for plan participants, including the District. CalPERS has reported a 21.3% investment return for Fiscal Year 2020-21.

See "APPENDIX A – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2021, NOTES TO BASIC FINANCIAL STATEMENTS, Note 8, Pension Plan" for additional information about the Pension Plan.

Other Post-Employment Benefits. The District provides other post-employment benefits to certain former employees as described below.

Plan Description. Full-time employees who retire from the District after at least 10 years of service are eligible to receive health care benefits covering themselves and any qualified family members (the "**OPEB Plan**"). The District pays 100% of the premiums for both retiree and eligible family members for all retirees until the retiree reaches age 65. Once the retiree reaches age 65, a percentage of the health care benefits for said retirees is covered based on years of service for

either the Anthem Blue Cross Classic PPO with Medicare, Anthem Blue Cross HMO with Medicare, or the Kaiser Senior Advantage Plan, and eligible family members are offered health benefits at the retired employee's expense. The contribution requirements of OPEB Plan members and the District are established and may be amended by the Board of Directors. As of the June 30, 2019 actuarial valuation, the following current and former employees of the District were covered under the OPEB Plan:

	Number of Employees
Inactive currently receiving benefits	7
Active Employees	16
Total	23

Source: Diablo Water District.

Contributions. The contribution requirements of OPEB Plan members and the District are based on current year retiree premiums because the OPEB Plan was overfunded based on the actuarial valuation dated July 1, 2019. For the fiscal year ended June 30, 2021, the District paid $12,826 on behalf of its retirees. This amount was reimbursed by the District's CalPERS California Employer's Retiree Benefit Trust ("**CERBT**"). As of June 30, 2021, the CERBT had a balance of $1.3 million. The District did not make a contribution to OPEB Plan for the year ended June 30, 2021.

Net OPEB Liability. The District's net OPEB liability for the measurement period ended June 30, 2021 was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability for such fiscal year was determined by an actuarial valuation dated June 30, 2019, based on certain actuarial methods and assumptions. As of June 30, 2021, the District's net OPEB liability and the total OPEB liability was $693,727 and $1,742,829, respectively.

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2020:

	Discount Rate – 1% 5.75%	Current Discount Rate 6.75%	Discount Rate + 1% 7.75%
Net OPEB Liability	$927,665	$693,727	$498,846

Source: Diablo Water District.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual requires contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. See "APPENDIX A – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2021, NOTES TO BASIC FINANCIAL STATEMENTS, Note 9, Other Post-Employment Benefits (OPEB)" for a description of the actuarial methods and assumptions used to measure the District's net OPEB liability as of June 30, 2021.

OPEB Funded Status. The status of the plan as of the June 30, 2019 and June 30, 2020 measurement dates is as follows:

	June 30, 2019	June 30, 2020
Total OPEB Liability – Beginning	$1,458,862	$1,645,572
Total OPEB Liability – Ending (a)	1,645,572	1,742,829
Plan Fiduciary Net Position – Beginning	$955,086	$1,013,795
Plan Fiduciary Net Position – Ending (b)	1,013,795	1,049,102
Net OPEB Liability (a) – (b)	$631,777	$693,727
Plan Fiduciary Net Position as a % of the total OPEB liability	61.6%	60.2%
Covered employee payroll	1,804,907	1,921,871
Net OPEB Liability as a percentage of covered-employee payroll	35.0%	36.1%

Source: Diablo Water District.

See "APPENDIX A – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2021, NOTES TO BASIC FINANCIAL STATEMENTS, Note 9, Other Post-Employment Benefits (OPEB)" and "Schedule of Changes in the Net OPEB Liability and Related Ratios" therein for additional information regarding the District's OPEB costs.

Insurance

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has purchased the commercial insurance coverage for risks of loss except workers' compensation through East County Insurance Agency, the Districts' selected insurance broker/consultant. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority ("**ACWA/JPIA**"), a public entity risk pool, for workers' compensation coverage. The purpose of ACWA/JPIA is to provide a cost-effective form of risk management to public entities, allowing them to bypass the high cost of workers' compensation insurance. The following types of loss risks are covered by commercial insurance policies and ACWA/JPIA:

Type of Coverage (Deductible)	Coverage Limit	Coverage Limit
Liability ($0)	per occurrence	$5,000,000
Excess liability[(1)]	with various sublimits starting at	$2,000,000
Property ($1,000 - $5,000)	Replacement cost up to an aggregate of	$28,539,161
Auto liability ($500)	Each accident	$5,000,000
Crime coverage ($1,000)		$100,000
Workers' compensation ($2,500)		Statutory Limit
Workers' compensation - employer's liability		$2,000,000

(1) The liability insurance program is comprised of a pool layer and reinsurance/excess coverage for a total limit of $55 million.

Source: Diablo Water District.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported ("**IBNR**"). There were no IBNR claims payable as of June 30, 2020 and 2021.

Litigation

There is no litigation pending or, to the District's knowledge, threatened in any way to restrain or enjoin the issuance or delivery of the Certificates, to contest the validity of the Certificates or the Trust Agreement, or any proceedings of the District with respect thereto. In the opinion of the District and its counsel, there are no lawsuits or claims pending against the District which will materially adversely affect the District's ability to pay the Loan Repayments and the Installment Payments when due.

Designated Reserve Funds

On January 26, 2022, the District adopted a policy for managing its reserve funds (the "**Reserve Fund Management Policy**"). Under the Reserve Fund Management Policy, the District maintains the following reserves: (1) Rate Stabilization Fund; (2) General Operating Reserve; (3) Capital Reserve; (4) Emergency Reserve; and (5) Facilities Reserve (previously described as the Facilities Reserve Fund). The Reserve Fund Management Policy is subject to change at the discretion of the Board of Directors and nothing in the Loan and Installment Sale Agreement requires that the District maintain a balance in the reserves described below. The District cannot provide any assurance that the Board of Directors will not in the future amend its Reserve Fund Management Policy so as to reduce or eliminate such reserves.

Rate Stabilization Fund. The Rate Stabilization Fund is to be used for up to 10% temporary revenue reductions due to economic or drought-induced conditions, larger than budgeted increases in wholesale water rates, minor fluctuations in cash flow, and other prudent expenses authorized by the Board of Directors. The target balance for the Rate Stabilization Fund is $1 million. As of February 1, 2022, the balance in the Rate Stabilization Fund was approximately $1 million.

General Operating Reserve. The General Operating Reserve is available for working capital to meet cash flow shortfalls, unexpected capital asset replacement, and minor emergencies (less than $1 million). The target balance for the General Operating Reserve is three months of current fiscal year operating and maintenance expenses. As of February 1, 2022, the balance in the General Operating Reserve was approximately $3.8 million, or 3.5 months of operating and maintenance expenses for Fiscal Year 2021-22.

Capital Reserve. The Capital Reserve is available for repair and rehabilitation of capital assets for pay-as-you-go projects or a combination of pay-as-you-go and debt-financed projects. The target balance for the Capital Reserve is $2 million. The Capital Reserve is anticipated to be funded incrementally and is expected to be fully funded by June 30, 2024. No funds have been deposited in such reserve as of the date of this Official Statement.

Emergency Reserve. The Emergency Reserve is available for catastrophic emergency and natural disaster expenses required to keep the District operational and start repairs, moderate to severe temporary revenue reduction due to economic or drought-induced conditions, or other force majeure events. The target balance for the Emergency Reserve is $5 million. The Emergency Reserve is anticipated to be funded incrementally and is expected to be fully funded by June 30, 2029. No funds have been deposited in such reserve as of the date of this Official Statement.

Facilities Reserve. The Facilities Reserve is available to finance projects, assets, staffing and other items identified in the District's Facilities Master Plan that are for the capacity (or

preservation thereof), expansion and/or improvement of the District's system due to new development. The target balance for the Facilities Reserve is three years' worth of facilities funds debt payment expenditures. As of February 1, 2022, the balance in the Facilities Reserve was approximately $6.6 million, or 6 years' worth of facilities funds debt payment expenditures. See "THE WATER SYSTEM – Connection Fees."

Investment Policy and Controls

Funds of the District are invested in accordance with the California Government Code and the District's investment policy. See "APPENDIX A – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2021, NOTES TO BASIC FINANCIAL STATEMENTS, Note 2, Cash and Investments" for additional information.

Long-Term Obligations

Following delivery of the Certificates, the District's only outstanding obligations payable from Net Revenues will be the Loan Repayments, the Installment Payments, the 2019 Loan Repayments, and the 2019 Installment Payments.

Audited Financial Statements

The District's Annual Financial Report for fiscal year ended June 30, 2021, which is attached to this Official Statement as Appendix A, was audited by Mann, Urrutia, Nelson CPAs & Associates, LLP, Sacramento, California (the "**Auditor**"). The Auditor has not been asked to consent to the inclusion of its report in this Official Statement and has not reviewed this Official Statement.

Budget Process

The proposed budget is prepared by District staff and sent for review by the Board of Directors at one or more public meetings on or after March of the prior Fiscal Year. After these public meetings the Board of Directors approves a final budget by June 30 for the following Fiscal Year. Additionally, the District performs mid-year reviews of its budget as necessary each year. The District's budget for Fiscal Year 2021-22 was adopted by the Board of Directors on May 26, 2021.

Demographic Information

See "APPENDIX C – ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF OAKLEY" for additional information regarding the District.

Joint Power Authorities

In 1989, the District and CCWD entered into a joint powers agreement (the "**JPA Agreement**") to form the Contra Costa Water Authority ("**CCWA**"). The CCWA is governed by a five-member Board of Directors that is comprised of Directors of the CCWD. CCWA was formed for the purpose, among other things, of financing, constructing, owning and operating the Randall-Bold Water Treatment Plant (the "**Randall-Bold WTP**"), a water treatment plant jointly owned by the District and CCWD. The District has a 37.5% ownership interest in the Randall-Bold WTP. See "THE WATER SYSTEM – Treatment" for additional information regarding the Randall-Bold WTP.

Pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State, CCWA is empowered to issue bonds to assist local agencies in financing projects and programs consisting of certain capital improvements or liability and other insurance needs. The JPA Agreement between CCWD and the District empowers CCWA to finance, construct, maintain and operate certain improvements, including the Randall-Bold WTP. In addition, pursuant to the JPA Agreement, all administrative and operational functions for the Randall-Bold WTP are performed by CCWD personnel. CCWA does not maintain staff.

Under the JPA Agreement, the District is obligated to reimburse CCWA (i) fixed operating and maintenance costs of the Randall-Bold WTP based on the District's share of capacity owned in the Randall-Bold WTP (currently 30% or 15 mgd), (ii) variable operating and maintenance costs of the Randall-Bold WTP based on the percentage of water supplied to each agency during each fiscal year, and (iii) any capital costs for the routine replacement or renovation or equipment or other capital components of the Randall-Bold WTP based on the District's share of capacity owned in the Randall-Bold WTP (currently 30% or 15 mgd).

The District's share of the operating and maintenance costs for the Randall-Bold WTP described in clause (i) and (ii) above for fiscal year 2020-21 totaled approximately $1.6 million. These costs constitute Operation and Maintenance Expenses under the Loan and Installment Sale Agreement. See "SECURITY FOR THE CERTIFICATES – Security for the Loan Repayments and Installment Payments – Definitions" and "THE WATER SYSTEM – Treatment."

The District's share of the capital costs for the routine replacement or renovation or equipment or other capital components of the Randall-Bold WTP described in clause (iii) above are treated as capital costs in the books and records of the District and depreciated in accordance with generally accepted accounting standards. Accordingly, such costs do not constituted Operation and Maintenance Expenses under the Loan and Installment Sale Agreement. See "SECURITY FOR THE CERTIFICATES – Security for the Loan Repayments and Installment Payments – Definitions."

Under the JPA Agreement, the District was also obligated to reimburse the CCWA for a portion of the initial construction costs of the Randall-Bold WTP, including debt service for debt issued or incurred by CCWA to finance such costs, in an amount not to exceed 37.5% thereof in consideration of the allocation to the District of 15 mgd of the initial 40 mgd capacity of the Randall-Bold WTP. In 1990, CCWA issued its Water Treatment Revenue Bonds, 1990 Series A in the original principal amount of $51,510,000 for the purpose of financing such construction costs. Since such time, CCWA has refinanced such costs through the issuance of refunding bonds, including most recently with the issuance of CCWA's Water Treatment Revenue Refunding Bonds, 2012 Series A (the "**CCWA 2012 Bonds**"), in the original aggregate principal amount of $22,940,00. The District reimbursed CCWA for 35.5% of the debt service on the CCWA 2012 Bonds pursuant to the JPA Agreement. The District's Net Revenues were not pledged as security for the payment of debt service on the CCWA 2012 Bonds. The CCWA 2012 Bonds matured on October 1, 2020 and are no longer outstanding. See "HISTORICAL AND PROJECTED DEBT SERVICE COVERAGE – Historical Debt Service Coverage."

CCWA may issue additional revenues bonds to finance improvements to the Randall-Bold WTP in the future and that a portion of the debt service on such bonds would be paid by the District (based on the District's ownership in the Randall-Bold WTP at such time). The District is not aware of any plans by CCWA to issue any such bonds in the future. Nor does the District believe that such bonds would be secured by a pledge of the Net Revenues of the District. The projections of Net Revenues in this Official Statement assume that no such bonds are issued by

CCWA in Fiscal Years 2021-22 through 2025-26. In the event such bonds are issued, the District believes its obligation to pay its share of debt service thereon would be subordinate to its obligation to make Installment Payments and Loan Repayments. See "HISTORICAL AND PROJECTED DEBT SERVICE COVERAGE – Projected Debt Service Coverage."

THE WATER SYSTEM

General

The following table lists the District's major facilities.

Table 2
DIABLO WATER DISTRICT
Major Facilities

Facility	Number
Boosters	2
Reservoirs	3
Pump stations	2
Groundwater wells	2
Administration building	1
Corporation yard	1
Blending facility	1
Chemical booster facility	1

Source: Diablo Water District.

Service Connections and Operating Indicators

Service Connections and Operating Indicators. The following table sets forth the number of service connections and operating indicators for the District for the past ten fiscal years.

Table 3
DIABLO WATER DISTRICT
Service Connections and Operating Indicators
Fiscal Years 2011-12 to 2020-21

Fiscal	Service	Month of Peak	Peak Monthly	Average Daily
2011-12	10,500	August	9.00	5.40
2012-13	10,700	August	9.17	5.35
2013-14	10,938	July	8.60	5.28
2014-15	11,063	July	6.99	4.55
2015-16	11,209	August	5.00	3.76
2016-17	11,748	July	5.90	4.23
2017-18	11,923	July	6.62	4.76
2018-19	11,981	August	6.99	4.91
2019-20	12,323	June	7.64	5.39
2020-21	12,770	August	7.95	5.87

(1) mgd = millions of gallons per day
Source: Diablo Water District.

Water System

Potable Water Source. The District's primary source of water is, and historically has been, surface water purchased from CCWD. The District also obtains water from two groundwater wells owned by the District. See "– Treatment" below for a discussion of water.

CCWD provides direct water service to a population of approximately 265,000 and provides wholesale water to six regional water agencies, including the District.

The District's existing groundwater supply well began operating in 2006 and was constructed to provide an alternate source of water supply in order to improve reliability and reduce reliance on wholesale water treated at the Randall-Bold WTP. In 2010, the District constructed a second well. The District's wells have a combined maximum capacity of up to 4.0 mgd and currently provide approximately 16% of the District's water supply. When fully implemented, groundwater may comprise up to 20% of the District's total water supply. Operation of the wells resulted in a reduction in the District's wholesale water purchases and an associated reduction in water treatment costs. Groundwater produced from the District's groundwater wells is blended with treated water from the Randall-Bold WTP. See "– Treatment" below.

No Recycled Water. The District does not currently use recycled water to meet its water needs. In September 2019, the District and Ironhouse Sanitary District ("**Ironhouse**") published a joint request for proposals for a joint recycled water feasibility study to explore and analyze the potential reuse of recycled water projects in their nearly coterminous service areas. Both the District and Ironhouse desire to find a beneficial reuse of the recycled water that is created by Ironhouse. The study was deemed complete in late 2020. Both the District and Ironhouse have created ad hoc subcommittees of their respective Board of Directors to work on implementation of recycled water projects. Currently, the District is conditioning all new projects in the East Cypress corridor to install purple pipe for upcoming recycled water.

Transmission. Water is distributed to District customers via approximately 195 miles of main line distribution pipelines. Overall, the District's pipelines are in very good condition. The District replaced most of its older pipelines in prior years on a pay-as-you-go basis.

Treatment

Wholesale water purchased by the District from CCWD is treated at the Randall-Bold WTP, a water treatment plant jointly owned by the District and CCWD pursuant to the JPA Agreement. Under the JPA Agreement, CCWD is responsible for administering, operating and maintaining the Randall-Bold WTP and the District is contractually obligated to pay for its share of: (a) raw water supplied to the District based on CCWD's rate for raw water for municipal users, (b) fixed operating and maintenance costs of the Randall-Bold WTP based on the District's share of capacity owned in the Randall-Bold WTP (currently 30% or 15 mgd), (c) variable operating and maintenance costs of the Randall-Bold WTP based on the percentage of water supplied to each agency during each fiscal year, and (d) any capital costs for the routine replacement or renovation or equipment or other capital components of the Randall-Bold WTP based on the District's share of capacity owned in the Randall-Bold WTP (currently 30% or 15 mgd).

The Randall-Bold WTP commenced operations in July 1992, and is located in Oakley, California. The Randall-Bold WTP was upgraded in 2007, and has a current production capacity of 50 mgd. Maximum daily water production in fiscal year 2021 was 36.63 mgd. Untreated water

is withdrawn from the Contra Costa Canal for treatment at the Randall-Bold WTP and then delivered to the District to serve its treated water customers. Treated water from the Randall-Bold WTP is also delivered by CCWD to City of Brentwood customers located within the boundaries of CCWD and certain other customers of CCWD. The Randall-Bold WTP was designed to accommodate expansion to 80 mgd.

Under the JPA Agreement, the District has the rights to double its share of capacity in the Randall-Bold WTP to 30 mgd. The District's current capacity of 15 mgd from the Randall-Bold WTP provides an average day supply of 7.5 mgd (2,738 million gallons). A total of 30-mgd ultimate capacity for maximum day demand conditions will provide an average day supply of 15 mgd (5,475 million gallons). In accordance with current agreements, the District must purchase additional supply in no larger than 5-mgd increments. The District intends to purchase additional treated surface water capacity from CCWD, when needed, as its primary supply for future development. The District does not anticipate purchasing additional surface water capacity in the next 10 years.

The Randall-Bold WTP has stand-by power generators intended to ensure that plant operations will not be disrupted by potential power failures. The Randall-Bold WTP also serves as a secondary treated water source for the City of Brentwood. The Randall-Bold WTP is designed to meet both existing and anticipated drinking water regulations.

Source of Water

General. The following table shows the District's water supply by source for fiscal years 2011-12 through 2020-21. The figures in the following table do not include water loss experienced by the District in the transmission process which totaled approximately 4.9% of water supply in fiscal year 2020-21.

Table 4a
DIABLO WATER DISTRICT
Historical Water Supply
Fiscal Years 2011-12 through 2020-21

Fiscal Year	Imported Water (MG)	Imported Water as % of Total Water Supply	Groundwater Wells (MG)	Groundwater as % of Total Water Supply	Total Water (MG)	Total (MGD)
2011-12	1,588.0	81.0%	372.5	19.0	1,960.5	5.4
2012-13	1,738.3	89.0	215.5	11.0	1,952.8	5.4
2013-14	1,651.8	86.0	276.6	14.0	1,928.4	5.3
2014-15	1,354.7	82.0	306.0	18.0	1,660.7	4.6
2015-16	1,204.1	88.0	167.1	12.0	1,371.2	3.8
2016-17	1,321.8	86.0	221.1	14.0	1,542.9	4.2
2017-18	1,448.0	83.0	290.1	17.0	1,738.1	4.8
2018-19	1,512.8	84.0	277.7	16.0	1,790.5	4.9
2019-20	1,653.0	84.0	312.7	16.0	1,965.9	5.4
2020-21	2,017.6	94.0	124.3	6.0	2,141.9	5.9

Source: Diablo Water District.

The following table describes the District's water purchases from CCWD for fiscal year 2011-12 through 2020-21.

Table 4b
DIABLO WATER DISTRICT
Historical Water Purchases from CCWD
(Million Gallons)
Fiscal Years 2011-12 through 2020-21

Fiscal Year	Amount Purchased	Average Purchase Price ($ per Million gallons)
2011-12	1,588.0	1,719.58
2012-13	1,738.3	1,779.42
2013-14	1,651.8	1,839.58
2014-15	1,354.7	1,901.50
2015-16	1,204.1	2,219.79
2016-17	1,321.8	2,032.49
2017-18	1,448.0	2,186.23
2018-19	1,512.8	2,206.36
2019-20	1,653.2	2,584.90
2020-21	2,017.6	2,642.03

Source: Diablo Water District.

CCWD. CCWD purchases and distributes water provided primarily by the United States Bureau of Reclamation ("**Reclamation**") from the Federal Government's Central Valley Project ("**CVP**"). The backbone of CCWD's distribution system is the 48-mile Contra Costa Canal (the "**Canal**"), which transports water from screened intakes in the Sacramento-San Joaquin Delta (the "**Delta**") to CCWD's treatment plants, including the Randall-Bold WTP, municipalities and local water companies, including the District. CCWD stores untreated water in four reservoirs. The largest reservoir, Los Vaqueros, was expanded in 2012 from a capacity of 100,000 acre feet to 160,000 acre feet to support water reliability and water quality.

CCWD obtains most of its untreated water supply from the CVP diversion from the Delta under a permanent contract with Reclamation (the "**Reclamation Contract**") that was signed on December 28, 2020, and by its terms is effective from January 1, 2021. On June 20, 2020, a lawsuit was filed by the Center for Biological Diversity challenging the United States' conversion of certain CVP contracts from long-term to permanent contracts, including CCWD's contract (*Center for Biological Diversity v. United States Bureau of Reclamation*, United States District Court, Eastern District of California, Case No. 1:20-CV-00706-DAD-EPG). Per the terms of the Reclamation Contract, if the lawsuit were successful, the converted contracts would revert back to long-term contracts of up to 40 years with the CCWD contract running through February 28, 2045.

The quantity of water that can be delivered to CCWD by Reclamation under the Reclamation Contract is 195,000 acre-feet per year. The Municipal and Industrial Shortage Policy (the "**M&I Shortage Policy**") referenced in the Reclamation Contract establishes a water delivery goal for municipal and industrial contractors in the event of shortages. No reduction in the water available to CCWD can occur unless Reclamation has declared that a shortage exists and has imposed significant reductions in deliveries to agricultural users. Should Reclamation be unable

to make full deliveries due to a water shortage (i.e., a drought), the M&I Shortage Policy provides that CCWD's supply shall be not less than 75% of historical use, unless allocations to agricultural customers fall below 25%. In the event that Reclamation determines that a water shortage emergency exists and that the shortage is so severe that CVP agricultural water users' allocations are reduced below 25%, CCWD's supply can be reduced below 75% of historical use. In such event, the M&I Shortage Policy provides that the delivery of CVP water will not be less than the quantity estimated to be sufficient to satisfy public health and safety requirements as set forth in CCWD's current water shortage contingency plan.

A description of the supply challenges faced by CCWD, as well as a variety of other operating information with respect to CCWD, is included in certain disclosure documents prepared by CCWD. CCWD periodically prepares official statements and other disclosure documents in connection with its bonds and other obligations. CCWD has also entered into certain continuing disclosure agreements pursuant to which it is contractually obligated for the benefit of owners of certain of their outstanding obligations to file certain annual reports, including audited financial statements and notice of certain events, pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("**Rule**"). Such official statements, other disclosure documents, annual reports and notices are filed with EMMA at http://emma.msrb.org. Such information is not incorporated herein by reference thereto, and the District makes no representation as to the accuracy or completeness of such information. CCWD HAS NOT ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH THE DISTRICT, THE TRUSTEE OR THE OWNERS OF THE CERTIFICATES TO PROVIDE INFORMATION TO THE DISTRICT OR THE OWNERS OF THE CERTIFICATES.

CCWD HAS NOT REVIEWED THIS OFFICIAL STATEMENT AND HAS NOT MADE REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION THAT IS CONTAINED OR INCORPORATED HEREIN, INCLUDING INFORMATION WITH REGARD TO CCWD. CCWD IS NOT CONTRACTUALLY OBLIGATED, AND HAS NOT UNDERTAKEN, TO UPDATE SUCH INFORMATION FOR THE BENEFIT OF THE DISTRICT OR THE OWNERS OF THE CERTIFICATES UNDER THE RULE.

THE INFORMATION SET FORTH ABOVE REGARDING CCWD HAS BEEN DERIVED BY THE DISTRICT FROM A RECENT OFFICIAL STATEMENT AND OTHER DISCLOSURE DOCUMENTS PREPARED BY CCWD. ALTHOUGH THE DISTRICT BELIEVES CCWD IS THE BEST SOURCE OF INFORMATION ABOUT CCWD'S WATER SOURCES AND OPERATIONAL PLANS, AND, THEREFORE, ENCOURAGES POTENTIAL INVESTORS TO REVIEW THE CCWD OFFICIAL STATEMENT, THE DISTRICT CAN PROVIDE NO ASSURANCES AS TO THE ACCURACY, COMPLETENESS OR TIMELINESS OF THE INFORMATION SET FORTH ABOVE REGARDING MWD OR SUCH DISCLOSURE DOCUMENTS.

Groundwater. In an effort to provide the District with additional water supply reliability, the District operates two potable groundwater wells, the Glen Park Well and the Stonecreek Well, located in Oakley, California.

Existing Groundwater System. Water from the wells is conveyed in a dedicated well supply pipeline to a blending facility located near the Randall-Bold WTP. At the blending facility, the groundwater is treated and blended with treated surface water within the District's distribution system, prior to distribution to any customers. The amount of groundwater used in proportion to surface water is automatically controlled to maintain water quality with a target hardness of 140 milligrams per liter (except in times of drought when the target hardness may be higher).

The first phase of the District's groundwater supply system included the Glen Park Well, a 320-foot deep well, and pump station located in Glen Park in Oakley, the blending facility at the Randall-Bold WTP, and an 18-inch diameter, 18,250-foot-long dedicated well supply pipeline connecting the Glen Park Well and the blending facility. The pipeline is sized for the anticipated ultimate groundwater use of 7.0 mgd to allow flexibility to meet future demands; however, installation of the pipeline does not commit the District to implementing future phases of the well project. The Glen Park Well was put into service in 2006 and has a pumping capacity of approximately 2.0 mgd.

The second well, the Stonecreek Well, was placed into service in June 2011. The Stonecreek Well is approximately one-half mile northeast of the existing Glen Park Well and constructed to similar standards. The Stonecreek Well has a pumping capacity of approximately 2.0 mgd and a yield similar to that of the Glen Park Well at 336 MG per year.

Each pump motor is operated using a variable frequency drive which allows the District to control the flow rate produced from each well. The wells operate year-round to reduce annual operating costs, since groundwater supply is lower cost than surface water, and at higher flow rates to meet peaking needs during the higher demand summer months. The District operates one or more wells at a time, at a variety of flow rates, based upon time of use periods, and seasonal groundwater basin water quality parameters and elevations.

Basin Sustainability. The Glen Park Well and the Stonecreek Well produce water from the local groundwater basin known as the East Contra Costa Subbasin (the "**Basin**"). The Basin stretches from Antioch and Bethel Island, through Oakley, Brentwood, Knightsen, down through Discovery Bay, to Clifton Court Forebay. Groundwater from the Basin is a vital component of the District's water supply, along with water from the San Joaquin and Sacramento Rivers that reaches the District through the Delta.

In 1999, a regional groundwater investigation was performed by Luhdorff & Scalmanini Consulting Engineers ("**LSCE**") for the District (the "**Groundwater Investigation**"). The Groundwater Investigation determined that there is a hydraulic connection with the alluvial plain to the south, where a significant amount of groundwater pumping already exists for municipal uses and agricultural uses. As part of the regional groundwater investigation, test borings and wells were completed to obtain geological and water quality information. LSCE also conducted an investigation of potential impacts on nearby wells in 2002. Approximately 35 wells, including the Knightsen municipal well, private domestic wells, and irrigation wells, were identified within 2,500 feet of the Glen Park well site. Thirty-four of these wells are shallower than 200 feet.

The deep annular seal of each of the Glen Park and Stonecreek wells extends to 200 feet below the ground surface and serves to isolate nearby wells from significant pumping impacts. The results of testing performed by the District to date indicates that the operation of the Glen Park Well since 2006 has had no measurable or discernable impact on the water levels or water quality in nearby shallow wells. In March/April 2007, the District drilled a test hole and monitoring well at the Stonecreek site to assess hydrogeologic conditions and suitability for siting of a production well. The results indicated the site to be similar with regards to consistency in samples and geophysical logs as compared to the Glen Park site. Evaluation of groundwater levels from a 150-foot deep well approximately 2,000 feet from the Stonecreek well has shown no discernable impact on water levels since the operation of the well.

Besides demand and blending constraints, other considerations may dictate that pumping be limited to less than the maximum capacity stated above. These other considerations include

mutual pumping interference, potential impacts to local wells, and groundwater management considerations. The plan embodies an impact-avoidance strategy based on phased development and ongoing testing and monitoring to ensure that pumping from District facilities do not induce adverse impacts on local and regional scales.

As part of the District's Groundwater Management Plan, the District will continue to monitor groundwater levels and consult other well operators to monitor effects on other wells in the region. In the event local wells were to be adversely affected (i.e., lowering of groundwater below existing pumps or degradation of water quality), decisions about mitigation actions would be made on a case-by case basis. Mitigation measures may include, but not be limited to, supplying the property with a different source of water, lowering or replacing pumps, or installing new wells.

Under the Sustainable Groundwater Management Act, all groundwater basins designated as medium or high priority by the Department of Water Resources are required to be sustainably managed by the year 2042. The Department of Water Resources designated the Basin as medium priority based on several factors, including population, number of wells, irrigated area, and groundwater conditions. To ensure long-term sustainability of the Basin, eight local agencies that overlay the Basin, including the District, entered into an Amended and Restated Memorandum of Understanding effective April 13, 2020, to collaborate and develop a single groundwater sustainability plan for the Basin. With the exception of CCWD, each member agency has become a groundwater sustainability agency to manage the Basin within their respective areas.

The Groundwater Sustainability Plan (the "**GSP**") was completed in September 2021. The GSP shows that the aquifer sub-basin from which the District's wells operate is currently sustainable.

Possible Future Wells. The District anticipates that two wells will be completed by 2030. Ultimately, groundwater may provide up to about 20 percent of the District's supply, which would be a total ultimate well capacity of about 7 mgd.

The District will implement additional wells in future phases. Future wells may also be located in the eastern part of the District's SOI. Specific locations of such wells will be determined as part of future well siting studies. The District will base the decision to expand the groundwater supply system on the performance of the Glen Park and Stonecreek Wells. The District believes that up to 7 mgd of ultimate pumping capacity can be achieved from the Basin; however, the long-term ability of the groundwater basin to provide these quantities is not known with certainty. See "– Water Sources – Groundwater – Basin Sustainability." If future investigations indicate that it will not be possible to provide the anticipated amount of groundwater supply to meet demands, then the District anticipates that it will either procure additional surface water supply from CCWD and/or investigate other local supply sources.

Storage. The District currently has three reservoirs with a combined storage capacity of 12.5 million gallons, roughly 250% of average day demand and 133% of maximum day demand. The site on which two of the District's 5 million-gallon reservoirs are located has space to accommodate an additional 5 million gallon reservoir.

Drought and Response

State Orders. On January 17, 2014, the Governor declared a drought state of emergency (the "**Declaration**") with immediate effect. The Declaration included an order encouraging local

urban water suppliers, including the District, to implement their local water shortage contingency plans; the District's plan is discussed under the subcaption "— *District Response*." On April 7, 2017, after significant improvement in water supply conditions across California, the Governor issued Executive Order B-40-17, which rescinded mandatory conservation measures for most California counties.

In 2018, the California Governor signed Senate Bill 606 and Assembly Bill 1668 into law. These bills relate to water conservation and drought planning and empower State of California Department of Water Resources ("**DWR**") and the State of California Water Resources Control Board to adopt long-term standards for the following: (i) indoor residential water use; (ii) outdoor residential water use; (iii) commercial, industrial and institutional water use for landscape irrigation; and (iv) water loss. The indoor water use standard has been defined as 55 gallons per person per day ("**GPCD**") until January 2025; the standard will decrease over time to 50 GPCD in January 2030. Standards for outdoor residential water use and commercial, industrial and institutional water use for landscape irrigation are still being developed. Urban water suppliers will be required to stay within annual water budgets, based on these standards, for their service areas.

The District is unable to predict the effect on the Water System of the implementation of Senate Bill 606 and Assembly Bill 1668 or any future legislation with respect to water conservation. However, the District believes that it will be able to meet the 55 GPCD standard for indoor water use, along with annual State-mandated water use efficiency standards, based on the District's current water demands and ongoing efforts to encourage conservation, as described below under the subcaption "– *District Response*" below.

On October 19, 2021, the Governor declared a Statewide drought state of emergency and requested that all water users voluntarily reduce water use by 15%. The declaration encouraged water agencies to draw upon supplies other than groundwater and to implement their water shortage contingency plans and authorized the State Water Resources Control Board to adopt regulations that prohibit wasteful water use (such as the use of potable water to wash paved surfaces or to irrigate landscaping during the two days following rainfall). There can be no assurance that subsequent declarations will not impose mandatory water use restrictions should dry conditions persist in 2022 or future years.

District Response*.* In 2021, the District's Board of Directors adopted the District's Water Shortage Contingency Plan which meets State guidelines for water contingency plans and calls for the District to respond to a water shortage in stages. Specifically, the District has established six standard water shortage levels corresponding to progressive ranges of up to 10, 20, 30, 40, 50 percent shortages and greater than 50 percent which correspond to the reductions in the water available to CCWD under the M&I Shortage Policy. To determine the additional specific actions that should be taken at each level, the District will evaluate conditions specific to the timing, supply availability, and cost, along with other pertinent variables at the time a water shortage stage is implemented. See "– Source of Water – *CCWD*" above.

The District is empowered to enforce its water shortage contingency plan with successively increasing fines, the installation of flow restriction devices and the termination of water service.

The projected Water System operating results that are set forth under the caption "HISTORICAL AND PROJECTED DEBT SERVICE COVERAGE – Project Debt Service Coverage" do not reflect the implementation of mandatory levels of the Water Shortage

Contingency Plan. The District does not currently expect that the implementation of the Water Shortage Contingency Plan in the future will have a material adverse effect on its ability to pay the Installment Payments and Loan Repayments from Net Revenues. As discussed under the caption "– Current Water Rates," the District's rate structure consists of variable and fixed rate components. Decreased water consumption is partially offset by a decrease in related variable costs, while fixed water charges largely cover the Water System's fixed operating and maintenance costs. In addition, the District has covenanted to set Water System rates and charges in amounts that it expects to be sufficient to pay the Installment Payments and Loan Repayments from Net Revenues. See the caption "SECURITY FOR THE CERTIFICATES – Rate Covenants."

If a water shortage should arise again in the future, legal issues exist as to whether different California Water Code provisions or State regulations will be invoked to manage the allocation of water. Any curtailment pursuant to State orders could necessitate an increase in the District's water rates to Water System customers. See "RISK FACTORS – Articles XIIIC and XIIID of the California Constitution" for a discussion of certain restrictions on the District's ability to raise water rates. See also "RISK FACTORS – Threat to Water Supply" for information about conditions that could adversely impact the availability of water to the District.

Water User Composition

The following table sets forth the number of metered accounts and metered water deliveries for the last five fiscal years.

Table 5
DIABLO WATER DISTRICT
Metered Accounts
Fiscal Years 2016-17 through 2020-21

Fiscal Year ended June 30	2017	2018	2019	2020	2021
Single-Family Residential	11,387	11,578	11,625	11,948	12,312
Multi-Family Residential	20	20	21	21	21
Commercial/Institutional	177	161	164	174	173
Industrial	1	1	1	--	--
Landscape Irrigation	163	163	170	180	183
Total	11,748	11,923	11,981	12,323	12,689
Annual Change %	4.8%	1.5%	0.5%	2.85%	2.97%

Source: Diablo Water District.

Major Water Users

The 10 largest potable water users in fiscal year 2020-21 accounted for 3.23% of the District's annual water consumption. The table below shows the type of property for the top 10 water users and respective revenues derived by the District from such users.

Table 6
DIABLO WATER DISTRICT
Ten Largest Users of Potable Water
Fiscal Year 2020-21

	Type of Property	Total Water Sales	Percentage of Total Water Sales
1	School	$47,933	0.40%
2	Business	47,450	0.40
3	Multi-family	43,464	0.37
4	Irrigation	43,225	0.36
5	Construction	39,446	0.33
6	Construction	35,209	0.30
7	Multi-family	35,085	0.29
8	Construction	32,132	0.27
9	Irrigation	30,346	0.26
10	Business	30,273	0.25
Total Ten Largest		**$384,563**	
Total Water Sales–FY 2020-21		**$11,896,683**	**3.23%**

Source: Diablo Water District.

Projected Water Demand

The District's service area is not fully built-out and, and as a result, it does anticipate increases in demand in the future. The District updates its Urban Water Management Plan, as required by the State, every 5 years to determine if adequate supplies are available to meet projected demands. The most recent Urban Water Management Plan was prepared by the District in 2020 (the "**2020 Urban Water Management Plan**"). It includes a detailed review of system water use, a review of land use in cities within the District's service area, anticipated water supplies, and related considerations, including system loses.

In the 2020 Urban Water Management Plan, the District assumed ultimate buildout of its service area to occur in 2040. It also projected that over the period from 2020 to 2040, demand for water within the District's service area will increase from 2,105 MG (in 2020) to 4,580 MG (in 2040), and estimated the number of service connections to increase from 12,414 (in 2010) to 19,240 (in 2040).

Accommodating buildout of the District's ultimate service area will require either purchase of additional excess capacity at the Randall-Bold WTP, if any is available, or expansion of the Randall-Bold WTP, which is currently expandable to 80 mgd. The Randall-Bold WTP was designed assuming that it would be expanded in the future to serve future development within its planned service area. See "– Treatment" above for a description of the District's rights to purchase to additional capacity at the Randall-Bold WTP.

Current Water Rates

General. The Water System's rates and charges are set by the Board of Directors and are not subject to the jurisdiction of, or regulation by, the California Public Utilities Commission or any other regulatory body. The District is, however, required to comply with the notice, hearing and majority protest provisions of Article XIIID of the State Constitution, which is popularly known as Proposition 218, as to Water System rates and charges. See "RISK FACTORS – Articles XIIIC and XIIID of the California Constitution" for further information with respect to Proposition 218.

The District annually determines the adequacy of the charge structure for water service in the service area after full consideration of expected operations, maintenance, capital costs and capital repayment obligations of the Water System. The Board of Directors sets water rates and charges at a level that it determines is sufficient to pay all Operation and Maintenance Costs of the Water System, to make debt service payments and to maintain appropriate reserves for the Water System.

On January 26, 2022, the Board of Directors approved water rates for Fiscal Years 2021-22 through 2026-27, effective February 1, 2022 (the "**Current Rate Plan**"), in accordance with Proposition 218. There can be no assurance that the Board of Directors will not repeal or modify the rates that are set forth in the Current Rate Plan in the future or that the District's ratepayers will not approve an initiative to repeal or modify any increase in water rates and charges approved by the Board of Directors.

Adopted Rates and Charges. The District's current rate structure for water service fees has six customer classes: single-family, multi-family residential, non-residential, dedicated irrigation, and hydrant. The rate structure for domestic water is comprised of two components: (i) a fixed monthly service charge based on meter size (the "**Service Charge**"); and (ii) a variable volumetric water consumption charge (the "**Consumption Charge**"). See "APPENDIX G – Adopted Water Rate Resolution" for a description of charges for water service and other charges.

Monthly Service Charges. The following table shows the District's monthly Service Charge for each connection to the Water System for Fiscal Year 2021-22, effective February 1, 2022.

Table 7a
DIABLO WATER DISTRICT
Monthly Service Charges
Fiscal Year 2021-22

Size of Meter	Service Charge
5/8"	$17.27
1" (1)	39.36
1 1/2"	76.18
2"	120.37
3"	260.29
4"	444.39
6"	996.71
8"	2,064.51
10"	3,095.50
12"	3,905.56
Fire Services	19.92
Fire Hydrant	260.29

(1) Monthly service charge 1" with fire sprinklers meters for Fiscal Year is $17.27.
Source: Diablo Water District.

Consumption Charges. The District imposes Consumption Charges for customers on a tiered basis per hundred cubic feet of water ("**HCF**") used in each billing cycle. Current Consumption Charges are set forth below.

Table 7b
DIABLO WATER DISTRICT
Monthly Consumption Charges
Fiscal Year 2021-22

Water Use Type	Rate per HCF
Single Family Tier 1: 0 - 8 HCF	$2.61
Single Family Tier 2: 9 - 14 HCF	4.36
Single Family Tier 3: 15+ HCF	5.96
Multi-Family Residential	3.83
Non-Residential Tier 1: 0 - 34 HCF	3.52
Non-Residential Tier 2: 35+ HCF	4.30
Dedicated Irrigation Tier 1: 0 - 113 HCF	3.52
Dedicated Irrigation Tier 2: 114+ HCF	4.62
Hydrant Tier 1: 0 - 115 HCF	3.52
Hydrant Tier 2: 116+ HCF	4.29

Source: Diablo Water District.

Pass Through Adjustments. The Board of Directors has reserved the right to take actions in the future pursuant to Government Code Section 53756 to adjust the rates for potable water service based on changes in wholesale charges for untreated and/or potable water imposed on the District. In such event, the Board of Directors will comply with the requirements under then-applicable law.

Connection Fees

The District collects connection fees from new customers connecting to the Water System. The District accounts for these fees in its books and records as Facilities Reserve Charges. The charges vary by three regions within the District's service area. The charge for a typical new single family dwelling unit with a 5/8-inch water meter ranges from $7,880 to $12,991. New connections with larger meter sizes pay higher fees based on the ratio of their meter capacity to the capacity of a 5/8-inch residential meter.

The District accounts for Facilities Reserve Charges in the Facilities Reserve Fund and uses such charges exclusively for funding growth related capital improvements and related debt repayment in accordance with the Reserve Fund Management Policy. See "THE DISTRICT – Designated Reserve Funds."

The District also requires developers to pay the cost of any main line extensions subject to reimbursement from future development. In addition to the Facilities Reserve Charge, new District connections also pay a Main Extension Reimbursement Assessment. The current assessment is $615 per new 5/8-inch meter connection and higher for larger meters. The District uses funds recovered by these assessments to reimburse eligible developers who initially funded the main line extensions for a period of 10-years without interest. The District also requires developers to fund the cost of relocating pipelines in substandard streets.

Comparative Water Rates

The following table compares the District's current average monthly residential water bill to that of nearby water service providers.

Table 8
DIABLO WATER DISTRICT
Comparative Monthly Water Bill

Provider	Total Monthly Bill
City of Martinez	$115.31
East Bay Municipal Utility District	102.48
Contra Costa Water Agency	97.39
City of Pittsburg	93.73
City of Brentwood	91.42
City of Antioch	77.54
Diablo Water District	**64.36**

Source: Diablo Water District.

Billing and Collection Procedures

The District bills each account for water service monthly. Water bills are considered delinquent if unpaid 30 days after the date of the bill. About two weeks after the delinquent date, the District levies a late charge equal to 5 percent of the delinquent amount. If a bill remains unpaid for about two weeks after it becomes delinquent, the District issues a final notice to customers with delinquent balances of $75 or more. If the bill remains unpaid after the final notice is sent, the District makes a courtesy phone call to inform the customer of the District's intent to disconnect the service. If a bill remains unpaid for more than 24 hours after the courtesy phone call, it is the District's practice to disconnect a customer's water service. Delinquent bills from closed accounts are sent to a collection agency.

To help minimize the potential for billing delinquencies, the District requires new customers to pay a security deposit equal to the minimum of $100 or two times the customer's estimated monthly bill. The requirement to pay the security deposit may be waived for customers who request a waiver and have satisfactory credit history based on the District's review of their credit report. The District applies the security deposit if an account is delinquent for more than 30 days.

As previously described, in April 2020, the Governor suspended utility service shutoffs and the collection (although not the imposition) of late fees and penalties for residential customers (including Water System customers) through December 31, 2021. As of December 31, 2021, less than 11% of the District's customers are delinquent in the payment of their bills. As of December 31, 2021, bills totaling approximately $351.000 were delinquent for the period commencing January 2020 through December 31, 2021. To date, such delinquencies have not adversely affected the District's ability to pay debt service on its outstanding debt obligations. The higher delinquencies are likely the result of the COVID-19 outbreak and the suspension of water shutoffs during the outbreak. Historically, most customers pay their bills in full, including late charges, prior to shutoff.

As previously described, the District received assistance under the Arrearage Payment Program in the approximate amount of $247,000. Of such amount, the District has applied approximately $210,000 to credit delinquent customer bills and approximately $7,000 to offset the District's related administrative expenses. The District anticipates returning the remaining approximately $29,000 to the State Water Resources Control Board.

The District continues to actively monitor usage, payment delinquencies, revenues and expenditures so that any further impacts of the COVID-19 pandemic can be anticipated. The District does not currently expect that the COVID 19 pandemic will have a material adverse effect on the District's ability to make Installment Payments when due.

Table 9
DIABLO WATER DISTRICT
Historical Billings, Collections and Delinquencies
Fiscal Years 2011-12 through 2020-21

Fiscal Year	Total Water Sales [1]	Write-off	% of Billing
2011-12	$7,200,005	$18,389.05	0.26%
2012-13	7,783,200	21,905.57	0.28
2013-14	8,039,409	17,924.43	0.22
2014-15	7,283,603	14,029.96	0.19
2015-16	6,869,051	13,666.49	0.20
2016-17	7,552,066	13,085.01	0.17
2017-18	9,064,178	10,938.39	0.12
2018-19	9,334,650	8,007.04	0.09
2019-20	10,651,069	9,832.47	0.09
2020-21	11,896,683	17,553.77	0.15

(1) Total water sales figures above do not include backflow and other charges included in the Water Service Charges & Sales line item in Table 10.
Source: Diablo Water District.

Regulatory Issues

General. The District is not aware of any environmental or regulatory issues that would adversely impact its ability to deliver water. Nor is the District aware of any fines or penalties being assessed on the Water System in the previous five years.

Drinking Water. The applicable drinking water standards for the District's potable water system are provided in the California Domestic Water Quality and Monitoring Regulations, Title 22 of the California Administrative Code. These regulations incorporate the requirements of the U.S. Environmental Protection Agency in conformance with the Safe Drinking Water Act (PL 93-523). The standards specify water quality sampling frequencies and location as well as maximum concentrations of chemical constituents and are continuously revised and amended.

The District operates under a Water Supply Permit issued by the State of California, State Water Resources Control Board, Division of Drinking Water.

PFAS. In 2019, the State of California Water Resources Board's Division of Drinking Water (the "**Division**") lowered the Notification Levels (the "**NLs**") for Perfluorooctanoic acid ("**PFOA**") and Perfluorooctanesulfonic acid ("**PFOS**") to 5.1 and 6.5 parts per trillion ("**PPT**"), respectively. NLs are non-regulatory, precautionary health-based measures for concentrations of chemicals in drinking water that warrant notification and further monitoring and assessment. In 2020, the Division lowered the Response Level (the "**RL**") for PFOA and PFOS from 70 PPT, combined, to 10 and 40 PPT, respectively. RLs are non-regulatory, precautionary health-based measures that are set at higher levels than NLs and represent thresholds at which the Division recommends that water systems remove a water source from use or treat it.

PFOA and PFOS are fluorinated organic chemicals which are part of a family of synthetic compounds referred to as per- and polyfluoroalkyl substances ("**PFAS**"). PFAS are water and lipid resistant substances that were previously used in a variety of manufacturing processes and industrial applications. They are often present in water supplies which are impacted by

wastewater treatment plant effluent or active or former military installations. The District understands that recent technological advances have enabled water agencies to detect PFAS compounds at very low concentrations. According to CCWA, testing has confirmed that the CCWA's water supply is safe to drink and PFOA and PFOS were not detected during monitoring in 2013; at this time no further monitoring is required by the State.

The District does not anticipate that implementation of the lowered PFAS RL by the Division will have a material adverse effect on the operation of the Water System or the costs thereof. The projected operating results which are set forth under the caption "HISTORICAL AND PROJECTED DEBT SERVICE COVERAGE – Projected Debt Service Coverage" do not assume significant increases in water treatment or other Water System operating costs to meet State regulations relating to PFAS.

Capital Improvement Program

The District's capital improvement plan provides for a 100-year replacement cycle on water mains and reservoirs. The District projects total capital improvements to the Water System of approximately $21.1 million during Fiscal Years 2021-22 through 2025-26, including:

(i) the Project (as discussed under the caption "FINANCING PLAN");

(ii) seismic upgrades; and

(iii) miscellaneous water line repairs and replacements.

Such capital improvements are expected to be financed by a combination of proceeds from the Certificates, proceeds from certificates of participation in the estimated principal amount of approximately $3 million delivered in Fiscal Year 2023-24, Water System reserves, and Net Revenues remaining after the payment of debt service.

HISTORICAL AND PROJECTED DEBT SERVICE COVERAGE

Historical Debt Service Coverage

Net Revenues are Gross Revenues less Operation and Maintenance Costs. Gross Revenues include gross charges received for, and all other gross income and receipts derived by the District from, the ownership and operation of the Water System or otherwise arising from the Water System, including but not limited to investment earnings thereon, and including Connection Charges. Gross Revenues do not include (a) the proceeds of any *ad valorem* property taxes levied for the purpose of paying general obligation bonds of the District relating to the Water System, and (b) the proceeds of any special assessments or special taxes levied upon real property within any improvement district for the purpose of paying special assessment bonds or special tax obligations of the District relating to the Water System. Capital project expenditures, debt service, and depreciation are excluded from Operation and Maintenance Costs for the purpose of the debt service coverage calculation.

The following table presents historical debt service coverage.

Table 10
DIABLO WATER DISTRICT
Historical Debt Service Coverage
Fiscal Years Ended June 30, 2017 through June 30, 2021

Gross Revenues	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**
Water Service Charges & Sales	$8,005,653	$9,257,774	$10,091,089	$11,313,854	$ 12,881,410
Facilities Reserve Charges[1]	1,549,332	1,638,677	2,233,902	1,726,394	5,411,820
Interest Earnings	26,619	15,279	235,712	247,017	45,871
Other Revenues[2]	164,568	174,630	368,614	344,228	876,848
Total Gross Revenues	$9,746,172	$11,086,360	$12,929,317	$13,631,493	$19,215,949
Operation and Maintenance Costs					
Water Purchases	$3,151,450	$3,336,567	$3,729,316	$4,273,351	$5,330,564
Water Treatment	1,126,547	1,238,463	1,298,630	1,358,964	1,805,073
Maintenance	242,597	304,600	305,681	350,116	562,117
Transmission, Distribution & Pumping	1,559,763	1,867,430	1,904,747	1,901,174	2,075,142
Customer Accounts	653,642	802,935	874,288	823,675	1,022,460
Administration & General	939,330	1,294,569	1,453,083	1,736,652	1,951,717
Total Operation and Maintenance Costs	$7,673,329	$8,844,564	$9,565,745	$10,443,932	$12,747,073
Net Revenues	$2,072,843	$2,241,796	$3,363,572	$3,187,561	$6,468,876
District Senior Debt Service					
2010 Certificates	$281,919	$281,919	$281,719	$70,659	$ --
2013 Certificates	623,203	619,203	615,103	610,903	616,603
2019 Certificates	--	--	--	--	707,444
Total Debt Service	$905,121	$901,121	$896,822	$681,562	$1,324,047
Senior Debt Service Coverage	2.29x	2.49x	3.75x	4.68x	4.89x
Net Revenues After Senior Debt Service	$1,167,722	$1,340,675	$2,466,750	$2,505,999	$5,144,829
District Subordinate Debt Service					
2014 Installment Payments	$185,030	$185,030	$185,030	$ --	$ --
Total Senior & Subordinate Debt Service	$1,090,151	$1,086,151	$1,081,852	$681,562	$1,324,047
Total Senior & Subordinate Debt Service Coverage	1.90x	2.06x	3.11x	4.68x	4.89x
Non-Operating Expenses					
CCWA Debt Service[3]	$1,338,998	$1,341,075	$1,316,722	$1,344,048	$463,144[4]
Net Revenues After Non-Operating Expenses	($356,306)	($185,430)	$964,998	$1,161,951	$4,681,685

(1) Increase in Fiscal Year 2020-21 is due to an increase in connection fees from new customers connecting to the Water System primarily as result of new development on Bethel Island. See "THE WATER SYSTEM – Connection Fees."
(2) Includes admin & inspection fees, Brentwood overlap fees, labor, overhead & vehicle reimbursements, rental income, and other miscellaneous revenues.
(3) Represents District contributions to CCWA required under the JPA Agreement for payment of debt service on the CCWA 2012 Bonds. See "THE DISTRICT – Joint Power Authorities."
(4) The District's total obligation for fiscal year 2020-21 on the CCWA 2012 Bonds was $1,342,211 which was offset by the reserve balance of ($864,020) as well as the interest earned ($15,047) on the reserve balance. The District's final payment obligation was $463,144.

Source: Diablo Water District.

Projected Debt Service Coverage

The following table shows the calculation of the debt service coverage ratios estimated for Fiscal Years 2021-22 through 2025-26.

Table 11
DIABLO WATER DISTRICT
Projected Debt Service Coverage
Fiscal Years Ended June 30, 2022 through June 30, 2026

	2021-22	2022-23	2023-24	2024-25	2025-26
Gross Revenues					
Water Service Charges & Sales	$13,287,769	$14,875,226	$15,657,251	$16,490,636	$17,448,042
Facilities Reserve Charges[(1)]	4,040,720	2,506,376	2,294,727	2,363,569	2,434,476
Interest Earnings	47,491	41,125	41,289	42,727	43,000
Other Revenues[(2)]	986,987	1,016,596	1,047,094	1,078,507	1,110,862
Total Gross Revenues	$18,362,967	$18,439,324	$19,040,360	$19,975,439	$21,036,380
Operation and Maintenance Costs					
Water Purchases	$4,789,665	$4,578,779	$4,908,048	$5,241,252	$5,607,255
Water Treatment	1,886,016	1,705,696	1,756,867	1,809,573	1,863,861
Maintenance	652,650	392,833	458,884	428,663	612,048
Transmission, Distribution & Pumping	2,017,667	2,427,252	2,050,421	2,899,020	2,936,702
Customer Accounts	1,008,653	1,119,578	1,175,380	1,231,553	1,290,027
Administration & General	2,711,103	3,399,605	3,543,928	3,786,848	3,966,168
Total Operation and Maintenance Costs	$13,065,754	$13,623,744	$13,893,529	$15,396,908	$16,276,061
Net Revenues (a)	$5,297,213	$4,815,580	$5,146,832	$4,578,530	$4,760,319
District Debt Service					
2013 Certificates	$515,803	$ --	$ --	$ --	$ --
2019 Certificates	711,800	706,200	715,200	708,200	705,800
2022 Certificates*	--	769,067	892,000	886,600	890,600
2024 Certificates[(3)]	--	--	153,058	153,058	153,058
Total Debt Service (b)*	$1,227,603	$1,475,267	$1,760,258	$1,747,858	$1,749,458
Debt Service Coverage (c) = (a)/(b)*	**4.32x**	**3.26x**	**2.92x**	**2.62x**	**2.72x**
Net Revenues After Debt Service*	**$4,069,610**	**$3,340,313**	**$3,386,574**	**$2,830,673**	**$3,010,861**
ASSUMPTIONS					
Increase in Rate Revenue [(4)]	17.00%	4.00%	4.00%	4.00%	4.00%
Gallons per Connection per Day	390	380	377	375	375
Number of Connections	400	225	200	200	200
Interest Rate Earned on Investments	1.00%	1.00%	1.00%	1.00%	1.00%
CCWD Estimated Annual Increase	6.25%	6.00%	5.75%	5.25%	5.25%
Inflation	3.00%	3.00%	3.00%	3.00%	3.00%

(1) Based on total projected number of connections for applicable Fiscal Year. See "THE WATER SYSTEM – Connection Fees."
(2) Includes admin & inspection fees, Brentwood overlap fees, labor, overhead & vehicle reimbursements, rental income, and other miscellaneous revenues.
(3) Represents certificates of participation to finance capital improvements projected in the estimated amount of $3 million, with an assumed fixed rate of interest of 3%, delivered in Fiscal Year 2023-24.
(4) Based on approved rates under the Current Rate Plan and assumes no changes thereof by the Board. See "THE WATER SYSTEM – Current Water Rates."

* Preliminary; subject to change.

Source: Diablo Water District.

RISK FACTORS

The following information should be considered by prospective investors in evaluating the Certificates. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the Certificates. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

The purchase of the Certificates involves investment risk. If a risk factor materializes to a sufficient degree, it could delay or prevent payment of principal of and interest on the Certificates. Such risk factors include, but are not limited to, the following matters and should be considered, along with other information in this Official Statement, by potential investors.

Demand and Usage

There can be no assurance that the local demand for services provided by the Water System will continue according to historical levels. In addition, in recent years, the State of California experienced a significant drought that resulted in severe impacts to California's water supplies and its ability to meet all the demands for water in the State. The District cannot predict if and when drought conditions may return or what effect drought conditions and any voluntary or mandatory conservation measures may have on the revenues of the Water System.

Expenses

There can be no assurance that the District's Operation and Maintenance Costs and capital expenses, including those payment obligations arising as a result of the District's participation in any joint powers authorities, including CCWA, or its shared ownership or capacity rights in facilities owned by other local agencies, will be consistent with the levels described in this Official Statement, including the Randall-Bold WTP. Changes in technology, increases in the cost of energy or other expenses and increased regulatory requirements would reduce Net Revenues, and could require substantial increases in rates or charges to comply with the rate covenant. Such rate increases could increase the likelihood of nonpayment and could also decrease demand.

Public Health Emergencies

In recent years, public health authorities have warned of threats posed by outbreaks of disease and other public health threats. On February 11, 2020, the WHO announced the official name for the outbreak of COVID-19, an upper respiratory tract illness. COVID-19 has since spread across the globe. The spread of COVID-19 is having significant adverse health and financial impacts throughout the world, including the County. The WHO has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the Governor of the State and the President of the United States.

The COVID-19 outbreak is ongoing, and its duration and severity and its economic effects are uncertain in many respects. Uncertain too are the additional actions, if any, that may be taken by federal and State governmental authorities to contain or mitigate the effects of the outbreak. The ultimate impact of COVID-19 on the District's operations and finances and the economy, real estate market and development within the District's service area is not fully known, and it may be some time before the full adverse impact of the COVID-19 outbreak is known. Further, there could

be future COVID-19 outbreaks or other public health emergencies that could have material adverse effects on the District's operations and finances.

Parity Obligations

Although the District has covenanted not to issue additional obligations payable from Net Revenues that are senior to the Loan Repayments and the Installment Payments, the Loan and Installment Sale Agreement permits the issuance by the District of certain indebtedness which may have a lien upon the Net Revenues which is on a parity basis to the lien which secures the Loan Repayments and the Installment Payments and the 2019 Loan Repayments and the 2019 Installment Payments subject to the satisfaction of certain conditions including a coverage test.

The coverage test involves, to some extent, projections of Net Revenues. If such indebtedness is issued, the debt service coverage for the Loan Repayments and the Installment Payments will be diluted below what it otherwise would be. Moreover, there is no assurance that the assumptions that form the basis of such projections, if any, will be actually realized subsequent to the date of such projections. If such assumptions are not realized, the amount of future Net Revenues may be less than projected, and the actual amount of Net Revenues may be insufficient to provide for the payment of the Loan Repayments, the Installment Payments and such additional indebtedness.

See "SECURITY FOR THE CERTIFICATES – Existing Parity Debt; Limitations on Future Debt" in this Official Statement.

Threat to Water Supply

Deliveries of imported supplies to the District are dependent on an extensive network of facilities used to acquire, treat, pump, store, and convey imported supplies to the District. Water systems are vulnerable to seismic events (as well as other unplanned facility failures and catastrophes) that could result in varying degrees of water supply disruptions for periods of days, weeks, or months. Given the presence of several major earthquake fault lines in proximity to the District facilities, earthquakes have a high potential for resulting in an infrastructure outage that could disrupt service to and within the District. System reliability disruptions for the District can be caused by outages of key water facilities.

Supply reliability disruptions can be caused by droughts, environmental regulations resulting in restrictions in water exports from the CVP, seismic risks to levees in the Sacramento-San Joaquin River Delta that protect it from seawater intrusion, and long-term climate variability. Of the many factors affecting supply reliability, the factor with the greatest degree of variability and with the largest impact on supplies is climate variability and associated effects on hydrology. Climate variability adds a layer of uncertainty in estimating the future availability of imported water. While different climate change models show differing effects, potential changes could include more precipitation falling in the form of rain rather than snow and earlier snowmelt. Earlier snowmelt would result in more runoff occurring in the winter rather than spread out over winter and spring, which in turns impacts supply availability during late spring and summer. The District cannot provide any assurance that such supplies to the District will be sufficient to meet demand in the future.

Natural Disasters

The District, like all northern California communities, is subject to unpredictable seismic activity, fires or floods. If there were a severe seismic, flood or fire event in the District, there could be substantial damage to and interference with the District, the Water System and its customers, which could affect the District's ability to pay the Loan Repayments and the Installment Payments.

In recent years, wildfires have caused extensive damage throughout the State. Certain of these fires have burned thousands of acres and destroyed hundreds and in some cases thousands of homes. In some instances, entire neighborhoods have been destroyed. Several fires which occurred in 2017 damaged or destroyed property in areas that were not previously considered to be at risk from such events. In November 2018, the Camp Fire occurred in Butte County, California. The Camp Fire is the deadliest and most destructive wildfire in the recorded history of the State burning more than 150,000 acres and destroying more than 11,500 structures, including most of the structures in the City of Paradise, California. Several wildfires in recent years are believed to have been caused by power distribution and transmission lines coming into contact with dry trees and other vegetation during extreme weather events (such as high winds) and malfunctions in electric equipment. See "– Public Safety Power Shutoffs" below. Some commentators believe that climate change will lead to even more frequent and damaging wildfires in the future. If wildfires were to substantially damage or destroy the District's water pipeline systems, the District's ability to pay the Loan Repayments and the Installment Payments could be affected.

Climate Change

The State has historically been susceptible to wildfires and hydrologic variability. As greenhouse gas emissions continue to accumulate in the atmosphere as a result of economic activity, climate change is expected to intensify, increasing the frequency, severity and timing of extreme weather events such as coastal storm surges, drought, wildfires, floods and heat waves, and raising sea levels.

The District's primary source of water is, and historically has been, surface water purchased from CCWD. CCWD relies on surface water diversions from the Delta to meet customer demands. CCWD's annual water allocation from the CVP depends on snowpack in, and runoff from, the Sierra Nevada Mountains and Cascades. Under climate change projections where the climate is hotter and drier, the CVP is able to meet fewer of its contract demands, resulting in water supply shortages of greater frequency and significance than currently experienced.

The future fiscal impact of climate change on the District is difficult to predict, but it could be significant, and it could have a material adverse effect on the District's finances by requiring greater expenditures to counteract the effects of climate change, by changing the business and activities of the District's customers or by increasing the cost or decreasing the availability of water supplies from CCWD. See "THE WATER SYSTEM – Drought and Response."

Insurance

The Loan and Installment Sale Agreement obligates the District to obtain and keep in force various forms of insurance or self-insurance, subject to deductibles, for repair or replacement of a portion of the Water System in the event of damage or destruction to such portion of the Water

System. No assurance can be given as to the adequacy of any such self-insurance or any additional insurance to fund necessary repair or replacement of any other portion of the Water System. Significant damage to the Water System could cause the District to be unable to generate sufficient Net Revenues to pay principal of and interest on the Certificates.

See "APPENDIX A – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2021, NOTES TO BASIC FINANCIAL STATEMENTS, Note 13, Risk Management" for further information.

Articles XIIIC and XIIID of the California Constitution

General. On November 5, 1996, California voters approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the State Constitution, which affect the ability of local governments to levy and collect both existing and future taxes, assessments, and property-related fees and charges. Proposition 218, which generally became effective on November 6, 1996, changed, among other things, the procedure for the imposition of any new or increased property-related "fee" or "charge," which is defined as "any levy other than an ad valorem tax, a special tax or an assessment, imposed by a (local government) upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service" (and referred to in this section as a "property-related fee or charge").

On November 2, 2010, California voters approved Proposition 26, the so-called "Supermajority Vote to Pass New Taxes and Fees Act". Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as "fees." Proposition 26 amended Articles XIIIA and XIIIC of the State Constitution. The amendments to Article XIIIA limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. Proposition 26's amendments to Article XIIIC broadly define "tax," but specifically exclude, among other things:

> "(1) A charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.
> (2) A charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product.
> …
> (6) A charge imposed as a condition of property development.
> (7) Assessments and property-related fees imposed in accordance with the provisions of Article XIII D."

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

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

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

Moreover, Article II, section 9, subdivision (a) states, "[t]he referendum is the power of the electors to approve or reject statutes or parts of statutes except urgency statutes, statutes calling elections, and statutes providing for tax levies or appropriations for usual current expenses of the State." In *Wilde v. City of Dunsmuir*, involving a plaintiff that sought to challenge the City of Dunsmuir's water rate master plan, the Court of Appeal of California, Third Appellate District, held that Proposition 218 does not curtail the voters' referendum powers under Article II to challenge local resolutions and ordinances. In addition, the Court rejected the City's allegation that its rate schedule was not subject to referendum under the "essential government service exception" to the voter's referendum power. In general, referendum that would preclude the functioning of essential government services is not permissible. *Hunt v. Mayor and Council of City of Riverside (1948) 31 Cal.2d 619, 628-29*. But the Court held that the City of Dunsmuir's water rate schedule did not affect the functioning of essential government services.

Judicial Interpretation of Article XIIID. After Proposition 218 was enacted in 1996, appellate court cases and an Attorney General opinion initially indicated that fees and charges levied for water services would not be considered property-related fees and charges, and thus not subject to the requirements of Article XIIID regarding notice, hearing and protests in connection with any increase in the fees and charges being imposed. However, three subsequent cases have held that certain types of water charges could be subject to the requirements of Article XIIID under certain circumstances.

In *Richmond v. Shasta Community Services District* (9 Cal. Rptr. 3rd 121), the California Supreme Court addressed the applicability of the notice, hearing and protest provisions of Article XIIID to certain charges related to water service. In *Richmond*, the Court held that connection charges are not subject to Proposition 218. The Court also indicated in dictum that a fee for ongoing water service through an existing connection could, under certain circumstances, constitute a property-related fee and charge, with the result that a local government imposing such a fee and charge must comply with the notice, hearing and protest requirements of Article XIIID.

In *Howard Jarvis Taxpayers Association v. City of Fresno* (March 23, 2005), the California Court of Appeal, Fifth District, concluded that water, wastewater and trash fees are property-related fees subject to Proposition 218 and a municipality must comply with Article XIIID before imposing or increasing such fees. The California Supreme Court denied the City of Fresno's petition for review of the Court of Appeal's decision on June 15, 2005.

In July 2006 the California Supreme Court, in *Bighorn-Desert View Water Agency v. Verjil* (S127535, July 24, 2006), addressed the validity of a local voter initiative measure that would have (a) reduced a water agency's rates for water consumption (and other water charges), and (b) required the water agency to obtain voter approval before increasing any existing water rate, fee, or charge, or imposing any new water rate, fee, or charge. The court adopted the position indicated by its statement in *Richmond* that a public water agency's charges for ongoing water delivery are "fees and charges" within the meaning of Article XIIID, and went on to hold that charges for ongoing water delivery are also "fees" within the meaning of Article XIIIC's mandate that the initiative power of the electorate cannot be prohibited or limited in matters of reducing or repealing any local tax, assessment, fee or charge. Therefore, the court held, Article XIIIC authorizes local voters to adopt an initiative measure that would reduce or repeal a public agency's water rates and other water delivery charges. (However, the court ultimately ruled in favor of the water agency and held that the entire initiative measure was invalid on the grounds that the second part of the initiative measure, which would have subjected future water rate increases to prior voter approval, was not supported by Article XIIIC and was therefore invalid.)

The court in *Bighorn* specifically noted that it was not holding that the initiative power is free of all limitations; the court stated that it was *not* determining whether the electorate's initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay for operating expenses, provide for repairs and depreciation of works, provide a reasonable surplus for improvements, extensions, and enlargements, pay the interest on any bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due.

Compliance by the District with Article XIIIC and Article XIIID. The District believes its water service charges do not constitute a "tax" under Article XIIIC. The District believes its connection fee is not a "tax" as defined by Proposition 26 because it is a charge to a landowner that is imposed (typically as a condition of property development) for a specific service and does not exceed the reasonable costs of conferring the service.

The District will continue to comply with the provisions of Articles XIIIC and XIIID and implementing legislation in connection with future rate increases, as such requirements may be interpreted by state courts.

Conclusion. It is not possible to predict how courts will further interpret Article XIIIC and Article XIIID in future judicial decisions, and what, if any, further implementing legislation will be enacted.

Under the *Bighorn and Wilde v. City of Dunsmuir* cases, local voters could adopt an initiative or referendum measure that reduces or repeals the District's rates and charges, although it is not clear whether (and California courts have not decided whether) any such reduction or repeal by initiative would be enforceable in a situation in which such rates and charges are pledged to the repayment of bonds or other indebtedness.

There can be no assurance that the courts will not further interpret, or the voters will not amend, Article XIIIC and Article XIIID to limit the ability of local agencies to impose, levy, charge and collect increased fees and charges for utility service, or to call into question previously adopted utility rate increases.

San Juan Capistrano Litigation. In August 2013, an Orange County Superior Court judge ruled that the tiered pricing model of San Juan Capistrano, which charges higher rates to

customers who use more water, violates Proposition 218. The City appealed the decision, to the 4th District Court of Appeal, which published its decision on April 20, 2015. The court's decision found that the City's tiered rates were not sufficiently cost justified, but that the Constitution does allow for tiered rates. A rehearing petition was filed with the court on May 6, 2015. The 4th District Court of Appeal subsequently modified its unpublished opinion on May 19, 2015, without change in the judgment. In July 2015, the California Supreme Court denied a request to depublish the case. The District believes that its rate structure is distinguishable from the structure deemed unconstitutional in San Juan Capistrano and is consistent with Proposition 218 and the Constitution because the District's tiered rates correlate with the actual costs for the various tiers.

Limited Recourse on Default

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

Limitations on Remedies Available; Bankruptcy

The enforceability of the rights and remedies of the Owners and the obligations of the District may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; equitable principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercising of powers by the federal or State government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

Limited Obligation

The District's obligation to make Loan Repayments and Installment Payments is a special obligation of the District payable solely from Net Revenues and other funds provided for in the Loan and Installment Sale Agreement. The District has not agreed to levy any form of taxation to pay the Loan Repayments or the Installment Payments.

Loss of Tax-Exemption

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

Secondary Market for Certificates

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

No assurance can be given that the market price for the Certificates will not be affected by the introduction or enactment of any future legislation, or changes in interpretation of existing law.

Cyber Security

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

In addition, the District has an adopted cyber security regulation and is in full accordance with the America Water Infrastructure Act ("**AWIA**") that was signed into law by Congress on October 23, 2018. Section 2013 of Title II of AWIA requires utilities to update their risk assessments and emergency response plans. AWIA specifies the component risk assessments and response plans must address, and establishes deadlines by which the District must certify to the Environmental Protection Agency completion of these tasks. The District is actively maintaining compliance with AWIA and is on track to meet all requirements, including cyber risk requirements, laid out in the new legislation. By partnering with local and regional public agencies in a joint effort, the District is taking a comprehensive approach to compliance. The joint effort has the added advantage of strengthening relationships with local, regional, and federal agencies to help bolster cyber response coordination.

Change in Law

In addition to the other limitations described in this Official Statement, the California electorate or Legislature could adopt a constitutional or legislative property tax decrease or an initiative with the effect of reducing revenues payable to or collected by the District. There is no assurance that the California electorate or Legislature will not at some future time approve additional limitations that could have the effect of reducing the Net Revenues and adversely affecting the security of the Certificates.

Rate Covenant Not a Guarantee

The Installment Payments are payable from Net Revenues of the Water System. See the caption "SECURITY FOR THE CERTIFICATES." The District's ability to pay the Installment Payments and Loan Repayments depends on its ability to generate Net Revenues at the levels required by the Loan and Installment Sale Agreement. Although the District has covenanted in the Loan and Installment Sale Agreement to impose rates and charges as more particularly described under the caption "SECURITY FOR THE CERTIFICATES – Rate Covenants," and although the District expects that sufficient Net Revenues will be generated through the imposition and collection of such rates and charges, there is no assurance that the imposition and collection of such rates and charges will result in the generation of Net Revenues in amounts that are sufficient to pay the Installment Payments and Loan Repayments. Among other matters, the availability of and demand for water and changes in law and government regulations could adversely affect the amount of Net Revenues realized by the District. The failure to generate sufficient Net Revenues to pay the Installment Payments and Loan Repayments does not constitute a default or Event of Default under the Loan and Installment Sale Agreement or the Trust Agreement, provided that the District has set rates and charges at levels that it reasonably expects will generate sufficient Net Revenues at the beginning of each Fiscal Year.

CONTINUING DISCLOSURE

The District has covenanted in its continuing disclosure certificate for the benefit of the holders and beneficial owners of the Certificates to provide certain financial information and other operating data on an annual basis no later than the date that is nine months after the end of the District's fiscal year (currently April 1 based on the District's fiscal year end of June 30), commencing on April 1, 2023, and to provide notice of certain enumerated events as required by the Rule. The specific nature of the information to be contained in the annual report or the notices of enumerated events is summarized under the caption "APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made to assist the Underwriter in complying with the Rule.

In the past five years, the District has not failed to comply in all material respects with its undertakings under the Rule, except that the District filed the annual report and its audited financial statements for Fiscal Year 2019-20 on EMMA 14 days after the deadline set forth in its continuing disclosure undertaking for the 2019 Certificates.

The District has adopted continuing disclosure policies and procedures to ensure that it will comply with all material provisions of its continuing disclosure undertakings in the future.

Any failure by the District to comply with the provisions of its Continuing Disclosure Certificate will not constitute a default under the Trust Agreement (although Certificate Owners will have any remedy available at law or in equity as provided in the Continuing Disclosure Certificate). Nevertheless, such a failure to comply must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Certificates in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Certificates.

RATINGS

S&P has assigned its municipal bond rating of "__" to the Certificates based on the understanding that the Certificate Insurer will deliver the Bond Insurance Policy concurrently with the execution and delivery of the Certificates. S&P has also assigned the Certificates an underlying rating of "__." Future events, including the impacts of the COVID-19 pandemic on the District, could have an adverse impact on the rating of the Certificates, and there is no assurance that any credit rating that is given to the Certificates will be maintained for any period of time or that a rating may not be qualified, downgraded, lowered or withdrawn entirely by S&P, if, in its judgment circumstances so warrant, nor can there be any assurance that the criteria required to achieve the ratings on the Certificates will not change during the period that the Certificates remain outstanding.

Any qualification, downward revision, lowering or withdrawal of the ratings on the Certificates may have an adverse effect on the market price of the Certificates. These ratings reflect only the views of S&P, and an explanation of the significance of the ratings, and any outlook assigned to or associated with these ratings, should be obtained from the respective rating agency. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The District has provided certain additional information and materials to S&P and Fitch (some of which does not appear in this Official Statement).

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

The District has covenanted in the Continuing Disclosure Certificate to file notices of any rating changes on the Certificates with EMMA. See the caption "CONTINUING DISCLOSURE" and Appendix E. Notwithstanding such covenant, information relating to rating changes on the Certificates may be publicly available from the rating agencies prior to such information being provided to the District and prior to the date by which the District is obligated to file a notice of rating change. Purchasers of the Certificates are directed to S&P and its website and official media outlets, for the most current ratings with respect to the Certificates after their initial execution and delivery. No information on such websites or outlets are incorporated herein by reference.

TAX MATTERS

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

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

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

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

Under the Tax Code, bond premium is amortized on an annual basis over the term of the Certificate (said term being the shorter of the Certificate's maturity date or its call date). The amount of bond premium amortized each year reduces the adjusted basis of the owner of the Certificate for purposes of determining taxable gain or loss upon disposition. The amount of bond premium on a Certificate is amortized each year over the term to maturity of the Certificate on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Certificate premium is not deductible for federal income tax purposes. Owners of premium Certificates, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Certificates.

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

Other Tax Considerations. Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest with respect to the Certificates

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

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

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

CERTAIN LEGAL MATTERS

Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, will render an opinion substantially in the form of APPENDIX D hereto with respect to the validity of the Certificates. Special Counsel undertakes no responsibility for the accuracy, completeness or fairness of the Official Statement. Jones Hall, A Professional Law Corporation, is also serving as Disclosure Counsel to the District. Certain matters will also be passed upon for the District by Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Sacramento, California, as General Counsel to the District. Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, is serving as counsel to the Underwriter. *Payment of the fees and expenses of Special Counsel, Disclosure Counsel and Underwriter's counsel is contingent upon execution and delivery of the Certificates*.

UNDERWRITING

Oppenheimer & Co. Inc., the underwriter of the Certificates (the "**Underwriter**"), has agreed to purchase the Certificates from the Corporation at a purchase price of $_____ (being an amount equal to the principal amount of the Certificates ($_____), [plus/less] an original issue [premium/discount] of $_____, less an underwriter's discount of $_____).

The purchase contract under which the Underwriter is purchasing the Certificates provides that the Underwriter will purchase all the Certificates if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in the purchase contract.

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

MUNICIPAL ADVISOR

The District has retained Urban Futures, Inc., Daly City, California, as its Municipal Advisor (the "**Municipal Advisor**") in connection with the authorization and delivery of the Certificates. The payment of the Municipal Advisor's fees for services rendered with respect to the sale of the Certificates is contingent upon the authorization and delivery of the Certificates. The Municipal Advisor assumes no responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

MISCELLANEOUS

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

DIABLO WATER DISTRICT

By: _____
Daniel Muelrath,
General Manager

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2021

APPENDIX B

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX C

ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF OAKLEY

*The following information is included only for the purpose of supplying general information regarding the service area of the District. The Certificates are not an obligation of the City of Oakley (the "**City**"), Contra Costa County (the "**County**"), the State of California (the "**State**") or any of its political subdivisions (other than the District to the limited extent set forth in this Official Statement), and neither the County, the State nor any of its political subdivisions (other than the District to the limited extent set forth in this Official Statement) is liable therefor.*

General Description and Background

The District is located in the northeastern corner of the County, about 50 miles northeast of San Francisco. The District provides water service over an area totaling approximately 21 square miles. The District's service area includes 11,600 acres in and around the City of Oakley. An additional 4,400 adjacent acres lie within the District's sphere of influence and are planned to be served by the District when developed. The District's sphere of influence includes the City of Oakley, the small community of Knightsen, portions of the City of Antioch and a portion of Bethel Island, as well as several thousand acres of reclaimed land surrounded by levees including Hotchkiss Tract, and Veale Tract.

The City. The City is situated in the eastern portion of the County, along the shore of the Sacramento-San Joaquin Delta, near the cities of Pittsburg, Antioch, and Brentwood. Close to the junction of Highways 4 and 160, with access to San Francisco, the Silicon Valley, and the state capital at Sacramento, the City is equidistant from both San Francisco and Sacramento at 55 miles.

The County. Situated northeast of San Francisco, the County is bounded by San Francisco and San Pablo Bays, the Sacramento River Delta, and by Alameda County on the south. Ranges of hills effectively divide the County into three distinct regions. The western portion, with its access to water, contains much of the County's heavy industry. The central section is developing from a suburban area into a major commercial and financial headquarters center. The eastern part is also undergoing substantial change, from a rural, agricultural area, to a suburban region. The County has extensive and varied transportation facilities-ports accessible to ocean-going vessels, railroads, freeways, and rapid transit lines connecting the area with Alameda County and San Francisco.

Population

The following table lists population figures for the City, the County and the State for the last five calendar years.

CITY OF OAKLEY, CONTRA COSTA COUNTY AND STATE OF CALIFORNIA
Population Estimates
Calendar Years 2017 Through 2021

Year	City of Oakley	Contra Costa County	State of California
2017	40,424	1,137,577	39,352,398
2018	41,124	1,143,188	39,519,535
2019	41,775	1,147,623	39,605,361
2020	42,268	1,149,853	39,648,938
2021	42,895	1,153,854	39,466,855

Source: California Department of Finance for January 1.

Commercial Activity

Total taxable sales for the first two quarters of calendar year 2021 in the City were reported to be $100,606,325, an 35.69% increase over the total taxable sales of $74,145,116 reported for the first two quarters of calendar year 2020. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the City is presented in the following table for the years 2016 through 2020. Retailers that operate part-time are now tabulated with retail stores.

CITY OF OAKLEY
Taxable Retail Sales
Number of Permits and Valuation of
Taxable Transactions (shown in thousands of dollars)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2016	300	$117,560	468	$139,456
2017	307	127,273	479	149,116
2018	343	137,228	526	170,800
2019	358	134,941	565	159,209
2020	363	105,443	583	151,264

Source: State Department of Tax and Fee Administration.

Total taxable sales for the first two quarters of calendar year 2021 in the County were reported to be $9,994,118,630, a 24.05% increase over the total taxable sales of $8,056,802,040 reported for the first two quarters of calendar year 2020. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the County is presented in the following table for the years 2016 through 2020.

CONTRA COSTA COUNTY
Taxable Retail Sales
Number of Permits and Valuation of
Taxable Transactions
($000's)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2016	14,920	$11,746,808	24,064	$15,924,592
2017	14,945	12,302,863	24,114	16,558,840
2018	15,095	13,163,891	25,317	17,608,890
2019	15,337	13,301,946	26,201	18,048,985
2020	15,832	13,037,715	27,445	17,907,507

Source: State Department of Tax and Fee Administration.

Employment and Industry

The unemployment rate in the Oakland-Hayward-Berkeley Metropolitan Division was 4.4 percent in November 2021, down from a revised 5.1 percent in October 2021, and below the year-ago estimate of 6.9 percent. This compares with an unadjusted unemployment rate of 5.4 percent for California and 3.9 percent for the nation during the same period. The unemployment rate was 4.6 in the County. The table below shows average annual employment by industry group, and the unemployment rate, for the years 2016 to 2020.

OAKLAND-HAYWARD-BERKELEY METROPOLITAN DIVISION
(Contra Costa County)
Civilian Labor Force, Employment and Unemployment
(Annual Averages-March 2020 benchmark)

	2016	2017	2018	2019	2020
Civilian Labor Force[1]	1,385,000	1,396,900	1,401,800	1,400,800	1,355,100
Employment	1,324,400	1,344,300	1,357,900	1,358,000	1,235,600
Unemployment	60,600	52,600	43,900	42,800	119,400
Unemployment Rate	4.4%	3.8%	3.1%	3.1%	8.8%
Wage and Salary Employment: [2]					
Agriculture	1,300	1,400	1,300	1,400	1,500
Mining, Logging and Construction	68,200	71,400	75,100	75,700	70,600
Manufacturing	91,300	95,700	100,600	101,000	98,200
Wholesale Trade	48,100	48,700	47,500	45,400	42,000
Retail Trade	113,400	114,400	114,400	111,700	100,500
Transportation, Warehousing and Utilities	39,700	41,300	42,300	43,700	45,100
Information	38,900	38,900	37,500	37,200	36,000
Finance and Insurance	16,900	17,400	17,800	18,100	16,700
Real Estate and Rental and Leasing	181,100	184,500	189,500	193,200	184,600
Professional and Business Services	185,900	191,500	194,300	198,400	189,800
Educational and Health Services	111,700	114,900	117,700	121,000	84,100
Leisure and Hospitality	39,100	40,200	41,000	41,200	32,900
Other Services	13,900	13,800	13,400	13,400	14,100
Federal Government	39,700	39,300	39,400	39,600	38,000
State Government	119,800	121,500	121,800	121,800	113,800
Local Government	1,300	1,400	1,300	1,400	1,500
Total, All Industries [3]	1,135,400	1,161,800	1,181,300	1,190,400	1,093,700

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Totals may not add due to rounding.
Source: State of California Employment Development Department.

The table below shows the average annual the unemployment rate for the City, the County and the State for calendar years 2017 through 2021.

CITY OF OAKLEY, CONTRA COSTA COUNTY AND STATE OF CALIFORNIA
Unemployment Rate Estimates
Calendar Years 2017 Through 2021

City of Oakley	2017	2018	2019	2020	2021
Unemployment	800	700	700	1,000	1,000
Unemployment Rate	4.2%	3.6%	3.6%	5.4%	5.3%

Contra Costa County	2017	2018	2019	2020	2021
Unemployment	21,400	18,100	17,300	24,800	22,900
Unemployment Rate	3.8%	3.2%	3.1%	4.6%	4.2%

State of California	2017	2018	2019	2020	2021
Unemployment	927,000	815,500	803,200	1,040,500	960,400
Unemployment Rate	4.8%	4.3%	4.2%	5.4%	5.0%

Source: California State Employment Development Department Labor Market Information Division.

Major Employers

The following table lists the principal employers in the City for the fiscal year ended June 30, 2021.

CITY OF OAKLEY
Principal Employers
Fiscal Year Ended June, 30, 2021

Rank	Employer	Number of Employees	Percent of Total City's Employment
1	Oakley Union Elementary School	568	22.4%
2	Lucky's	74	2.9
2	Diamond Hills Sports Club and Spa	61	2.4
3	Starbucks Coffee Store #9330	59	2.3
4	McDonalds	51	2.0
5	Raley's	44	1.7
6	Round Table Development Co.	43	1.7
7	Dutch Bros Coffee	38	1.5
8	Taco Bell	36	1.4
9	Starbucks Coffee Store #22433	36	1.4
10	Foundation Constructors	32	1.3

Source: City of Oakley.

The following table lists the principal employers in the County, listed alphabetically, as of December 2021.

CONTRA COSTA COUNTY
Principal Employers
December 2021

Employer Name	Location	Industry
Bart	Richmond	Transit Lines
Bio-Rad Laboratories Inc	Hercules	Physicians & Surgeons Equip & Supls-Mfrs
Broadspectrum Americas	Richmond	Oil Refiners (mfrs)
C & H Sugar Co Inc	Crockett	Sugar Refiners (mfrs)
Chevron Corp	San Ramon	Oil Refiners (mfrs)
Chevron Research & Technology	San Ramon	Service Stations-Gasoline & Oil
Chevron Richmond Refinery	Richmond	Oil Refiners (mfrs)
Contra Costa Regional Med Ctr	Martinez	Hospitals
John Muir Health Concord Med	Concord	Hospitals
Kaiser Permanente Antioch Med	Antioch	Hospitals
Kaiser Permanente Martinez Med	Martinez	Clinics
Kaiser Permanente Walnut Creek	Walnut Creek	Hospitals
La Raza Market	Richmond	Grocers-Retail
Longs Drug Store	Walnut Creek	Drug Millers (mfrs)
Los Medanos College	Pittsburg	Junior-Community College-Tech Institutes
Martinez Arts Outpatient Clnc	Martinez	Surgical Centers
Nordstrom	Walnut Creek	Department Stores
Oakley Union School District	Oakley	School Districts
Robert Half Intl	San Ramon	Employment Agencies & Opportunities
San Ramon Regional Medical Ctr	San Ramon	Hospitals
Santa Fe Pacific Pipe Lines	Richmond	Pipe Line Companies
Shell Oil Prod US Martinez	Martinez	Oil & Gas Producers
Sutter Delta Medical Ctr	Antioch	Hospitals
US Veterans Medical Ctr	Martinez	Outpatient Services
Uss Posco Industries	Pittsburg	Steel Mills (mfrs)

Source: State of California Employment Development Department, compiled from America's Labor Market Information System (ALMIS) Employer Database, 2022 1st Edition.

Construction Activity

The following table shows a five-year summary of the valuation of building permits issued in the City.

CITY OF OAKLEY
Building Permit Valuation
(Valuation in Thousands of Dollars)

	2016	2017	2018	2019	2020
Permit Valuation					
New Single-family	$85,091.6	$51,183.7	$60,005.9	$63,841.0	$89,780.1
New Multi-family	0.0	8,111.8	0.0	0.0	21,867.5
Res. Alterations/Additions	1,375.8	1,863.3	2,289.5	1,295.7	1,112.0
Total Residential	86,467.4	61,158.8	62,295.4	65,136.7	112,759.6
New Commercial	3,669.4	3,688.0	5,987.9	1,285.5	27,473.9
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	3,125.6	4,467.5	3,831.2	3,196.2	8,594.6
Com. Alterations/Additions	761.0	1,065.5	2,630.9	273.6	390.0
Total Nonresidential	7,556.0	9,221.0	12,450.0	4,755.3	36,458.5
New Dwelling Units					
Single Family	298	175	191	231	341
Multiple Family	0	75	0	0	260
TOTAL	298	250	191	231	601

Source: Construction Industry Research Board, Building Permit Summary.

The following table shows a five-year summary of the valuation of building permits issued in the County.

CONTRA COSTA COUNTY
Building Permit Valuation
(Valuation in Thousands of Dollars)

	2016	2017	2018	2019	2020
Permit Valuation					
New Single-family	$605,151.7	$541,940.5	$576,116.0	$502,567.7	$458,503.6
New Multi-family	155,051.9	55,154.8	169,461.5	213,697.9	203,967.0
Res. Alterations/Additions	312,967.0	354,340.6	337,089.0	300,066.4	213,070.0
Total Residential	1,073,170.6	951,435.9	1,082,666.5	1,016,332.0	875,540.6
New Commercial	144,878.8	133,930.0	200,592.4	148,405.7	175,260.2
New Industrial	11,624.9	3,552.0	52,919.3	2,974.5	50,551.2
New Other	309,861.2	108,530.0	189,246.6	81,032.5	55,865.5
Com. Alterations/Additions	333,717.2	361,757.0	287,139.5	240,543.0	142,395.8
Total Nonresidential	800,082.1	607,769.0	729,897.8	472,955.7	424,072.7
New Dwelling Units					
Single Family	1,853	1,732	1,647	1,573	1,525
Multiple Family	1,043	272	1,161	1,229	1,243
TOTAL	2,896	2,004	2,808	2,802	2,768

Source: Construction Industry Research Board, Building Permit Summary.

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the total effective buying income for the City, the County, the State and the United States for the period 2017 through 2022.

CITY OF OAKLEY, CONTRA COSTA COUNTY,
STATE OF CALIFORNIA & UNITED STATES
Effective Buying Income
2017 through 2022

Year	Area	Total Effective Buying Income (in Thousands)	Median Household Effective Buying Income
2017	City of Oakley	$913,862	$66,618
	Contra Costa County	39,248,375	69,967
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	City of Oakley	$1,022,054	$73,992
	Contra Costa County	42,543,271	74,398
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	City of Oakley	$1,102,038	$75,177
	Contra Costa County	46,121,254	79,603
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	City of Oakley	$1,197,760	$82,093
	Contra Costa County	48,775,464	83,242
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303
2021	City of Oakley	$1,319,133	$87,303
	Contra Costa County	51,959,070	87,804
	California	1,290,894,604	67,956
	United States	9,809,944,764	56,790
2022	City of Oakley	$1,538,277	$101,709
	Contra Costa County	57,555,435	98,409
	California	1,452,426,153	77,058
	United States	11,208,582,541	64,448

Source: The Nielsen Company (US), Inc for years 2017 and 2018; Claritas, LLC for 2019 through 2022.

APPENDIX D

FORM OF SPECIAL COUNSEL OPINION

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$[PAR]
DIABLO WATER DISTRICT
2022 WATER REVENUE CERTIFICATES OF PARTICIPATION
(GREEN BONDS)

This CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the DIABLO WATER DISTRICT (the "District") in connection with the execution and delivery of the Certificates captioned above (the "Certificates"). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of April 1, 2022 (the "Trust Agreement"), by and among the District, the Public Property Financing Corporation of California, and U.S. Bank Trust Company, National Association, in its capacity as trustee (the "Trustee").

The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Certificates and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"*Annual Report*" means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Annual Report Date*" means the date that is nine months after the end of the District's fiscal year (currently April 1 based on the District's fiscal year end of June 30).

"*Dissemination Agent*" means the District, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Official Statement*" means the final official statement executed by the District in connection with the issuance of the Certificates.

"*Participating Underwriter*" means Oppenheimer & Co. Inc., the original underwriter of the Certificates required to comply with the Rule in connection with offering of the Certificates.

"*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing April 1, 2023, with the report for the 2021-22 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) in a timely manner to the MSRB, in an electronic format as prescribed by the MSRB.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine prior to each Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The District's Annual Report shall contain or incorporate by reference the following:

(a) The District's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The following information:

(i) The principal amount of Certificates Outstanding as of the December 31 preceding the next Annual Report Date; and

(ii) An update of the information contained in Table Nos. 3, 4a, 4b, 5, 6, 9 and 10 of the Official Statement as of June 30 for the most recently completed Fiscal Year.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the District shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Certificates:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the District or other obligated person.

(13) The consummation of a merger, consolidation, or acquisition involving the District or an obligated person, or the sale of all or substantially all of the assets of the District or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material.

(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Certificates under the Trust Agreement.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14) and (a)(15) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Certificates. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(e) For purposes of Section 5(a)(15) and (16), "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with Rule 15c2-12.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB pursuant to this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the District. Any Dissemination Agent may resign by providing 30 days' written notice to the District.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Certificates, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Certificates in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Certificates.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(b).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the District hereunder, and shall not be deemed to be acting in any fiduciary capacity for the District, the Certificate holders or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and the holders and beneficial

owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Section 15. Governing Law. This Disclosure Certificate is to be construed in accordance with and governed by the laws of the State of California.

Date: _____, 2022

DIABLO WATER DISTRICT

By: _____
Daniel Muelrath,
General Manager

APPENDIX F

BOOK ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Certificates, payment of principal, interest and other payments on the Certificates to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Certificates and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Certificates (the "Issuer") nor the trustee, fiscal agent or paying agent appointed with respect to the Certificates (the "Agent") take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Certificates, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Certificates (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust

companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Prepayment notices shall be sent to DTC. If less than all of the Securities within an issue are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI

Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Prepayment proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of prepayment proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

APPENDIX G

ADOPTED WATER RATES RESOLUTION

APPENDIX H

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

APPENDIX I

FORM OF GREEN BONDS PROJECT REPORT

$[PAR]
DIABLO WATER DISTRICT
2022 WATER REVENUE CERTIFICATES OF PARTICIPATION
(GREEN BONDS)

Date of Issuance: _____, 2022
CUSIP: _____

NOTICE IS HEREBY GIVEN, that the Diablo Water District has financed the following project with the above-referenced certificates of participation (collectively, the "Certificates"):

Amount Financed	Project Description
$	

This notice is to provide interested parties with information regarding the use of proceeds of the Certificates. [Once all proceeds of the Certificates have been spent, no further updates will be provided.] [All proceeds of the Certificates have been spent; no further updates on the projects or the use of the Certificates will be provided.]

Dated: _____

DIABLO WATER DISTRICT
March 16, 2022 Board Meeting
Item Number 5

TO: Each Director

FROM: Dan Muelrath, General Manager

SUBJECT: Election Ward Map Adoption.

Background:

- December 15, 2021: Board meeting, a presentation was received with draft updated Wards based on the 2020 Census data.
- January 26, 2022: Board meeting, one new map was drafted and presented.
    - Board assigned President Seger and Director Tiernan to work with demographer and staff on additional options.
- February 3, 2022: Staff and board designates met with demographer.
- February 3, 2022: Staff and the board designates researched demographic data for further consideration.
    - Based on these maps, staff and board designates created a map and sent it to demographer.
        - Variance was over the allowable 10%.
- February 15, 2022: Staff and board designates met with demographer to refine map 4.
- February 23, 2022: Board meeting, general consensus to move forward with map 4.

Attached is the Final Map 4 with boundaries matching county parcel lines.

Once approved, this map will be sent to the County for use in the upcoming 2022 elections. In the 2022 general elections, District Wards 2, 3, and 4 will be up for election.

Recommendation

Adopt Resolution Number 2022-07, adjusting boundaries of director electoral divisions.

Dan Muelrath

Dan Muelrath
General Manager

Attached: Resolution Number 2022-07
Final Map 4

RESOLUTION NUMBER 2022-07

A RESOLUTION OF THE BOARD OF DIRECTORS OF DIABLO WATER DISTRICT ADJUSTING BOUNDARIES OF DIRECTOR ELECTORAL DIVISIONS

WHEREAS, The U.S. Census Bureau (Bureau) is required by Article I, Section 2, of the U.S. Constitution to conduct an accurate count of the population every ten years; and

WHEREAS, California Elections Code Section 22000 et seq. requires that after each federal decennial census, and using that census as a basis, adjust the boundaries of any divisions so that the divisions are, as far as practicable, equal in population and in compliance with Section 10301 of Title 52 of the United States Code, as amended, to the extent those provisions apply; and

WHEREAS, The Elections Code requires that the Board adopt a resolution amending director divisions no later than April 17, 2022; and

WHEREAS, The Board held public meetings on December 15, 2021 and January 26, 2022, and February 23, 2022, to receive public testimony relating to redistricting criteria and communities of interest, and directed staff and the District's demographic consultant to prepare draft division plans for consideration; and

WHEREAS, At the Board meeting on December 15, 2021, January 26, 2022, and February 23, 2022, the Board received a presentation on four draft maps prepared by the District's demographic consultant for compliance with applicable laws and standards; and

WHEREAS, At its February 23, 2022 Regular Board meeting the Board expressed preference for draft Map 4 and;

WHEREAS, All information in the staff reports, maps, presentations, Board debate and public testimony referenced above is hereby incorporated into this decision and serves as the evidentiary basis for these findings and legislative decision; and

WHEREAS, the Board hereby adjusts, changes, and establishes the boundaries of the director divisions as set forth in Exhibit A, which was considered by the Board at its public meeting on March 16, 2022, and they shall constitute and are hereby established as the boundaries of the director divisions of the Diablo Water District for subsequent elections until further readjustment is required by law; and

WHEREAS, Notwithstanding any other provision of this chapter, and pursuant to California Elections Code section 22000, subdivision (e) (1) and (2), each of the directors in office at the time this Resolution takes effect shall continue in office until the expiration of the full term to which he or she was elected and until his or her successor is qualified, and any vacancy in a term currently underway shall be filled based on the divisions in effect at the time the current directors were elected; and

WHEREAS, All resolutions, or parts thereof in conflict with this resolution are hereby repealed; and

WHEREAS, The General Manager is directed to take all necessary steps to give effect to this Resolution. If necessary to facilitate the implementation of this Resolution, the General Manager or his or her designee is authorized to make technical adjustments to the division boundaries in consultation with District General Counsel concerning any technical adjustments deemed necessary and shall advise the Board of any such adjustments required in the implementation of the divisions; and

WHEREAS, This Resolution shall take effect and be in full force immediately upon adoption; and

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

1. That the above recitals are true and correct.

2. That the Board has adopted Map 4.

3. That the General Manager and/or his designee take all actions necessary to implement this change.

* * * * * *

I hereby certify that the foregoing is a true and complete copy of a resolution duly and regularly adopted by the Board of Directors of Diablo Water District at a meeting thereof held on March 16, 2022, by the following vote:

AYES:

NOES:

ABSENT:

DATED:

_____
Dan Muelrath, Secretary

EXHIBIT "A"

MAP OF ADOPTED DIVISION LINES

DIABLO WATER DISTRICT

CONCEPTUAL TRUSTEE AREAS - SCENARIO 4

Ward	Total Population (2020 Census)	Variance	Population Age 18 and Over (2020 Census)	Citizen Voting Age Population (2015-2019 Estimate)
Ward 1	8,804	-0.6%	6,326	5,516
Ward 2	9,034	2.0%	6,612	5,217
Ward 3	8,887	0.4%	6,772	6,443
Ward 4	8,451	-4.6%	5,968	3,934
Ward 5	9,101	2.8%	6,836	5,880
Total	44,277	7.3%	32,514	26,990

Diablo Water District
Surrounding Area
Current Diablo Water District Wards
Directors
Conceptual Wards
Ward No. 1
Ward No. 2
Ward No. 3
Ward No. 4
Ward No. 5

0 0.2 0.4 0.8 1.2 1.6 2 Miles

COOPERATIVE STRATEGIES
ASSESS · PLAN · FUND · BUILD

DIABLO WATER DISTRICT

CONCEPTUAL WARDS - SCENARIO 4

Total Population:	44,277	Ideal Population:	8,855	Variance:	7.3%

Total Population (2020 Census)					
	Ward 1	Ward 2	Ward 3	Ward 4	Ward 5
Population	8,804	9,034	8,887	8,451	9,101
Population Variance	-51	179	32	-404	246
	-0.6%	2.0%	0.4%	-4.6%	2.8%
Hispanic/Latino	37.4%	45.2%	31.6%	29.2%	38.8%
White	37.9%	35.7%	45.0%	33.8%	41.2%
Black/ African American	7.9%	6.2%	5.4%	13.8%	7.4%
American Indian/ Alaska Native	0.3%	0.5%	0.1%	0.2%	0.2%
Asian	9.8%	4.6%	10.8%	14.4%	5.7%
Native Hawaiian/ Other Pacific Islander	0.6%	0.7%	0.2%	0.8%	0.6%
Other	0.5%	0.8%	0.8%	0.7%	0.3%
Two or More Races	5.6%	6.5%	5.9%	7.2%	5.7%

Population 18 and Over (2020 Census)					
	Ward 1	Ward 2	Ward 3	Ward 4	Ward 5
Population	6,326	6,612	6,772	5,968	6,836
Hispanic/Latino	34.4%	40.8%	28.3%	26.0%	0.0%
White	40.7%	40.2%	48.2%	37.1%	45.4%
Black/ African American	8.0%	6.1%	5.4%	13.8%	7.1%
American Indian/ Alaska Native	0.3%	0.5%	0.1%	0.2%	0.2%
Asian	11.0%	5.2%	11.2%	15.8%	5.8%
Native Hawaiian/ Other Pacific Islander	0.8%	0.7%	0.3%	0.9%	0.7%
Other	0.5%	0.8%	0.7%	0.6%	0.4%
Two or More Races	4.3%	5.7%	5.8%	5.6%	5.3%

Citizens by Voting Age Population Estimate (2015-2019)					
	Ward 1	Ward 2	Ward 3	Ward 4	Ward 5
Population	5,516	5,217	6,443	3,934	5,880
Hispanic/Latino	30.6%	34.1%	21.8%	22.1%	21.7%
White	46.1%	47.2%	58.4%	50.2%	57.2%
Black/ African American	13.3%	6.2%	6.1%	13.4%	7.9%
American Indian/ Alaska Native	0.5%	0.6%	0.2%	0.0%	0.6%
Asian	4.3%	5.6%	8.0%	11.5%	4.9%
Native Hawaiian/ Other Pacific Islander	0.5%	2.7%	0.1%	0.0%	2.5%
Other	0.0%	0.0%	0.0%	0.1%	0.1%
Two or More Races	4.6%	3.6%	5.5%	2.8%	5.2%

DIABLO WATER DISTRICT
March 16, 2022 Board Meeting
Item Number 6

TO: Each Director

FROM: Dan Muelrath, General Manager

SUBJECT: SB 1157 Policy Position.

On February 17, 2022, Senator Hertzberg (D-Van Nuys) introduced SB 1157, to further regulate indoor water use standards. The state legislature has a history of mandating reductions in water use, most recently with SBX7-7 (2009) and again with SB 606 (Hertzberg) and AB 1668 (Friedman) in 2018.

SB 606 and AB 1668 were companion bills that required each to pass to become effective. The resulting standards put limitations on both indoor and outdoor water use that water districts are allowed to sell to customers. Below is a table comparing the existing law (AB 1668) with the new proposed lowered standards.

Time Frame	Existing Law	SB 1157
Until Jan. 1, 2025	55 GPCD*	55 GPCD
Jan. 1, 2025 - Jan. 1, 2030	52.5 GPCD	47 GPCD
After Jan. 1, 2030	50 GPCD	42 GPCD

*GPCD = Gallons per Capita per Day

ACWA's State Legislative Committee took a position of oppose unless amended on this bill, directing ACWA staff to advocate for amendments delaying the implementation of a 2030 standard and requiring DWR to complete additional quantitative analysis of an appropriate standard for 2030 and beyond.

Additional considerations for the District are the loss of revenue tied to reduced water demands and additional conservation program expenses. The proposed reduction from 50 GCPD to 42 GCPD would result in an estimated additional $100,000 per year for conservation programs to support our customers in the transition, plus an annual loss of $250,000 in net operating revenue.

Recommendation

Take a policy position on SB 1157.

Dan Muelrath

Dan Muelrath
General Manager

Attached: SB 1157 Text
ACWA Letter

SENATE BILL No. 1157

Introduced by Senator Hertzberg

February 17, 2022

An act to amend Section 10609.4 of the Water Code, relating to water.

LEGISLATIVE COUNSEL'S DIGEST

SB 1157, as introduced, Hertzberg. Urban water use objectives: indoor residential water use.

Existing law requires the Department of Water Resources, in coordination with the State Water Resources Control Board, and including collaboration with and input from stakeholders, to conduct necessary studies and investigations and authorizes the department and the board to jointly recommend to the Legislature a standard for indoor residential water use. Existing law, until January 1, 2025, establishes 55 gallons per capita daily as the standard for indoor residential water use. Existing law establishes, beginning January 1, 2025, the greater of 52.5 gallons per capita daily or a standard recommended by the department and the board as the standard for indoor residential water use, and beginning January 1, 2030, establishes the greater of 50 gallons per capita daily or a standard recommended by the department and the board as the standard for indoor residential water use.

This bill would eliminate the option of using the greater of 52.5 gallons per capita daily and the greater of 50 gallons per capita daily, as applicable, or a standard recommended by the department and the board as the standard for indoor residential water use. The bill would instead require that from January 1, 2025, to January 1, 2030, the standard for indoor residential water use be 47 gallons per capita daily and beginning January 1, 2030, the standard be 42 gallons per capita daily.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Section 10609.4 of the Water Code is amended to read:

10609.4. (a) (1) Until January 1, 2025, the standard for indoor residential water use shall be 55 gallons per capita daily.

(2) Beginning January 1, 2025, and until January 1, 2030, the standard for indoor residential water use shall be ~~the greater of 52.5~~ *47* gallons per capita ~~daily or a standard recommended pursuant to subdivision (b).~~ *daily.*

(3) Beginning January 1, 2030, the standard for indoor residential water use shall be ~~the greater of 50~~ *42* gallons per capita ~~daily or a standard recommended pursuant to subdivision (b).~~ *daily.*

(b) (1) The department, in coordination with the board, shall conduct necessary studies and investigations and may jointly recommend to the Legislature a standard for indoor residential water use that more appropriately reflects best practices for indoor residential water use than the standard described in subdivision (a). A report on the results of the studies and investigations shall be made to the chairpersons of the relevant policy committees of each house of the Legislature by January 1, 2021, and shall include information necessary to support the recommended standard, if there is one. The studies and investigations shall also include an analysis of the benefits and impacts of how the changing standard for indoor residential water use will impact water and wastewater management, including potable water usage, wastewater, recycling and reuse systems, infrastructure, operations, and supplies.

(2) The studies, investigations, and report described in paragraph (1) shall include collaboration with, and input from, a broad group of stakeholders, including, but not limited to, environmental groups, experts in indoor plumbing, and water, wastewater, and recycled water agencies.

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March ##, 2022

The Honorable Henry Stern
Chair, Senate Committee on Natural Resources and Water
1021 O Street, Room 3220
Sacramento, CA 95814

RE: SB 1157 (Hertzberg) – Indoor Residential Water Use – OPPOSE UNLESS AMENDED

Dear Chair Stern:

The undersigned coalition is writing to respectfully express our position of oppose unless amended on SB 1157 (Hertzberg). This bill incorporates joint recommendations by the Department of Water Resources (DWR) and State Water Resources Control Board (State Water Board), which do not account for the adverse impacts or significant costs to which these revised standards will lead. This coalition is seeking amendments that would delay the implementation of a 2030 standard and require additional quantitative analysis of an appropriate standard for 2030 and beyond.

AB 1668 (Friedman) and SB 606 (Hertzberg) were a package of bills signed in 2018 that called for the creation of new urban water use efficiency standards for indoor residential use, outdoor use, water loss, and variances for unique conditions. Many members of this coalition worked intently on this issue with all the interested parties, including legislators, staff, and other stakeholders, during the long negotiations on these bills in 2017-18.

A critical component in the outcome of these negotiations was that DWR would conduct studies and investigations to identify a standard for indoor residential water use that appropriately reflects best practices for indoor water use with broad input from all stakeholders. DWR and the State Water Board released their Final Report in November 2021. While a study was completed, the analysis of adverse impacts and other relevant information, including affordability and changing populations and patterns, were not quantitatively considered; nor did they inform the final recommendations.

The Final Report indicates that, on average, current indoor residential water use is 48 gallons per capita daily (GPCD). Given this finding, the recommended standard for 2025-2030 of 47 GPCD, which is included in SB 1157, is very close to existing statewide average water use. Even so, many suppliers will still need to make significant investment to achieve the proposed 2025 standard. The reduction to 42 GPCD in 2030, however, is significantly lower than current water use, and there will be substantial negative impacts to water providers, sanitation agencies, and recycled water providers. In addition, the impacts to affordability are likely be to be serious and detrimental.

The California Water Efficiency Partnership estimated during the regulatory process that the “the total anticipated cost range for reasonably complying with a 2030 standard in which all providers achieve a residential indoor per capita volume of 42 GPCD by 2030 is likely between $2.8 and $4.6 billion.” While the indoor residential water use standard is only one component of the overall water use objective, given the separately enforceable component of water loss, it is anticipated that public water agencies will need to

make significant additional investments to reduce indoor residential use to meet the overall objective. Ultimately this substantial financial investment will only save 354,000 acre feet of water per year over the current 2030 standard – approximately half a percent of statewide water use.

In addition to these direct costs, there will be substantial secondary costs. The Final Report indicates that the adverse impacts to wastewater and recycled water providers could be significant. A few examples of potential impacts include increased sewer gas production, accelerated rate of corrosion of pipes and manholes, increased occurrences of sewer blockages and overflows, degradation of wastewater influent quality, and reductions in recycled water quantity. Mitigating these impacts will require considerable investment.

The Legislature has repeatedly endorsed and asked for evidence-based decision making. While the Final Report has the appearance of evidence-based recommendations, additional analysis is necessary to truly understand the impacts of the 2030 standard. The Final Report itself acknowledges some of these shortcomings, stating that detailed saturation and end-use studies could better inform how much active and passive conservation is available and that the standards will have an unknown effect on affordability and the human right to water.

For these reasons, this coalition has serious concerns regarding the 2030 standard SB 1157 would implement and requests amendments that would require quantitative analysis of these impacts prior to the implementation of the 2030 standard. Without these amendments, we respectfully request your “No” vote when the bill is heard in the Senate Committee on Natural Resources and Water.

Sincerely,

CC: The Honorable Robert Hertzberg
Members, Senate Committee on Natural Resources and Water

DIABLO WATER DISTRICT
March 16, 2022 Board Meeting
Item Number 7

TO: Each Director

FROM: Dan Muelrath, General Manager

SUBJECT: Future Agenda Items.

March 23, 2022 Regular Board Meeting	
Auditor Engagement for FY 21/22	Action
Facilities Reserve Charges / MERA New Rates	Discussion
Budget Update	Discussion
GSA / GSP Update	Discussion
Mission Statement Update	Discussion
ESG Investment Regulation - Draft	Discussion
Water Supply Outlook and Conservation for 2022	Discussion
April 27, 2022 Regular Board Meeting	
Facilities Reserve Charges / MERA Adoption of New Rates	Action
Mission Statement Update	Action/Discussion
ESG Investment Regulation	Action/Discussion
Water Supply Outlook and Conservation for 2022	Action/Discussion
Draft Budget Presentation	Discussion
Update from R1 Art Ad Hoc	Discussion
Land and Preservation Options	Discussion
Other Items	**Future Date**
Consider name change to include groundwater sustainability	TBD
Joint recycled water policy statement with ISD	TBD
County General Plan comments (pending release by County)	TBD