

RESOLUTION NO. 2024-3

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY AUTHORIZING THE EXECUTION AND DELIVERY OF A WIFIA INSTALLMENT PURCHASE AGREEMENT, WIFIA LOAN AGREEMENT, AND WIFIA TERM SHEET AND CERTAIN OTHER DOCUMENTS AND AUTHORIZING CERTAIN ACTIONS IN CONNECTION THEREWITH

WHEREAS, the Palmdale Water District Public Financing Authority (the “Authority”), a joint exercise of powers authority duly organized and existing under and pursuant to the Constitution and laws of the State of California, has been requested to assist the Palmdale Water District (the “District”) in the acquisition of certain improvements to the District’s water system (as more particularly described in the WIFIA Master Agreement referred to below, the “WIFIA Project”); and

WHEREAS, the District has determined that it would be in the best interests of the District and citizens of the community to authorize the entry into one or more installment purchase agreements (each such installment purchase agreement a “WIFIA Installment Purchase Agreement”) with the Authority and the United States Environmental Protection Agency (the “WIFIA Lender”) to acquire the WIFIA Project; and

WHEREAS, in order to fulfill its obligation to the District under the WIFIA Installment Purchase Agreements, the Authority proposes to obtain one or more loans under the authority of the Water Infrastructure Finance and Innovation Act (each a “WIFIA Loan”) from the WIFIA Lender pursuant to a master agreement among the Authority, the WIFIA Lender and the District (the “WIFIA Master Agreement”) and one or more loan agreements (each a “WIFIA Loan Agreement”) among the Authority, the WIFIA Lender and the District; and

WHEREAS, the terms of the initial WIFIA Loan (the “2024 WIFIA Loan”) are set forth in a term sheet (the “2024 WIFIA Term Sheet”) and a WIFIA Loan Agreement (the “2024 WIFIA Loan Agreement”); and

WHEREAS, the WIFIA Master Agreement, under which the Authority and the District would borrow an amount not to exceed \$145,555,000, pursuant to the WIFIA Loans, was approved separately on the date hereof by this Board of Directors; and

WHEREAS, this Board of Directors desires to approve the 2024 WIFIA Loan, the 2024 WIFIA Term Sheet, the 2024 WIFIA Loan Agreement, the 2024 WIFIA Note (as defined below) and the 2024 WIFIA Installment Purchase Agreement (as defined below); and

WHEREAS, the District has completed its environmental review for and approved the projects to be funded by the 2024 WIFIA Loan in accordance with the California Environmental Quality Act.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY as follows:

SECTION 1. Recitals. The Recitals set forth above are true and correct and are incorporated into this Resolution by reference.

SECTION 2. 2024 WIFIA Note, 2024 WIFIA Loan Agreement and 2024 WIFIA Term Sheet. The WIFIA Note attached to the WIFIA Installment Purchase Agreement (the “2024 WIFIA Note”), the 2024 WIFIA Loan Agreement, in substantially the form attached hereto as Exhibit A, and the 2024 WIFIA Term Sheet, in substantially the form attached hereto as Exhibit B, in each instance with respect to the portion of the WIFIA Project described in the 2024 WIFIA Installment Purchase Agreement, are hereby accepted and approved, subject to such changes, insertions and omissions as may be approved by the Chair, the Vice Chair or the Executive Director (each an “Authorized Officer” and together the “Authorized Officers”) who are hereby individually authorized and directed to execute and deliver the 2024 WIFIA Note, the 2024 WIFIA Loan Agreement and the 2024 WIFIA Term Sheet, said execution being conclusive evidence of such approval, so long as the total principal amount of the 2024 WIFIA Loan Agreement does not exceed \$14,805,000.

SECTION 3. 2024 WIFIA Installment Purchase Agreement. A WIFIA Installment Purchase Agreement with respect to the 2024 WIFIA Loan Agreement (the “2024 WIFIA Installment Purchase Agreement”), in substantially the form attached hereto as Exhibit C, is hereby accepted and approved, subject to such changes, insertions and omissions as may be approved by any of the Authorized Officers who are hereby individually authorized and directed to execute and deliver the 2024 WIFIA Installment Purchase Agreement, said execution being conclusive evidence of such approval.

SECTION 4. Good Faith Estimate of Certain Costs. The Board of Directors acknowledges that the good faith estimates of certain costs required by Section 5852.1 of the California Government Code with respect to the 2024 WIFIA Loan Agreement (and related documents) are disclosed in Exhibit D to this Resolution and are available to the public at the meeting at which this Resolution is approved.

SECTION 5. Reserve Insurance Policy. Each of the Authorized Officers, acting alone, is hereby authorized to execute a commitment for a reserve surety policy from a municipal bond insurer (the “Insurer”) and (ii) to finalize the form of such policy and any related debt service agreements with the Insurer.

SECTION 6. Other Actions. The Authorized Officers, Authority general counsel and bond counsel and such other officers and staff of the Authority are authorized and directed, acting singly, to do any and all things and to execute, deliver and implement any and all documents which such officers may deem necessary or advisable in order to consummate the execution and delivery of the 2024 WIFIA Note, the 2024 WIFIA Installment Purchase Agreement, the 2024 WIFIA Loan Agreement and the 2024 WIFIA Term Sheet (collectively, the “Initial WIFIA Documents”), and otherwise effectuate the purposes of this Resolution and the Initial WIFIA Documents, and such actions in connection therewith previously taken by such officers and staff are hereby ratified and confirmed.

SECTION 7. Definitions. Unless otherwise defined herein, all terms used herein and not otherwise defined shall have the meanings given to such terms in the WIFIA Master Agreement, unless the context otherwise clearly requires.

SECTION 8. Effective Date of Resolution. This Resolution shall take effect immediately.

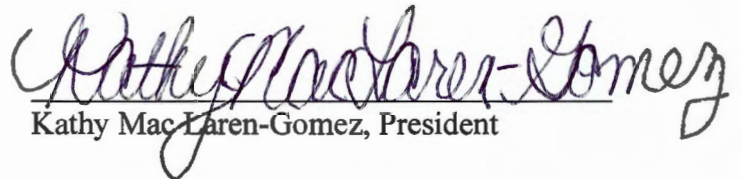
ADOPTED at a Regular Meeting of the Board of Directors of the Palmdale Water District Public Financing Authority this 13th day of May, 2024.

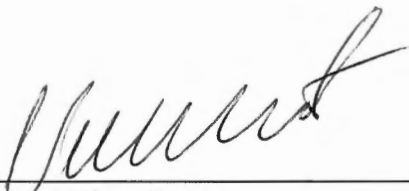
AYES: President Mac Laren-Gomez, Directors Kellerman, Wilson, Sanchez, Dino

NOES:

ABSTAIN:

ABSENT:


Kathy Mac Laren-Gomez, President



Vincent Dino, Secretary

EXHIBIT A

2024 WIFIA INSTALLMENT PURCHASE AGREEMENT

INSTALLMENT PURCHASE AGREEMENT

by and among

PALMDALE WATER DISTRICT,

PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY

and

THE UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

Dated as of _____, 2024

Relating to

\$ _____

**PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY
WIFIA LOAN AGREEMENT**

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INSTALLMENT PURCHASE AGREEMENT

This WIFIA Installment Purchase Agreement, made and entered into and dated as of _____ 1, 2023, by and among PALMDALE WATER DISTRICT, an irrigation district duly organized and existing under and by virtue of the laws of the State of California (the “District”), PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under and by virtue of the laws of the State of California (the “Authority”), and the UNITED STATES ENVIRONMENTAL PROTECTION AGENCY, a federal agency, acting by and through the Administrator of the Environmental Protection Agency (the “Authority Lender”),

W I T N E S S E T H:

WHEREAS, the District proposes to finance the acquisition and construction of certain improvements, betterments, renovations and expansions of facilities within its Water System (the “WIFIA Project”);

WHEREAS, the Authority has agreed to assist the District in financing a portion of the WIFIA Project for the District on the terms and conditions set forth in this WIFIA Installment Purchase Agreement;

WHEREAS, the Authority is authorized pursuant to the Act (defined herein) to assist the District in financing the WIFIA Project and to enter into this WIFIA Installment Purchase Agreement.

WHEREAS, the District is authorized by Division 11 of the Water Code of the State of California, including, but not limited to Sections 22228 through 22231, 22425 and 22426, to acquire and construct facilities such as the WIFIA Project for its Water System;

WHEREAS, the Authority, the District and the Authority Lender, have entered into (a) a WIFIA Master Agreement, dated as of _____, 2024 (the “WIFIA Master Agreement”), and (b) a WIFIA Loan Agreement, dated as of _____, 2024 (the “WIFIA Loan Agreement”), secured, inter alia, by the payments to be made by the District to the Authority under this WIFIA Installment Purchase Agreement, to finance such portion of the WIFIA Project;

WHEREAS, the Authority Lender is a party to this WIFIA Installment Purchase Agreement for the purpose of establishing its right to draw on the Reserve Policy (as defined herein) when permitted hereunder;

WHEREAS, the District and the Authority have duly authorized the execution of this WIFIA Installment Purchase Agreement;

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this WIFIA Installment Purchase Agreement exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this WIFIA Installment Purchase Agreement;

NOW, THEREFORE, IN CONSIDERATION OF THESE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any report or other document mentioned herein or therein have the meanings defined herein, and the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein. All capitalized terms used herein and not defined herein shall have the meanings ascribed thereto in the WIFIA Loan Agreement.

Acquisition Fund

The term “Acquisition Fund” means the fund by that name established by the District pursuant to Section 3.4.

Act

The term “Act” means the Marks-Roos Local Bond Pooling Act of 1985, commencing with Section 6584 of the California Government Code and all laws amendatory thereof or supplemental thereto.

Assumed Interest Rate

The term “Assumed Interest Rate” means the amount of interest calculated in accordance with the following provisions:

(A) Generally. Except as otherwise provided in subparagraph (B) below with respect to Variable Interest Rate Contracts, in subparagraph (C) below with respect to Contracts or Bonds with respect to which a Payment Agreement is in force, and in subparagraph (D) below with respect to Balloon Contracts, interest on any Contracts or Bonds shall be calculated based on the actual amount of interest that is payable under such Contracts or Bonds;

(B) Interest on Variable Interest Rate Contracts. Interest deemed to be payable on any Variable Interest Rate Contract for periods when the actual interest rate can be determined shall be the actual Variable Interest Rates and for periods when the actual interest rate cannot yet be determined shall be calculated on the assumption that the interest rate on such Variable Interest Rate Contract would be equal to (i) the average rate that accrued on such Variable Interest Rate Contract over the preceding 12 months, or (ii) if the Variable Interest Rate Contract has not been accruing interest at a variable rate for 12 months, the average interest rate that accrued on an outstanding Variable Interest Rate Contract of the District for which interest is computed on substantially the same basis during the preceding twelve-month period, or (iii) if no such comparable Variable Interest Rate Contract was outstanding during the 12 months preceding the date of calculation, then (x) if the interest on such Variable Interest Rate Contract is excluded from gross income for purposes of Federal income taxation, 90% of the average rate of interest for *The Bond Buyer* Revenue Bond Index over the preceding 12 months, or, if that index is no longer published, a similar index selected by the District and acceptable to each credit enhancer providing credit enhancement for an outstanding Contracts or Bonds, or, if the District fails to select a replacement index, an interest rate equal to 80% of the yield for outstanding United States Treasury bonds having an equivalent maturity as the Variable Rate

Interest Contract, or if there are no such Treasury Bonds having equivalent maturities, 80% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets, and (y) if interest on such Variable Interest Rate Contract is not excluded from gross income for purposes of Federal income taxation, 110% of the yield for outstanding United States Treasury bonds having an equivalent maturity as the Variable Rate Interest Contract, or if there are no such United States Treasury Bonds having equivalent maturities, 110% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets;

(C) Interest on Obligations with respect to which a Payment Agreement is in Force.

Interest deemed to be payable on any Contracts or Bonds with respect to which a Payment Agreement is in force shall be based on the net economic effect on the District expected to be produced by the terms of such Contracts or Bonds and such Payment Agreement, including but not limited to the effects that (i) such Contracts or Bonds would, but for such Payment Agreement, be treated as an obligation bearing interest at a Variable Interest Rate instead shall be treated as an obligation bearing interest at a fixed interest rate, and (ii) such Contracts or Bonds would, but for such Payment Agreement, be treated as an obligation bearing interest at a fixed interest rate instead shall be treated as an obligation bearing interest at a Variable Interest Rate; and accordingly, the amount of interest deemed to be payable on any Contracts or Bonds with respect to which a Payment Agreement is in force shall be an amount equal to the amount of interest that would be payable at the rate or rates stated in such Contracts or Bonds plus the Payment Agreement Payments minus the Payment Agreement Receipts, and for the purpose of calculating as nearly as practicable the Payment Agreement Receipts and the Payment Agreement Payments under such Contracts or Bonds, the following assumptions shall be made:

(1) District Obligated to Pay Net Variable Payments. If a Payment Agreement has been entered into by the District with respect to Contracts or Bonds resulting in the payment of a net variable interest rate with respect to such Contracts or Bonds and Payment Agreement by the District, the interest rate on such Contracts or Bonds for future periods when the actual interest rate cannot yet be determined shall be assumed (but only during the period the Payment Agreement is in effect) to be equal to the sum of (i) the fixed rate or rates stated in such Contracts or Bonds, minus (ii) the fixed rate paid by the Qualified Counterparty to the District, plus (iii) the lesser of (A) the interest rate cap, if any, provided by a Qualified Counterparty with respect to such Payment Agreement (but only during the period that such interest rate cap is in effect) and (B) the applicable Variable Interest Rate calculated in accordance with paragraph (B) above; and

(2) District Obligated to Pay Net Fixed Payments. If a Payment Agreement has been entered into by the District with respect to Contracts or Bonds resulting in the payment of a net fixed interest rate with respect to such Contracts or Bonds and Payment Agreement by the District, the interest on such Contracts or Bonds shall be included in the calculation of Payments (but only during the period the Payment Agreement is in effect) by including for each Fiscal Year or twelve (12) calendar month period an amount equal to the amount of interest payable at the fixed interest rate pursuant to such Payment Agreement;

(D) Interest on Balloon Contracts. If any outstanding Contracts or Bonds constitute Balloon Contracts (and such Contracts or Bonds do not constitute Short-Term Obligations excluded from the calculation of the Payments pursuant to clause (E), below) or if Contracts or Bonds proposed to be incurred would constitute Balloon Contracts (and such Contracts or Bonds would not constitute Short-Term Obligations excluded from the calculation of the Payments pursuant to clause (E), below), then such Balloon Contracts shall be treated as if the principal amount of such Contracts or Bonds were amortized from the date originally incurred in substantially equal installments of principal and interest

over a term of 30 years (provided, however, that the full principal amount of such Balloon Contract shall be included in making such calculation if such principal amount is due within 90 days of the date such calculation is being made); and, if interest accrues under such Balloon Contract at other than a fixed rate, the interest rate used for such computation shall be (x) if the interest on such Contracts or Bonds is excluded from gross income for purposes of Federal income taxation, 90% of the average rate of interest for *The Bond Buyer* Revenue Bond Index over the preceding 12 months, or if that index is no longer published, a similar index selected by the District and acceptable to each credit enhancer providing credit enhancement for outstanding Contracts or Bonds, or if the District fails to select a replacement index, an interest rate equal to 80% of the yield for outstanding United States Treasury bonds having an equivalent maturity as the Contracts or Bonds on the date incurred, or if there are no such United States Treasury bonds having equivalent maturities, 80% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets, and (y) if the interest on such Contracts or Bonds is not excluded from gross income for purposes of Federal income taxation, the rate equal to 110% of the yield for outstanding United States Treasury bonds having an equivalent maturity as the Balloon Contract, or, if there are no such United States Treasury Bonds having equivalent maturities, 110% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets;

(E) Exclusion of Certain Short-Term Obligations. If any outstanding Contracts or Bonds constitute Short-Term Obligations or if Contracts or Bonds proposed to be incurred would constitute Short-Term Obligations, and such Short-Term Obligations are or will be payable only out of Revenues of the Fiscal Year in which such Short-Term Obligations are incurred, then such Short-Term Obligations shall be disregarded and not included in calculating Payments;

(F) Credit for Accrued and Capitalized Interest. If amounts constituting accrued interest or capitalized interest have been deposited with a third party trustee, then the interest payable from such amounts with respect to the Contracts or Bonds shall be disregarded and not included in calculating Senior Payments or Subordinate Payments.

Authority

The term “Authority” means Palmdale Water District Public Financing Authority, a joint exercise of powers agency duly organized and existing under and by virtue of the laws of the State of California.

Authority Lender

The term “Authority Lender” means the United States Environmental Protection Agency, acting by and through the Administrator of the Environmental Protection Agency.

Balloon Contract

The term “Balloon Contract” means Contracts or Bonds 50% or more of the principal of which matures or is payable on the same date and which is not required by the instrument pursuant to which such Contracts or Bonds were incurred to be amortized by payment or redemption prior to such date.

Balloon Installment Payments

The term “Balloon Installment Payments” means any Senior Payments or Subordinate Payments designated as such in any Balloon Contract.

Bonds

The term “Bonds” means all revenue bonds or notes of the District authorized, executed, issued and delivered by the District, the payments of which are on a senior or parity basis with the WIFIA Installment Payments and which are secured by a pledge of and lien on the Water Revenues, including but not limited to, the District’s 2020 Water Revenue Refunding Bonds (Federally Taxable). The term Bonds does not include bonds heretofore or hereafter issued required by law to be paid by the District from taxes or assessments which are not Water Revenues.

Budgeted Transfers

The term “Budgeted Transfers” means, for any Fiscal Year, lawfully available amounts, including in the Rate Stabilization Fund, as of the last day of such Fiscal Year, in each case, (a) which may be lawfully used to pay the Installment Payments and (b) that have been transferred to the Water Revenue Fund, pursuant to a budget process where such amounts have been budgeted and approved by the Board of Directors of the District (and which removal from the Water Revenue Fund would require a separate budget and approval process by the Board of Directors of the District prior to any such removal), for application solely to the Water System.

Burns-Porter Assessments

The term “Burns-Porter Assessments” means those assessments levied for the benefit of the District in connection with the State Water Supply Contract under and pursuant to the Burns-Porter Act of 1959, also known as the California Water Resources Development Bond Act.

Construction Fund

The term “Construction Fund” means the fund by that name created pursuant to the Indenture of Trust.

Contracts

The term “Contracts” means this WIFIA Installment Purchase Agreement, and any amendments and supplements hereto, and all contracts of the District authorized and executed by the District, the Installment Payments or payments under which are on a senior or parity basis with the WIFIA Installment Payments and which are secured by a pledge and lien on the Water Revenues, including but not limited to, the 2018 Installment Purchase Agreement, the 2020 Installment Purchase Agreement, the 2021 Installment Purchase Agreement, the 2021A Installment Purchase Agreement, the 2022 Installment Purchase Agreement and the 2023 Installment Purchase Agreement. The term “Contracts” does not include the contracts with the State of California for the State Water Project, including the State Water Supply Contract.

Date of Operation

The term “Date of Operation” means, with respect to any uncompleted Project, the estimated date by which such Project will have been completed and, in the opinion of an engineer, will be ready for commercial operation by or on behalf of the District.

Debt Service

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

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

(ii) those portions of the principal amount of all outstanding serial Bonds maturing in such period (but excluding Excluded Principal);

(iii) those portions of the principal amount of all outstanding term Bonds required to be paid in such period (but excluding Excluded Principal); and

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

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

provided that, as to any such Bonds or Contracts bearing or comprising interest at other than a fixed rate, the rate of interest used to calculate Debt Service shall, for all purposes, be assumed to be a fixed rate equal to the higher of: (1) the then current variable interest rate borne by such Bonds or Contracts plus 1%; and (2) the highest variable rate borne over the preceding 3 months by outstanding variable rate debt issued by the District or, if no such variable rate debt is at the time outstanding, by variable rate debt of which the interest rate is computed by reference to an index that is comparable to that to be utilized in determining the interest rate for the debt then proposed to be issued;

provided further that if any series or issue of such Bonds or Contracts has twenty-five percent (25%) or more of the aggregate principal amount of such series or issue due in any one year (and such principal is not Excluded Principal), Debt Service shall be determined for the period of determination as if the principal of and interest on such series or issue of such Bonds or Contracts were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of twenty-five (25) years from the date of calculation; and

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

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

District

The term “District” means the Palmdale Water District, an irrigation district organized and existing under the laws of the State of California.

Engineer’s Report

The term “Engineer’s Report” means a report signed by an Independent Engineer.

Event of Default

The term “Event of Default” means an event described in Section 8.1.

Excluded Principal

The term “Excluded Principal” means the amount of principal of any Bond or Contract for which there is on file with the Authority Lender (i) a certificate of an Independent Municipal Consultant to the effect that such Bond or Contract is commercial paper or otherwise of a short term or revolving nature and has a maturity of less than 60 months and (ii) a certificate of the Manager to the effect that the District intends to pay such principal from the proceeds of Bonds or Contracts, Subordinate Obligations or other bonds, notes or other obligations of the District. No such determination shall affect the security for such Bonds or Contracts or the obligation of the District to pay such Bonds or Contracts from Net Water Revenues.

Fiscal Year

The term “Fiscal Year” means the period beginning on January 1 of each year and ending on the last day of December of the same year, or any other twelve-month period selected and designated as the official Fiscal Year of the District.

Independent Certified Public Accountant

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

Independent Engineer.

The term “Independent Engineer” means any registered engineer or firm of registered engineers of national reputation generally recognized to be well qualified in engineering matters relating to water delivery systems, appointed and paid by the District, that –

- (1) is in fact independent and not under the domination of the District;
- (2) does not have a substantial financial interest, direct or indirect, in the operations of the District; and
- (3) is not connected with the District as a director, officer or employee of the District, but may be regularly retained to make reports to the District.

Independent Municipal Consultant

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

Installment Payment Date; WIFIA Installment Payment Date

The term “Installment Payment Date” means any date on which Installment Payments are scheduled to be paid by the District under and pursuant to any Contract. The term “WIFIA Installment Payment Date” means, as more particularly set forth in Exhibit A attached hereto, (a) with respect to the payment of interest, the tenth (10th) day prior to each April 1 and October 1 and (b) with respect to the payment of principal, the tenth (10th) day prior to each October 1.

Installment Payments; WIFIA Installment Payments

The term “Installment Payments” means the payments scheduled to be paid by the District under and pursuant to the Contracts, including the WIFIA Installment Payments. The term “WIFIA Installment Payments” means the Installment Payments scheduled to be paid by the District under and pursuant hereto.

Law

The term “Law” means the Water Code of the State of California and all laws amendatory thereof or supplemental thereto.

Manager

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

Maximum Annual Debt Service

The term “Maximum Annual Debt Service” means the highest Debt Service for any Fiscal Year or twelve (12) calendar month period through the final maturity date of all Contracts and Bonds; provided, however, for purposes of such calculation, the interest on all Contracts and Bonds shall be computed by the District at the applicable Assumed Interest Rate.

Net Proceeds

The term “Net Proceeds” means, when used with respect to any insurance or condemnation award, the gross proceeds from such insurance or condemnation award, paid with respect to the Water System, remaining after payment therefrom of all expenses incurred in the collection of such gross proceeds.

Net Water Revenues

The term “Net Water Revenues” means, for any Fiscal Year, the Water Revenues for such Fiscal Year less the Operation and Maintenance Costs for such Fiscal Year.

Operation and Maintenance Costs

The term “Operation and Maintenance Costs” means the reasonable and necessary costs paid or incurred by the District for maintaining and operating the Water System of the District, determined in accordance with generally accepted accounting principles, including any water purchase costs (exclusive of any recovered amount from the State of California’s Department of Water Resources in accordance with the State Water Supply Contract) and all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System of the District in good repair and working order, and including all administrative costs of the District that are charged directly or apportioned to the maintenance and operation of the Water System of the District, such as salaries and wages of employees, overhead, insurance, taxes (if any) and insurance premiums, and including all other reasonable and necessary costs of the District or charges required to be paid by it to comply with the terms of this WIFIA Installment Purchase Agreement and other Bonds and Contracts, such as compensation, reimbursement and indemnification of the trustee with respect to any Bonds and Contracts; excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature, all capital charges, and any contract payments due under the State Water Supply Contract paid from the proceeds of any Burns-Porter Assessments.

Payment Agreement

The term “Payment Agreement” means a written agreement for the purpose of managing or reducing the District’s exposure to fluctuations in interest rates or for any other interest rate, investment, asset or liability managing purposes, entered into either on a current or forward basis by the District and a Qualified Counterparty as authorized under any applicable laws of the State in connection with, or incidental to, the entering into of any Contracts or Bonds, that provides for an exchange of payments based on interest rates, ceilings or floors on such payments, options on such payments or any combination thereof, or any similar device.

Payment Agreement Payments

The term “Payment Agreement Payments” means the amounts periodically required to be paid by the District to all Qualified Counterparties under all Payment Agreements.

Payment Agreement Receipts

The term “Payment Agreement Receipts” means the amounts periodically required to be paid by all Qualified Counterparties to the District under all Payment Agreements.

Policy Costs

The term “Policy Costs” means the annual amount due with respect to any policy or surety bond, including the Reserve Policy, in lieu of depositing cash in the WIFIA Reserve Fund or any reserve fund established for any Bonds or Contracts.

Purchase Price

The term “Purchase Price” means the principal amount plus interest thereon owed by the District to the Authority under the terms hereof as provided in Section 4.1.

Qualified Counterparty

The term “Qualified Counterparty” means a party (other than the District or a party related to the District) that is the other party to a Payment Agreement and (1) (a) rated at least equal to the ratings assigned by each of the Rating Agencies to the obligations secured by Senior Payments or Subordinate Payments (without regard to any gradations within a rating category), but in no event less than a rating of “A” from Fitch, “A2” from Moody’s and “A” from S&P, (b) whose senior debt obligations are rated at least equal to the ratings assigned by each of the Rating Agencies to the obligations secured by Senior Payments or Subordinate Payments (without regard to any gradations within a rating category), or guaranteed by an entity so rated, (c) whose obligations under the Payment Agreement are guaranteed for the entire term of the Payment Agreement by a bond insurer or other institution which has been assigned a credit rating at least equal to the ratings assigned by each of the Rating Agencies to the obligations secured by Senior Payments or Subordinate Payments (without regard to any gradations within a rating category), but in no event less than a rating of “A” from Fitch, “A2” from Moody’s and “A” from S&P, or (d) whose obligations under the Payment Agreement are collateralized in such a manner as to obtain a rating at least equal to the ratings assigned by each of the Rating Agencies to the obligations secured by Senior Payments or Subordinate Payments, and (2) is otherwise qualified to act as the other party to a Payment Agreement under all applicable laws of the State.

Rate Stabilization Fund

The term “Rate Stabilization Fund” means the fund by that name described in Section 5.5 hereof.

Reserve Insurer

The term “Insurer” means Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assignee thereof.

Reserve Policy

The term “Reserve Policy” means the municipal bond debt service reserve insurance policy issued by the Reserve Insurer and deposited in the WIFIA Reserve Fund to satisfy the Reserve Requirement.

Reserve Policy Agreement

The term “Reserve Policy Agreement” means that certain _____ by and between the District and the Reserve Insurer that governs the terms of the Reserve Policy.

Reserve Requirement

The term “Reserve Requirement” means, with respect to the WIFIA Loan Agreement, as of any date of calculation, an amount not to exceed the lesser of (i) Maximum Annual Debt Service, (ii) 125% of average Annual Debt Service, and (iii) 10% of the initial principal amount borrowed under the WIFIA Loan Agreement. Notwithstanding the foregoing, in no event shall the Reserve Requirement exceed \$ _____, the initial Reserve Requirement.

Senior Obligations

The term “Senior Obligations” means all Contracts and Bonds of the District which are secured by a pledge of and lien on the Water Revenues on a senior basis to the pledge of and lien on Water Revenues securing this WIFIA Installment Purchase Agreement and any other Subordinate Obligations and payable from the Senior Payments.

Senior Payments

The term “Senior Payments” means all installment payments and other debt service payments scheduled to be paid by the District under all Contracts or Bonds on a basis that is senior to payments due on Subordinate Obligations, including payments due under the 2018 Installment Purchase Agreement, the 2020 Installment Purchase Agreement, the 2020 Bonds, the 2021 Installment Purchase Agreement, the 2021A Installment Purchase Agreement, the 2022 Installment Purchase Agreement and the 2023 Installment Purchase Agreement.

Short-Term Obligations

The term “Short-Term Obligations” means Contracts or Bonds having an original maturity of less than or equal to one year and which are not renewable at the option of the District for a term greater than one year beyond the date of original incurrence.

State Water Supply Contract

The term “State Water Supply Contract” means that certain contract between the State and the District by which the District obtains water from the State Water Project, as well as any other contract

or agreement by which the District obtains water from the State Water Project and pursuant to which the District is entitled to levy assessments for the purpose of paying costs in connection therewith, including the Burns-Porter Assessments.

Subordinate Obligations

The term “Subordinate Obligations” means all Contracts and Bonds of the District which are secured by a pledge of and lien on the Water Revenues on a parity with the pledge of and lien on Water Revenues securing this WIFIA Installment Purchase Agreement.

Subordinate Payments

The term “Subordinate Payments” means all installment payments and other debt service payments scheduled to be paid by the District under all Contracts or Bonds on a parity basis with the payments due under this WIFIA Installment Purchase Agreement.

Termination Payments

The term “Termination Payments” means any payments due and payable to a Qualified Counterparty in connection with the termination of a Payment Agreement.

[Treasurer

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

2018 Installment Purchase Agreement

The term “2018 Installment Purchase Agreement” means that certain Installment Purchase Agreement by and between the Authority and the District, dated as of June 1, 2018.

2020 Bonds

The term “2020 Bonds” means the Palmdale Water District 2020 Water Revenue Refunding Bonds (Federally Taxable) issued pursuant to an Indenture of Trust, dated as of November 1, 2020, by and between the District and The Bank of New York Mellon Trust Company, N.A.

2020 Installment Purchase Agreement

The term “2020 Installment Purchase Agreement” means that certain Installment Purchase Agreement by and between the District and Western Alliance Business Trust, dated as of May 1, 2020, as amended.

2021 Installment Purchase Agreement

The term “2021 Installment Purchase Agreement” means that certain Installment Purchase Agreement by and between the Authority and the District, dated as of July 1, 2021, as amended.

2021A Installment Purchase Agreement

The term “2021A Installment Purchase Agreement” means that certain Installment Purchase Agreement by and between the District and Sterling National Bank, dated as of August 1, 2021, as amended.

2022 Installment Purchase Agreement

The term “2022 Installment Purchase Agreement” means that certain Installment Purchase Agreement by and between the District and Municipal Finance Corporation, dated as of October 10, 2022.

2023 Installment Purchase Agreement

The term “2023 Installment Purchase Agreement” means that certain Installment Purchase Agreement by and between the Authority and the District, dated as of September 1, 2023.

Variable Interest Rate

The term “Variable Interest Rate” means any variable interest rate or rates to be paid under any Contracts or Bonds, the method of computing which variable interest rate shall be as specified in the applicable Contracts or Bonds, which Contracts or Bonds shall also specify either (i) the payment period or periods or time or manner of determining such period or periods or time for which each value of such variable interest rate shall remain in effect, and (ii) the time or times based upon which any change in such variable interest rate shall become effective, and which variable interest rate may, without limitation, be based on the interest rate on certain bonds or may be based on interest rate, currency, commodity or other indices.

Variable Interest Rate Contracts

The term “Variable Interest Rate Contracts” means, for any period of time, any Contracts or Bonds that bear a Variable Interest Rate during such period, except that no Contracts or Bonds shall be treated as a Variable Interest Rate Contract if the net economic effect of interest rates on any particular Senior Payments or Subordinate Payments or such Contracts or Bonds and interest rates on any other Senior Payments or Subordinate Payments of the same Contracts or Bonds, as set forth in such Contracts or Bonds, or the net economic effect of a Payment Agreement with respect to any particular Senior Payments or Subordinate Payments, in either case is to produce obligations that bear interest at a fixed interest rate, and any Contracts or Bonds with respect to which a Payment Agreement is in force shall be treated as a Variable Interest Rate Contract if the net economic effect of the Payment Agreement is to produce obligations that bear interest at a Variable Interest Rate.

Water Revenue Fund

The term “Water Revenue Fund” means the Water System Revenue Fund described in Section 5.2 hereof.

Water Revenues

The term “Water Revenues” means, for any Fiscal Year, all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the District’s Water System, including,

without limiting the generality of the foregoing, (1) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the District from the sale, furnishing and supplying of the water or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Water System, plus (2) proceeds of the District's share of the County's 1% property tax received by the District, if any, plus (3) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, or other moneys, including District reserves and any reserve funds, plus (4) the proceeds of any standby or water availability charges collected by the District, but excluding in all cases customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District, and excluding any proceeds of any taxes or assessments required by law to be used by the District to pay bonds heretofore or hereafter issued and any Burns-Porter Assessments, plus (5) money withdrawn from the Rate Stabilization Fund in such Fiscal Year.

Water Service

The term "Water Service" means the water distribution service made available or provided by the Water System.

Water System

The term "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 and storage of water to residents of the District and adjacent areas, and any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto at any time acquired, constructed or installed by the District.

WIFIA Amount

The term "WIFIA Amount" means the amount equal to the total disbursements of the WIFIA Loan with respect to the District's WIFIA Project under the WIFIA Loan Agreement.

WIFIA Debt Service Account

The term "WIFIA Debt Service Account" means the account identified by account number [____], created and maintained by the District in accordance with Section 5.6 hereof and the WIFIA Loan Agreement.

WIFIA Installment Purchase Agreement

The term "WIFIA Installment Purchase Agreement" means this WIFIA Installment Purchase Agreement, by and between the District and the Authority, dated as of _____, 2023, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

WIFIA Loan Agreement

The term "WIFIA Loan Agreement" has the meaning provided in the fifth "Whereas" clause herein.

WIFIA Master Agreement

The term “WIFIA Master Agreement” has the meaning provided in the fifth “Whereas” clause herein.

WIFIA Project

The term “WIFIA Project” has the meaning ascribed to the term “Project” in the WIFIA Loan Agreement, as such WIFIA Project may be modified in accordance with any modification to the definition of “Project” in the WIFIA Loan Agreement.

WIFIA Reserve Fund

The term “WIFIA Reserve Fund” means that fund established by Section 3.5 hereunder.

WIFIA-Financed Portion of the WIFIA Project

The term “WIFIA-Financed Portion of the WIFIA Project” means the portion of the WIFIA Project financed by the Authority from the proceeds of the WIFIA Loan, which portion shall be not more than 49% of the Eligible Project Costs (as defined in the WIFIA Loan Agreement) of the WIFIA Project.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1 Representations by the District. The District makes the following representations:

- (a) The District is an irrigation district duly organized and existing under and pursuant to the laws of the State of California.
- (b) The District has full legal right, power and authority to enter into this WIFIA Installment Purchase Agreement and carry out its obligations hereunder, to carry out and consummate all other transactions contemplated by this WIFIA Installment Purchase Agreement, and the District has complied with the provisions of the Law in all matters relating to such transactions.
- (c) By proper action, the District has duly authorized the execution, delivery and due performance of this WIFIA Installment Purchase Agreement.
- (d) The District has determined that it is necessary and proper for District uses and purposes within the terms of the Law that the District acquire and construct the WIFIA Project in the manner provided for in this WIFIA Installment Purchase Agreement in order to provide essential services and facilities to persons residing in the District.

Section 2.2 Representations and Warranties by the Authority. The Authority makes the following representations and warranties:

- (a) The Authority is a joint exercise of powers authority duly organized and in good standing under the laws of the State of California, has full legal right, power and authority to

enter into this WIFIA Installment Purchase Agreement and to carry out and consummate all transactions contemplated by this WIFIA Installment Purchase Agreement and by proper action has duly authorized the execution and delivery and due performance of this WIFIA Installment Purchase Agreement.

(b) The execution and delivery of this WIFIA Installment Purchase Agreement and the consummation of the transactions herein contemplated will not violate any provision of law, any order of any court or other agency of government, or any indenture, material agreement or other instrument to which the Authority is now a party or by which it or any of its properties or assets is bound, or be in conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under any such indenture, agreement or other instrument, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Authority.[this should be added to the District's reps with the necessary changes made]

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

ARTICLE III

ACQUISITION OF THE WIFIA PROJECT

Section 3.1 Acquisition and Construction of the WIFIA Project. The Authority hereby agrees to cause the WIFIA Project and any additions or modifications thereto to be designed, constructed, acquired, equipped and installed by the District as its agent. The District shall enter into contracts and provide for, as agent for the Authority, the complete design, construction, acquisition, equipping and installation of the WIFIA Project in accordance with the WIFIA Loan Agreement and all applicable laws.

The District hereby agrees that it will cause the design, construction, acquisition, equipping and installation of the WIFIA Project to be diligently performed. The District agrees to deposit the WIFIA Amount (or the relevant portion thereof) (other than any funds to be applied to the prepayment or redemption of any interim financing with respect to the WIFIA-Financed Portion of the WIFIA Project) into the Acquisition Fund, upon satisfactory completion of design work and compliance with the California Environmental Quality Act and approval by the Board of Directors of the District, and that it will use its best efforts to cause the design, construction, acquisition, equipping and installation of the WIFIA Project to be substantially completed by _____, 20____, unforeseeable delays due to the occurrence of any Uncontrollable Force (as defined in the WIFIA Master Agreement) only excepted. It is hereby expressly understood and agreed that the Authority shall be under no liability of any kind or character whatsoever for the payment of any cost of the WIFIA Project and that all such costs and expenses (including the cost of the WIFIA Project not paid from the WIFIA Amount) shall be paid by the District.

Section 3.2 Purchase of WIFIA-Financed Portion of the WIFIA Project. In consideration for the WIFIA Installment Payments, the Authority agrees to sell, and hereby sells, to the District, and the District agrees to purchase, and hereby purchases, from the Authority, the WIFIA-

Financed Portion of the WIFIA Project at the purchase price that is specified in Section 4.1 hereof and otherwise in the manner and in accordance with the provisions of this Installment Purchase Agreement.

Section 3.3 Title. Each component of the WIFIA Project shall vest in the District immediately upon acquisition or construction thereof. Such vesting shall occur without further action by the Authority or the District, and the Authority shall, if requested by the District or if necessary, to assure such automatic vesting, deliver any and all documents which are required to assure such vesting.

Section 3.4 Acquisition Fund. The District shall establish, maintain and hold in trust a separate fund designated as the “Acquisition Fund.” The moneys in the Acquisition Fund shall be held by the District in trust and applied by the Treasurer of the District to the payment of the costs of acquisition and construction of the WIFIA-Financed Portion of the WIFIA Project and of expenses incidental thereto.

Before any payment is made from the Acquisition Fund by the Treasurer, the Manager, acting as agent of the Authority, shall cause to be filed with the Treasurer a certificate of the District and the Authority in the form set forth in Exhibit B to this WIFIA Installment Purchase Agreement.

Upon receipt of each such certificate, the Treasurer will pay the amount that is set forth in such certificate as directed by the terms thereof or disburse funds to the District for such payment as directed by the District in such certificate. The Treasurer need not make any such payment if it has received notice of any lien, right to lien, attachment upon or claim affecting the right to receive payment of any of the moneys to be so paid, which has not been released or will not be released simultaneously with such payment.

When the WIFIA-Financed Portion of the WIFIA Project shall have been designed, constructed, acquired, equipped and installed in accordance with this WIFIA Installment Purchase Agreement, a statement of the District stating the fact and date of such acquisition, construction and acceptance and stating that all of such costs of acquisition and incidental expenses have been determined and paid (or that all of such costs and expenses have been paid less specified claims which are subject to dispute and for which a retention in the Acquisition Fund is to be maintained in the full amount of such claims until such dispute is resolved), shall be delivered to the Treasurer and the Authority Lender by the Manager. Upon the receipt of such statement, the Treasurer shall transfer any remaining balance in the Acquisition Fund which is not needed for Acquisition Fund purposes (but less the amount of any such retention, which amount shall be certified to the Treasurer by the Manager) to the Authority Lender for deposit in the WIFIA Debt Service Account.

Section 3.5 WIFIA Reserve Fund. The District shall establish and hold in trust the “WIFIA Reserve Fund.” The District shall cause the Reserve Policy to be deposited in the WIFIA Reserve Fund, and the Authority Lender shall have the ability to draw upon the Reserve Policy in accordance with the Reserve Policy Agreement.

ARTICLE IV

WIFIA INSTALLMENT PAYMENTS

Section 4.1 Purchase Price.

(a) The Purchase Price to be paid by the District hereunder to the Authority is the sum of the principal amount of the District's obligations hereunder plus the interest to accrue on the unpaid balance of such principal amount from the date hereof over the term hereof, subject to prepayment as provided in Article VII.

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

(c) The interest to accrue on the unpaid balance of such principal amount shall be equal to the interest payable with respect to the principal portion of the WIFIA Loan as provided in the WIFIA Loan Agreement, and shall be paid by the District as and constitute interest paid on the principal amount of the District's obligations hereunder, as set forth in Exhibit A hereto.

(d) The Authority and the District acknowledge and agree that the WIFIA Installment Payments set forth in Exhibit A hereto are initially equal to the payments of principal and interest set forth on the WIFIA Loan Amortization Schedule in Exhibit A (*WIFIA Loan Amortization Schedule*) to the WIFIA Loan Agreement in all respects, other than with respect to the relevant payment dates. The Authority and the District agree that (i) upon any modification to Exhibit A (*WIFIA Loan Amortization Schedule*) to the WIFIA Loan Agreement, Exhibit A hereto shall be deemed correspondingly modified *mutatis mutandis*, (ii) the District will provide to the Authority a revised Exhibit A which the Authority and the District agree will replace the then current Exhibit A (such replacement being a ministerial act and not an amendment or supplement to this WIFIA Installment Purchase Agreement), (iii) no modification to Exhibit A hereto shall otherwise be made without the consent of the Authority Lender, and (iv) the District's failure to provide or delay in providing the Authority with such revised Exhibit A shall not affect the modifications deemed to be made thereto or the obligation of the District to make the WIFIA Installment Payments as so modified.

Section 4.2 WIFIA Installment Payments. The District shall, subject to its rights of prepayment provided in Article VII, pay to the Authority the Purchase Price to in installment payments of interest and principal in the amounts and on the WIFIA Installment Payment Dates as set forth in Exhibit A hereto.

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

The obligation of the District to make the WIFIA Installment Payments is absolute and unconditional, and until such time as all of the WIFIA Installment Payments have been paid in full (or provision for the payment thereof shall have been made pursuant to Article IX), the District will not discontinue or suspend any WIFIA Installment Payments required to be made by it under this section

when due, whether or not the Water System or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and whether or not the WIFIA Project has been completed, and all such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

Section 4.3 Reserve Policy Draws. In the event that the District or the Authority fails to pay the entirety of a WIFIA Installment Payment to the Authority Lender when due, the Authority Lender shall have the option to draw on the Reserve Policy up to an amount equal to the outstanding amount of such WIFIA Installment Payment in accordance with the terms of the Reserve Policy Agreement. The District shall be obligated to reimburse the Authority Lender for any such draws, in the form of Policy Costs, in accordance with the terms of the Reserve Policy Agreement.

ARTICLE V

SECURITY

Section 5.1 Pledge of Water Revenues. All Water Revenues and all amounts on deposit in the Water Revenue Fund and the Rate Stabilization Fund are hereby irrevocably pledged to the payment of the WIFIA Installment Payments as provided herein, and the Water Revenues shall not be used for any other purpose while any of the WIFIA Installment Payments remain unpaid, other than as set forth herein; provided that out of the Water Revenues and amounts on deposit in the Water Revenue Fund there may be apportioned such sums for such purposes as are expressly permitted herein including the senior or parity claim of any Bonds or Contracts. This pledge, together with the pledge created by all other Contracts and Bonds, shall constitute a first lien on and security interest in the Water Revenues and the Water Revenue Fund and all amounts on deposit therein as permitted herein and subject to the application of Water Revenues in accordance with the terms hereof, which lien shall be (a) subordinate to the liens created by the Senior Obligations and (b) *pari passu* with the liens created by the other Subordinate Obligations.

The Acquisition Fund and all amounts that are on deposit in the Acquisition Fund and the WIFIA Debt Service Account and all amounts on deposit in the WIFIA Debt Service Account, are irrevocably pledged to the payment of the WIFIA Installment Payments. This pledge shall constitute a first and exclusive lien on the Acquisition Fund and the WIFIA Debt Service Account for the payments of the WIFIA Installment Payments.

Section 5.2 Allocation of Water Revenues. In order to carry out and effectuate the pledge and lien contained herein, the District agrees and covenants that all Water Revenues shall be received by the District in trust and shall be deposited when and as received in the "Water Revenue Fund" which fund the District has previously established and agrees and covenants to maintain and to hold separate and apart from other funds so long as any Installment Payments, Contracts or Bonds remain unpaid. Moneys in the Water Revenue Fund shall be used and applied by the District as provided in this WIFIA Installment Purchase Agreement.

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

respective special funds and in the following order of priority and all moneys in each of such funds shall be held in trust and shall be applied, used and withdrawn only for the purposes hereinafter authorized in this Section:

(a) Senior Obligations. On or before the payment of principal or interest is due with respect to any Senior Obligations, the District shall from moneys in the Water Revenue Fund, transfer to the applicable trustee or payee for deposit in the applicable payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without discrimination or preference, the amount needed for payment on such Senior Obligations, in accordance with the provisions of such Senior Obligations.

(b) Senior Obligation Reserve Fund. On or before each payment date required pursuant to the provisions of any Contract or Bond that constitutes a Senior Obligation, or any resolution or indenture related thereto, the District shall, from the remaining moneys in the Water Revenue Fund, thereafter, without preference of priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the applicable trustee for deposit to any reserve fund or account for such Bonds or Contracts the amount, if any, needed to increase the balance in such fund or account to the amount required to be deposited therein and to pay any Policy Costs then due.

(c) Subordinate Obligations. On or before each WIFIA Installment Payment Date, the District shall, from the moneys in the Water Revenue Fund, transfer to the WIFIA Debt Service Account an amount equal to the WIFIA Installment Payment coming due on such WIFIA Installment Payment Date. The District shall also, from the moneys in the Water Revenue Fund, transfer to the applicable trustee or payee for deposit in the applicable payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Debt Service or payments in accordance with the provisions of any Contract or Bond constituting a Subordinate Obligation, or any resolution or indenture relating thereto.

No deposit need be made in the WIFIA Debt Service Account as WIFIA Installment Payments if the amount in the WIFIA Debt Service Account is at least equal to the amount of the WIFIA Installment Payment due and payable on the next succeeding WIFIA Installment Payment Date.

(d) Subordinate Obligation Reserve Fund. On or before each payment date required pursuant to the provisions of any Contract or Bond constituting a Subordinate Obligation, or any resolution or indenture related thereto, the District shall, from the remaining moneys in the Water Revenue Fund, thereafter, without preference of priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the applicable trustee or appropriate party for deposit to any reserve fund or account for such Bonds or Contracts, including the WIFIA Reserve Fund, the amount, if any, needed to increase the balance in such fund or account to the amount required to be deposited therein and to pay any Policy Costs then due

(e) Surplus. On the last day of each month, moneys on deposit in the Water Revenue Fund not required to make any of the payments required above may be expended by the District at any time for any purpose permitted by law, including but not limited to the deposit of amounts in the Rate Stabilization Fund in accordance with Section 5.5.

Section 5.3 No Additional Senior Obligations. From the date hereof, the District may not execute any Contract or issue any Bonds, as the case may be, payable from Net Water Revenues on a basis that is senior to the claim thereon of the WIFIA Installment Payments due hereunder.

Section 5.4 Additional Subordinate Obligations. The District may at any time execute any Contract or issue any Bonds, as the case may be, payable from Net Water Revenues on a parity with the WIFIA Installment Payments due hereunder; provided:

(a) The Net Water Revenues for the last audited Fiscal Year of the District, or for any consecutive twelve calendar month period during the eighteen calendar month period preceding the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Municipal Consultant on file with the District, shall have produced a sum equal to at least one hundred ten percent (110%) of the Debt Service and one hundred percent (100%) of any Policy Costs for such Fiscal Year or other twelve month period;

(b) The Net Water Revenues for the last audited Fiscal Year of the District, or for any consecutive twelve calendar month period during the eighteen calendar month period preceding the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, including adjustments to give effect as of the first day of such Fiscal Year or other twelve month period, to increases or decreases in rates and charges with respect, or applicable, to the Water System approved and in effect as of the date of calculation, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Municipal Consultant on file with the District, shall have produced a sum equal to at least one hundred ten percent (110%) of the Debt Service and one hundred percent (100%) of any Policy Costs for such Fiscal Year or other twelve month period, plus the Debt Service which would have accrued on any Contracts executed or Bonds issued since the end of such Fiscal Year or other twelve month period, assuming that such Contracts had been executed or Bonds had been issued at the beginning of such Fiscal Year or other twelve month period, plus the Debt Service which would have accrued had such proposed additional Contract been executed or proposed additional Bonds been issued at the beginning of such Fiscal Year or other twelve month period; and

(c) The estimated Net Water Revenues for the then current Fiscal Year and for each Fiscal Year thereafter, including (after giving effect to the completion of all such uncompleted improvements to the Water System) an allowance for estimated Net Water Revenues for each of such Fiscal Years arising from any increase in the rates and charges estimated to be fixed and prescribed or received for the Water Service and which are economically feasible and reasonably considered necessary based on projected operations for a period of not to exceed five years, as evidenced by a certificate of the Manager on file with the District, shall produce a sum equal to at least one hundred ten percent (110%) of the estimated Debt Service and one hundred percent (100%) of any estimated Policy Costs for each of such Fiscal Years, after giving effect to the execution of all Contracts and the issuance of all Bonds estimated to be required to be executed or issued to pay the costs of completing all uncompleted improvements to the Water System within such Fiscal Years.

(d) For purposes of this Section 5.4, the amount of Water Revenues yielding Net Water Revenues may be increased by Budgeted Transfers (measured as of the last day of the immediately preceding Fiscal Year), such amount to be no greater than twenty-five percent (25%) of Debt Service payable in the applicable Fiscal Year.

Notwithstanding the foregoing, but subject to no Event of Default at such issuance or execution being uncured, Bonds issued or Contracts executed, on a parity basis with the WIFIA Installment Payments due hereunder, to refund Bonds or prepay Contracts may be delivered without satisfying the conditions set forth above if Debt Service in each Fiscal Year after the Fiscal Year in which such Bonds are issued or Contracts executed is not greater than 110% of the Debt Service which would have been payable in each such Fiscal Year prior to the issuance of such Bonds or execution of such Contracts.

Section 5.5 Investments. All moneys held by the District in the Water Revenue Fund, the Acquisition Fund, the WIFIA Debt Service Account and the Rate Stabilization Fund shall be invested in Permitted Investments and the investment earnings thereon shall remain on deposit in such fund, except as otherwise provided herein. All investment earnings on amounts in the Rate Stabilization Fund shall be transferred to the Water Revenue Fund upon receipt thereof.

Section 5.6 Rate Stabilization Fund. The District has previously established a special fund designated as the “Rate Stabilization Fund” to be held by the District in trust, and the District agrees and covenants to maintain and to hold such Fund separate and apart from other funds so long as any WIFIA Installment Payments remain unpaid. Money transferred by the District from the Water Revenue Fund to the Rate Stabilization Fund in accordance with Section 5.2(e) shall be held in the Rate Stabilization Fund and applied in accordance with the terms hereof.

The District may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Water Revenue Fund for application in accordance with Section 5.2 hereof or, in the event that all or a portion of the WIFIA Installment Payments are discharged in accordance with Article IX hereof, transfer all or any portion of such amounts for application in accordance with said Article.

Section 5.7 WIFIA Debt Service Account. The District, as agent of the Authority, shall establish, maintain and hold in trust a separate general ledger account within the District’s debt service group of funds/accounts, which account shall be designated as the “WIFIA Debt Service Account” and as of the Effective Date is numbered [____]. Such account number may change as the District designates from time to time provided that the District must promptly notify the Authority Lender in writing of any such change. Moneys in the WIFIA Debt Service Account shall be held by the District in trust and applied to the payment of the WIFIA Installment Payments hereunder in accordance with [Section 8(a)(i) and Section 17(i) of the WIFIA Master Agreement]. Any investment earnings thereon shall be transferred by the District to the Water Revenue Fund no later than the last day of the District’s Fiscal Year.

ARTICLE VI

COVENANTS OF THE DISTRICT

Section 6.1 Compliance with WIFIA Installment Purchase Agreement, WIFIA Loan Agreement and Ancillary Agreements. The District will punctually pay the WIFIA Installment Payments in strict conformity with the terms hereof, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it, and will not terminate this WIFIA Installment Purchase Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the WIFIA Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any

political subdivision of either or any failure of the Authority to observe or perform any agreement, condition, covenant or term contained herein required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected herewith or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Authority or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lock outs, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

The District will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the WIFIA Loan Agreement required to be observed and performed by it, and it is expressly understood and agreed by and among the parties to this WIFIA Installment Purchase Agreement that, subject to Section 10.6 hereunder, each of the agreements, conditions, covenants and terms contained in this WIFIA Installment Purchase Agreement is an essential and material term of the purchase of and payment for the WIFIA-Financed Portion of the WIFIA Project by the District pursuant to, and in accordance with, and as authorized under the Law.

The District will faithfully observe and perform all the agreements, conditions, covenants and terms required to be observed and performed by it pursuant to the WIFIA Loan Agreement and all other outstanding Contracts and Bonds as such may from time to time be executed or issued, as the case may be; provided that nothing herein shall obligate the District to pay the principal of or interest with respect to the WIFIA Loan or the WIFIA Note, which obligation is solely the responsibility of the Authority as borrower under the WIFIA Loan Agreement.

Section 6.2 Against Encumbrances. The District will not make any pledge of or place any lien on Water Revenues or the moneys in the Water Revenue Fund or the Rate Stabilization Fund except as provided herein and subject to the restrictions agreed to by the District in the WIFIA Loan Agreement. In addition, the District may at any time, or from time to time, issue Bonds or incur Contracts for any lawful purpose which Bonds or Contracts are payable from and secured by a pledge of and lien on Water Revenues or any moneys in the Water Revenue Fund or the Rate Stabilization Fund as may from time to time be deposited therein (as provided in Section 5.2) on a parity basis (though not on a senior basis) with the pledge and lien securing this WIFIA Installment Purchase Agreement in accordance with Section 5.4 hereof and the WIFIA Loan Agreement. The District will not make any pledge of or place a lien on the Acquisition Fund (including the moneys on deposit therein) or the WIFIA Debt Service Account (including the moneys on deposit therein) except as set forth in the WIFIA Master Agreement.

Section 6.3 Against Sale or Other Disposition of Property. The District will not enter into any agreement or lease which materially impairs the operation of the Water System or any part thereof necessary to secure adequate Water Revenues for the payment of the WIFIA Installment Payments, or which would otherwise materially impair the rights of the Authority hereunder or the operation of the Water System. Any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the Water System, or any material or equipment which has become worn out, may be sold if such sale will not materially impair the ability of the District to pay the WIFIA Installment Payments and if the proceeds of such sale are deposited in the Water Revenue Fund.

Nothing herein shall restrict the ability of the District to sell any portion of the Water System if such portion is immediately repurchased by the District and if such arrangement cannot by its terms

result in the purchaser of such portion of the Water System exercising any remedy which would deprive the District of or otherwise interfere with its right to own and operate such portion of the Water System.

Section 6.4 Against Competitive Facilities. The District will not, to the extent permitted by law, acquire, construct, maintain or operate and will not, to the extent permitted by law and within the scope of its powers, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the District any potable water system competitive with the Water System.

Section 6.5 Maintenance and Operation of the Water System. The District will maintain and preserve the Water System in good repair and working order at all times and will operate the Water System in an efficient and economical manner and will pay all Operation and Maintenance Costs as they become due and payable.

Section 6.6 Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Water Revenues or the funds or accounts created hereunder or under the WIFIA Master Agreement or on any funds in the hands of the District pledged to pay the WIFIA Installment Payments or which might impair the security of the WIFIA Installment Payments.

Section 6.7 Compliance with Contracts. The District will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all contracts for the use of the Water System and all other contracts affecting or involving the Water System, to the extent that the District is a party thereto.

Section 6.8 Insurance.

(a) The District will procure and maintain or cause to be procured and maintained insurance on the Water System with responsible insurers in such amounts and against such risks (including accident to or destruction of the Water System) as are usually covered in connection with facilities similar to the Water System so long as such insurance is available from reputable insurance companies at reasonable rates.

In the event of any damage to or destruction of the Water System caused by the perils covered by such insurance, the Net Proceeds thereof shall be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of the Water System. The District shall begin such reconstruction, repair or replacement promptly after such damage or destruction shall occur, shall continue and properly complete such reconstruction, repair or replacement as expeditiously as possible, and shall pay out of such Net Proceeds all costs and expenses in connection with such reconstruction, repair or replacement so that the same shall be completed and the Water System shall be free and clear of all claims and liens.

If such Net Proceeds exceed the costs of such reconstruction, repair or replacement portion of the Water System, and/or the cost of the construction of additions, betterments, extensions or improvements to the Water System, then the excess Net Proceeds may, at the option of the District, be applied in part to the prepayment of WIFIA Installment Payments as provided in Section 7.1 and in part to such other fund or account as may be appropriate and used for the retirement of Bonds and Contracts in the same proportions which the aggregate unpaid principal balance of WIFIA Installment Payments then bears to the aggregate unpaid principal amount of such Bonds and Contracts. If such

Net Proceeds are sufficient to enable the District to retire the entire obligation evidenced hereby prior to the final due date of the WIFIA Installment Payments as well as the entire obligations evidenced by Bonds and Contracts then remaining unpaid prior to their final respective due dates, the District may elect not to reconstruct, repair or replace the damaged or destroyed portion of the Water System, and/or not to construct other additions, betterments, extensions or improvements to the Water System; and thereupon such Net Proceeds shall be applied to the prepayment of WIFIA Installment Payments as provided in Section 7.1 and to the retirement of such Bonds and Contracts.

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

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

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

Section 6.9 Accounting Records; Financial Statements and Other Reports.

(a) The District will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the District, which records shall be available for inspection by the Authority, including agents and assignees of and lenders to the authority (including the Authority Lender) at reasonable hours and under reasonable conditions.

(b) The District will prepare and file with the Authority or its assignee annually within two hundred seventy (270) days after the close of each Fiscal Year (commencing with the Fiscal Year ended December 31, 2023) financial statements of the District for the preceding Fiscal Year prepared in accordance with generally accepted accounting principles, together with the report of a certified public accountant thereon.

(c) As long as there are any outstanding financial obligations of the District (in excess of \$100,000), the District will notify the Authority or its assignee within ten (10) days following the date of occurrence of any event that has the potential to have a material impact on the financial condition of the District.

Section 6.10 Protection of Security and Rights of the Authority. The District will preserve and protect the security hereof and the rights of the Authority and the Authority Lender to the WIFIA Installment Payments hereunder and will warrant and defend such rights against all claims and demands of all persons.

Section 6.11 Payment of Taxes and Compliance with Governmental Regulations. The District will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Water System, or any part thereof or upon the Water Revenues

or amounts on deposit in the Water Revenue Fund, the Acquisition Fund, the Rate Stabilization Fund or the WIFIA Debt Service Account when the same shall become due. The District will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Water System, or any part thereof, but the District shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

Section 6.12 Amount of Rates and Charges.

(a) The District, to the fullest extent permitted by law, shall fix, prescribe and collect Water Revenues for Water Service which will be at least sufficient to yield during each Fiscal Year Net Water Revenues equal to one hundred ten percent (110%) of Debt Service and one hundred percent (100%) of Policy Costs. The District may make adjustments from time to time in such Water Revenues and may make such classification thereof as it deems necessary, but shall not reduce the Water Revenues then in effect unless the Net Water Revenues from such reduced Water Revenues will at all times be sufficient to meet the requirements of this section.

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

Section 6.13 Collection of Rates and Charges. The District will have in effect at all times by-laws, rules and regulations requiring each customer to pay the rates and charges applicable to the Water Service and providing for the billing thereof and for a due date and a delinquency date for each bill.

Section 6.14 Eminent Domain Proceeds. If all or any part of the Water System shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied as follows:

(a) If (1) the District files with the Authority and the Authority Lender a certificate showing (i) the estimated loss of annual Net Water Revenues, if any, suffered or to be suffered by the District by reason of such eminent domain proceedings, (ii) a general description of the additions, betterments, extensions or improvements to the Water System proposed to be acquired and constructed by the District from such Net Proceeds, and (iii) an estimate of the additional annual Net Water Revenues to be derived from such additions, betterments, extensions or improvements, and (2) the District, on the basis of such certificate filed with the Authority and the Authority Lender, determines that the estimated additional annual Net Water Revenues will sufficiently offset the estimated loss of annual Net Water Revenues resulting from such eminent domain proceedings so that the ability of the District to meet its obligations hereunder will not be substantially impaired (which determination shall be final and conclusive), then the District shall promptly proceed with the acquisition and construction of such additions, betterments, extensions or improvements substantially in accordance with such certificate and such Net Proceeds shall be applied for the payment of the costs of such acquisition and construction, and any balance of such Net Proceeds not required by the District for such purpose shall be held by the District and shall be treated as Water Revenues.

(b) If the foregoing conditions are not met, then such Net Proceeds shall be applied by the District in part to the prepayment of WIFIA Installment Payments as provided in Section 7.1

and in part to such other fund or account as may be appropriate and used for the retirement of Bonds and Contracts in the same proportions which the aggregate unpaid principal components of the WIFIA Installment Payments then bears to the aggregate unpaid principal amount of such Bonds and Contracts.

Section 6.15 Further Assurances. The District will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Authority and the Authority Lender of the rights and benefits provided to the Authority and the Authority Lender herein.

Section 6.16 Enforcement of Contracts. So long as and WIFIA Installment Payments are outstanding, the District will not voluntarily consent to or permit any rescission of, nor will it consent to any amendment to or otherwise take any action under or in connection with any contracts previously or hereafter entered into which contracts provide for water to be supplied to the District which will reduce the supply of water thereunder if such rescission or amendment would in any manner impair or adversely affect the ability of the District to pay the WIFIA Installment Payments.

Section 6.17 Superior Additional Obligations. The District shall not execute any Contracts or issue any Bonds, as the case may be, that are payable from or secured by a pledge of and lien on Water Revenues and any money in the Water Revenue Fund superior to the pledge securing the WIFIA Installment Payments.

Section 6.18 Payments in Connection with the State Water Supply Contract. The District shall apply to the payments due for any Fiscal Year under that certain Water Supply Contract, by and between the District and the State of California Department of Water Resources, as amended, all amounts the District collects through the levy and collection of the Burns-Porter Assessments.

ARTICLE VII

PREPAYMENT OF WIFIA INSTALLMENT PAYMENTS

Section 7.1 Prepayment.

(a) The District may or shall, as the case may be, prepay from the Net Proceeds as provided in Sections 6.8 and 6.14 herein on any date all or any part of the unpaid WIFIA Installment Payments or the WIFIA Loan Agreement in whole, or in part, on any date in the order of payment as directed by the District, at a prepayment price equal to the sum of the principal components prepaid plus accrued interest thereon to the date of prepayment. Any such prepayment shall occur substantially concurrently with the prepayment of the WIFIA Loan by the Authority pursuant to the terms of [Section 9(a) of the WIFIA Master Agreement].

(b) The District shall prepay the WIFIA Installment Payments on the same dates as the Authority makes optional prepayments of the WIFIA Loan in accordance with the WIFIA Loan Agreement and shall not optionally prepay the WIFIA Installment Payments at any other time; provided, however, that any such prepayment shall be in a minimum principal amount of [\$500,000] or any integral multiple of \$1.00 in excess thereof.

Notwithstanding any such prepayment, the District shall not be relieved of its obligations hereunder, including its obligations under Article IV, until the Purchase Price shall have been fully paid (or provision for payment thereof shall have been provided to the written satisfaction of the Authority).

Section 7.2 Method of Prepayment. Before making any prepayment pursuant to Section 7.1, the District shall, within five (5) days following the event permitting the exercise of such right to prepay or creating such obligation to prepay or a determination to prepay, give written notice to the Authority and the Authority Lender describing such event and specifying the date on which the prepayment will be paid, which date shall be not less than ten (10) nor more than thirty (30) days from the date such notice is given.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF THE AUTHORITY

Section 8.1 Events of Default and Acceleration of Maturities. If one or more of the following Events of Default shall happen, that is to say --

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

(2) if default shall be made by the District in the performance of any of the agreements or covenants required herein or in connection with any Contract or Bond to be performed by it (other than a default in (1) above), and such default shall have continued for a period of sixty (60) days after the District shall have been given notice in writing of such default by the Authority;

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

(4) if payment of the principal of any Contract or Bond is accelerated in accordance with its terms; or

(5) if an "Event of Default" (as defined in the WIFIA Master Agreement) under the WIFIA Loan Agreement or the WIFIA Master Agreement shall have occurred;

then the Authority shall immediately notify the Authority Lender of an Event of Default and follow any written directions of the Authority Lender, which may include a direction to declare the entire principal amount of the unpaid WIFIA Installment Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained herein to the contrary notwithstanding; provided that the unpaid Purchase Price shall automatically become due and payable without the action of the Authority or any other person if the unpaid principal amount of the WIFIA Loan shall have become immediately due and

payable. Notwithstanding anything to the contrary set forth herein, the Authority shall not have the right to (i) declare the unpaid Purchase Price immediately due and payable or (ii) exercise any other rights or remedies hereunder following the occurrence of an Event of Default in each case without the prior written direction of the Authority Lender. This section, however, is subject to the condition that if at any time after the entire principal amount of the unpaid WIFIA Installment Payments and the accrued interest thereon shall have been so declared due and payable, but before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the District shall deposit with the Authority an amount that is sufficient to pay the unpaid principal amount of the WIFIA Installment Payments referred to in clause (1) above due prior to such declaration and the accrued interest thereon, with interest on such overdue installments, at the rate or rates applicable to the remaining unpaid principal balance of the WIFIA Installment Payments if paid in accordance with their terms, and the reasonable expenses of the Authority, and any and all other defaults known to the Authority (other than in the payment of the entire principal amount of the unpaid WIFIA Installment Payments and the accrued interest thereon due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Authority or provision deemed by the Authority to be adequate shall have been made therefor, then and in every such case the Authority, with the prior written consent of the Authority Lender, may rescind and annul such declaration and its consequences by written notice to the District; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Section 8.2 Application of Funds Upon Acceleration. Upon the date of the declaration of (or automatic, as applicable) acceleration as provided in Section 8.1, all Water Revenues thereafter received by the District shall be applied in the following order --

First, to the payment of the fees, costs and expenses of the trustee with respect to any Bonds or Contracts, in carrying out the provisions of this article, including reasonable compensation to its accountants and counsel and any outstanding fees and expenses of such trustee, and then to the payment of the fees, costs and expenses of the Authority, the Authority Lender, any agents and assignees of each of the foregoing as the case may be, if any, in carrying out the provisions of this article, including reasonable compensation to its accountants and counsel;

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

Third, to the payment, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, of the entire principal amount of the unpaid WIFIA Installment Payments and the unpaid principal amount of all Bonds and Contracts and the accrued interest thereon, with interest on the overdue installments at the rate or rates of interest applicable to the WIFIA Installment Payments and such Bonds and Contracts if paid in accordance with their respective terms; and

Fourth, to the payment of Subordinate Obligations in accordance with the terms thereof.

Section 8.3 Other Remedies of the Authority. Upon the occurrence of an Event of Default, the Authority shall have the right (but only upon the prior written direction of the Authority Lender):

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the District or any director, officer or employee thereof, and to compel the District or

any such director, officer or employee to perform and carry out its or his duties under the Law and the agreements and covenants required to be performed by it or him contained herein;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Authority;

(c) by suit in equity upon the happening of an Event of Default to require the District and its directors, officers and employees to account as the trustee of an express trust;

(d) to apply the Default Rate to the unpaid balance of the Purchase Price; or

(e) suspend or terminate all of its obligations hereunder with respect to the allocation of any undisbursed amount of the WIFIA Loan.

Notwithstanding anything contained herein, other than as expressly provided herein, the Authority shall have no security interest in or mortgage on the WIFIA Project, the Water System or other assets of the District and no default hereunder shall result in the loss of the WIFIA Project, the Water System, or other assets of the District.

Section 8.4 Remedies of the Authority Lender. Upon the occurrence of an Event of Default, the Authority Lender, as assignee of the Authority pursuant to the WIFIA Master Agreement, shall be entitled and empowered to institute any actions or proceedings at law or in equity against the District for the collection of any sums due to the Authority from the District and unpaid hereunder, and may prosecute any such judgment or final decree against the District and collect in the manner provided by law the moneys adjudged or decreed to be payable, may take such other actions at law or in equity as may appear necessary or desirable to collect all amounts payable by the District to the Authority under this WIFIA Installment Purchase Agreement then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the District under this WIFIA Installment Purchase Agreement. Notwithstanding anything herein to the contrary, the Authority Lender shall not have the authority to accelerate payments under any Bonds or other Contracts.

Section 8.5 Non-Waiver. Nothing in this article or in any other provision hereof shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the WIFIA Installment Payments to the Authority at the respective due dates or upon prepayment from the Net Water Revenues, the Water Revenue Fund, the Rate Stabilization Fund and the other funds herein pledged for such payment, or shall affect or impair the right of the Authority or the Authority Lender, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein.

A waiver of any default or breach of duty or contract by the Authority or the Authority Lender shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Authority or the Authority Lender to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Authority or the Authority Lender by the Law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Authority or the Authority Lender, as applicable.

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

Section 8.6 Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Authority or the Authority Lender is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

ARTICLE IX

MISCELLANEOUS

Section 9.1 Liability of District Limited. Notwithstanding anything contained herein, the District shall not be required to advance any moneys derived from any source of income other than the Net Water Revenues, the Water Revenue Fund, the Rate Stabilization Fund and the other funds provided herein for the payment of the WIFIA Installment Payments or for the performance of any agreements or covenants required to be performed by it contained herein. The District may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the District for such purpose.

The obligation of the District to make the WIFIA Installment Payments is a special obligation of the District payable solely from such Net Water Revenues and other funds described herein, and does not constitute a debt of the District or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

Section 9.2 Benefits of Installment Purchase Agreement Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the District, the Authority or the Authority Lender (and its assigns) any right, remedy or claim under or pursuant hereto. Each of the Authority and the District agrees that the Authority Lender shall be a third party beneficiary to this WIFIA Installment Purchase Agreement and any agreement or covenant required herein to be performed by or on behalf of the District, the Authority or the Authority Lender shall be for the sole and exclusive benefit of the other parties.

Section 9.3 Successor Is Deemed Included in all References to Predecessor. Whenever the District, the Authority or the Authority Lender is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the District, the Authority or the Authority Lender, and all agreements and covenants required hereby to be performed by or on behalf of the District, the Authority or the Authority Lender shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 9.4 Waiver of Personal Liability. No director, officer or employee of the District shall be individually or personally liable for the payment of the WIFIA Installment Payments, but nothing contained herein shall relieve any director, officer or employee of the District from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 9.5 Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to “Articles,” “Sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words “hereby,” “herein,” “hereof,” “hereto,” “herewith” and other words of similar import refer to this WIFIA Installment Purchase Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

Section 9.6 Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the District or the Authority shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof. The District and the Authority hereby declare that they would have executed this WIFIA Installment Purchase Agreement, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 9.7 Assignment. This WIFIA Installment Purchase Agreement and any rights hereunder may be assigned by the Authority, as a whole or in part, to the Authority Lender without the necessity of obtaining the prior consent of the District. On each WIFIA Installment Payment Date, the District, as agent of the Authority, shall transfer to the Authority Lender on the Authority’s behalf the WIFIA Installment Payments hereunder from the WIFIA Debt Service Account in accordance with the terms of the WIFIA Loan Agreement.

Section 9.8 Net Contract. This WIFIA Installment Purchase Agreement shall be deemed and construed to be a net contract, and the District shall pay absolutely net during the term hereof of the WIFIA Installment Payments and all other payments required hereunder, free of any deductions and without abatement, diminution or set-off whatsoever.

Section 9.9 California Law. THIS WIFIA INSTALLMENT PURCHASE AGREEMENT SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

Section 9.10 Notices. All written notices to be given hereunder shall be given (a) in the case of the Authority Lender, by email to its email address set forth below and (b) in the case of the Authority and the District, by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other party in writing from time to time, namely:

If to the District:	Palmdale Water District 2029 E. Avenue Q Palmdale, California 93550 Attention: General Manager
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If to the Authority: Palmdale Water District Public Financing Authority
2029 E. Avenue Q
Palmdale, California 93550
Attention: Executive Director

If to the Authority Lender: Environmental Protection Agency
WJC- E 7334A
1200 Pennsylvania Avenue NW
Washington, D.C. 20460
Attention: WIFIA Director
Email: WIFIA_Portfolio@epa.gov

Section 9.11 Effective Date. This Installment Purchase Agreement shall become effective upon its execution and delivery, and shall terminate only when (a) the Purchase Price shall have been fully paid and (b) the WIFIA Loan Agreement shall have terminated in accordance with its terms.

Section 9.12 Execution in Counterparts. This WIFIA Installment Purchase Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument. Delivery of an executed signature page of this WIFIA Installment Purchase Agreement by facsimile or email transmission shall be effective as delivery of a manually signed counterpart hereof.

Section 9.13 Indemnification of Authority and the Authority Lender. The District hereby agrees to indemnify and hold harmless the Authority, the Authority Lender and the assigns and officers and directors thereof if and to the extent permitted by law, from and against all claims, advances, damages and losses, including legal fees and expenses, arising out of or in connection with the acceptance or the performance of their duties hereunder or to the extent provided in the WIFIA Loan Agreement, under the WIFIA Loan Agreement.

Section 9.14 Amendments Permitted. This WIFIA Installment Purchase Agreement and the rights and obligations of the Authority, the District and the Authority Lender, may be modified or amended at any time by an amendment hereto which shall become binding only following the execution and delivery of such amendment by the Authority, the District and the Authority Lender.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

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

PALMDALE WATER DISTRICT

By: _____
General Manager

PALMDALE WATER DISTRICT PUBLIC
FINANCING AUTHORITY

By: _____
Executive Director

UNITED STATES ENVIRONMENTAL
PROTECTION AGENCY

By: _____
Authorized Officer

EXHIBIT A
PURCHASE PRICE

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

2. The installment payments of principal and interest are payable in the amounts and on the WIFIA Installment Payment Dates as follows:

<i>WIFIA Installment Payment Date</i>	<i>Amount Attributable to Principal</i>	<i>Amount Attributable to Interest</i>	<i>Total</i>
<i>Tenth Day Prior To:</i>		\$	\$

<i>WIFIA Installment Payment Date</i>	<i>Amount Attributable to Principal</i>	<i>Amount Attributable to Interest</i>	<i>Total</i>
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Tenth Day Prior To:

TOTAL	\$ _____	\$ _____	\$ _____
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EXHIBIT B

FORM OF REQUISITION FROM ACQUISITION FUND

§ _____
PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY
WIFIA LOAN AGREEMENT

REQUISITION NO. _ FOR
DISBURSEMENT FROM ACQUISITION FUND

Each of the undersigned, to the extent applicable, hereby states and certifies:

(i) that the undersigned is the duly appointed, qualified and acting General Manager of the Palmdale Water District, an irrigation district that is organized and existing under the Constitution and laws of the State of California (the “District”), and as such, is familiar with the facts herein certified and is authorized to certify the same with respect to the District;

(ii) that the undersigned is the duly appointed, qualified and acting Executive Director of the Palmdale Water District Public Financing Authority, a joint exercise of powers agency that is duly organized and existing under and by virtue of the laws of the State of California (the “Authority”), and as such, is familiar with the facts herein certified and is authorized to certify the same with respect to the Authority;

(ii) that, pursuant to Section 3.4 of that certain Installment Purchase Agreement, dated as of _____, 2023 (the “WIFIA Installment Purchase Agreement”), by and among the Authority, the District and the United States Environmental Protection Agency, the undersigned each hereby requests the Treasurer to disburse this date the following amounts from the Acquisition Fund established under the Installment Purchase Agreement relating to the above-captioned obligations, to the payees designated on the attached Exhibit A;

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

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

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

Dated: _____, 20

PALMDALE WATER DISTRICT

By: _____
_____, General Manager

PALMDALE WATER DISTRICT PUBLIC
FINANCING AUTHORITY

By: _____
_____, Executive Director

EXHIBIT A
ACQUISITION FUND DISBURSEMENTS

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

2024 WIFIA LOAN AGREEMENT

**UNITED STATES
ENVIRONMENTAL PROTECTION AGENCY**

WIFIA LOAN AGREEMENT

for up to \$14,805,000

with

PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY and

PALMDALE WATER DISTRICT

for the

**PURE WATER ANTELOPE VALLEY MASTER PROGRAM – PROJECT 1
(WIFIA ID – N22112CA)**

Dated as of [__], 2024

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WIFIA LOAN AGREEMENT

THIS WIFIA LOAN AGREEMENT (this “**Agreement**”), dated as of [___], 2024, is by and among **PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY**, a joint exercise of powers agency duly organized and existing under the laws of the State of California (the “**State**”), with an address at 2029 East Avenue Q, Palmdale, California 93550 (the “**Borrower**”), **PALMDALE WATER DISTRICT**, an irrigation district duly organized and existing under the laws of the State, with an address at 2029 East Avenue Q, Palmdale, California 93550 (the “**District**”), and the **UNITED STATES ENVIRONMENTAL PROTECTION AGENCY**, an agency of the United States of America, acting by and through the Administrator of the Environmental Protection Agency, with an address at 1200 Pennsylvania Avenue NW, Washington, DC 20460 (the “**WIFIA Lender**”).

RECITALS:

WHEREAS, the Congress of the United States of America enacted the Water Infrastructure Finance and Innovation Act, § 5021 *et seq.* of Public Law 113-121 (as amended, and as may be further amended from time to time, the “**Act**”), which is codified as 33 U.S.C. §§ 3901-3915;

WHEREAS, the Act authorizes the WIFIA Lender to enter into agreements to provide financial assistance with one or more eligible entities to make secured loans with appropriate security features to finance a portion of the eligible costs of projects eligible for assistance;

WHEREAS, the Borrower, the District and the WIFIA Lender entered into that certain WIFIA Master Agreement, dated as of [___], 2024 (the “**WIFIA Master Agreement**”), pursuant to which the parties thereto have set forth certain common terms and conditions applicable to each WIFIA Loan and Project under the Master Program;

WHEREAS, pursuant to the WIFIA Master Agreement, the District, as agent of the Borrower pursuant to the WIFIA IPA (as defined below), has requested that the WIFIA Lender make the WIFIA Loan (as defined below) in a principal amount not to exceed fourteen million eight hundred and five thousand Dollars (\$14,805,000) (excluding interest to be capitalized in accordance with the terms hereof and of the WIFIA Master Agreement) to be used to pay a portion of the Eligible Project Costs for the Project;

WHEREAS, as of the date hereof, the Administrator has approved WIFIA financial assistance for the Project to be provided in the form of the WIFIA Loan, subject to the terms and conditions contained herein and in the WIFIA Master Agreement;

WHEREAS, based on the Application, the WIFIA Master Agreement and the representations, warranties and covenants set forth herein and therein, the WIFIA Lender proposes to make funding available to the Borrower through the purchase of the WIFIA Note (as defined below) to be issued by the Borrower, upon the terms and conditions set forth herein and in the WIFIA Master Agreement;

WHEREAS, the Borrower has entered into that certain Installment Purchase Agreement, dated as of [___], 2024 (the “**WIFIA IPA**”), with the District for the WIFIA Loan, pursuant to which (i) the Borrower agrees to purchase the Project from the District in exchange for the

provision of funds, in the amount of the WIFIA Loan, and (ii) the District agrees to purchase the Project from the Borrower in exchange for the payment of WIFIA Installment Payments by the District to the Borrower, such payments being secured by the Pledged Collateral;

WHEREAS, the Borrower agrees to repay any amount due pursuant to this Agreement and the WIFIA Note in accordance with the terms and provisions of this Agreement, the WIFIA Master Agreement and the WIFIA Note; and

WHEREAS, the WIFIA Lender has entered into this Agreement in reliance upon, among other things, the information and representations of the Borrower and the District set forth in the Application, the WIFIA Master Agreement, and the supporting information provided by the Borrower and the District (as the case may be).

NOW, THEREFORE, the premises being as stated above, and for good and valuable consideration, the receipt and sufficiency of which are acknowledged to be adequate, and intending to be legally bound hereby, it is hereby mutually agreed by and among the Borrower, the District and the WIFIA Lender as follows:

ARTICLE I DEFINITIONS AND INTERPRETATION

Section 1. Definitions. Each capitalized term used in this Agreement (including in the recitals hereto) and not otherwise defined herein shall have the meaning assigned to such term in the WIFIA Master Agreement. Any term used in this Agreement (including in the recitals hereto) that is defined by reference to any other agreement shall continue to have the meaning specified in such agreement, whether or not such agreement remains in effect. In addition, as used in this Agreement (including in the recitals hereto), the following terms have the following meanings:

“**Act**” has the meaning provided in the recitals hereto.

“**Agreement**” has the meaning provided in the preamble hereto.

“**Construction Schedule**” means (a) the initial schedule or schedules on which the construction, design and planning timetables for the Project are set forth, attached as **Schedule II** (*Construction Schedule*), and (b) any updates thereto included in the Construction Monitoring Report most recently submitted to the WIFIA Lender in accordance with Section 20(c)(ii) (*Reporting Requirements of the District – Construction Reporting – Construction Monitoring Report*) of the WIFIA Master Agreement.

“**Debt Service Payment Commencement Date**” means the earliest to occur of (a) October 1, 2026; (b) if the Capitalized Interest Period ends pursuant to Section 8(b) (*Payment of Principal and Interest – Capitalized Interest*) of the WIFIA Master Agreement due to the occurrence of an Event of Default, the first Payment Date immediately following the end of the Capitalized Interest Period; and (c) the Payment Date falling closest to, but not later than, the fifth (5th) anniversary of the Substantial Completion Date.

“**Development Default**” means (a) the District abandons work related to the Project or fails, in the reasonable judgment of the WIFIA Lender, to diligently prosecute the work related to

the Project or (b) the District fails to achieve Substantial Completion of the Project within twelve (12) months following the Projected Substantial Completion Date set forth in this WIFIA Loan Agreement as of this WIFIA Loan Agreement Effective Date.

“**Final Maturity Date**” means the earlier of (a) October 1, 2045 (or such earlier date as is set forth in an updated **Exhibit A** (*WIFIA Loan Amortization Schedule*) pursuant to Section 8(f) (*Payment of Principal and Interest – Adjustments to WIFIA Loan Amortization Schedule*) of the WIFIA Master Agreement); and (b) the Principal Payment Date immediately preceding the date that is thirty-five (35) years following the Substantial Completion Date.

“**Interest Only Period**” means the period commencing on the Debt Service Payment Commencement Date and ending on April 1, 2035 (or on such earlier date as all amounts due or to become due to the WIFIA Lender under this Agreement and the WIFIA Master Agreement have been irrevocably paid in full in cash).

“**Interest Payment Date**” means each April 1 and October 1.

“**Principal Payment Date**” means each October 1.

“**Project**” means the Pure Water Antelope Valley Master Program – Project 1, located in Palmdale, California, which consists of the construction, design and planning for the Pure Water Antelope Valley Project, as described in further detail in **Schedule III** (*Project*).

“**Project Budget**” means the budget for the Project attached to this Agreement as **Schedule I** (*Project Budget*) showing a summary of Total Project Costs with a breakdown of all Eligible Project Costs and the estimated sources and uses of funds for the Project.

“**Projected Substantial Completion Date**” means September 13, 2025, as such date may be adjusted in accordance with Section 20(c)(ii) (*Reporting Requirements of the District – Construction Reporting – Construction Monitoring Report*) of the WIFIA Master Agreement.

“**WIFIA IPA**” has the meaning provided in the recitals hereto.

“**WIFIA Loan**” means the secured loan made by the WIFIA Lender to the Borrower on the terms and conditions set forth herein, in the WIFIA Master Agreement and in the WIFIA Note, pursuant to the Act, in a principal amount not to exceed fourteen million eight hundred and five thousand Dollars (\$14,805,000) (excluding interest to be capitalized in accordance with the terms hereof and of the WIFIA Master Agreement) to be used in respect of Eligible Project Costs with respect to the Project.

“**WIFIA Loan Agreement Effective Date**” means the date of this Agreement.

“**WIFIA Loan Amortization Schedule**” means the loan amortization schedule reflected in **Exhibit A** (*WIFIA Loan Amortization Schedule*), as amended from time to time in accordance with Section 8(f) (*Payment of Principal and Interest – Adjustments to WIFIA Loan Amortization Schedule*) of the WIFIA Master Agreement.

“**WIFIA Master Agreement**” has the meaning provided in the recitals hereto.

“WIFIA Note” means the note issued and delivered by the Borrower in substantially the form of Exhibit A (*Form of WIFIA Note*) to the WIFIA Master Agreement.

Section 2. Interpretation.

(a) Except as otherwise expressly provided herein, the rules of interpretation set forth in Section 2 (*Interpretation*) of the WIFIA Master Agreement shall apply herein, *mutatis mutandis*, as if set out in this Agreement in full (and as if each reference therein to “this Agreement” were a reference to this Agreement, and each reference to any “WIFIA Loan” or any “WIFIA Note” were a reference, respectively, to the WIFIA Loan or the WIFIA Note as such terms are defined in this Agreement).

(b) This Agreement is one of the WIFIA Loan Agreements referenced in the WIFIA Master Agreement.

**ARTICLE II
THE WIFIA LOAN**

Section 3. WIFIA Loan Amount. The principal amount of the WIFIA Loan shall not exceed fourteen million eight hundred and five thousand Dollars (\$14,805,000) (excluding interest to be capitalized in accordance with the terms hereof and of the WIFIA Master Agreement). WIFIA Loan proceeds available to be drawn shall be disbursed from time to time in accordance with Section 4 (*Disbursement Conditions*) hereof and Section 11(c) (*Conditions Precedent – Conditions Precedent to Disbursements*) of the WIFIA Master Agreement.

Section 4. Disbursement Conditions. The WIFIA Loan shall be disbursed in accordance with Section 4 (*Disbursement Conditions*) of the WIFIA Master Agreement.

Section 5. [Reserved].

Section 6. Interest Rate. The interest rate with respect to the Outstanding WIFIA Loan Balance for the WIFIA Loan shall be [] and [] hundredths percent ([]%) per annum. Interest will accrue and be computed on the Outstanding WIFIA Loan Balance from time to time pursuant to, and otherwise in accordance with, Section 6 (*Interest Rate*) of the WIFIA Master Agreement.

Section 7. [Reserved].

Section 8. Payment of Principal and Interest.

(a) Payment of WIFIA Debt Service. Payments of WIFIA Installment Payments under the WIFIA IPA shall be made by the District on each Installment Payment Date occurring on or after the Debt Service Payment Commencement Date in accordance with Section 8(a) (*Payment of Principal and Interest – Payment of WIFIA Debt Service*) of the WIFIA Master Agreement. Payments of WIFIA Debt Service shall be made by the Borrower on each Payment Date occurring on or after the Debt Service Payment Commencement Date in the amounts and manner and on the Payment Dates as set forth in the WIFIA Loan Amortization Schedule and otherwise in accordance with Section 8(a) (*Payment of Principal and Interest – Payment of WIFIA Debt Service*) of the WIFIA Master Agreement.

(b) WIFIA Note. As evidence of the Borrower's obligation to repay the WIFIA Loan, the Borrower shall issue and deliver to the WIFIA Lender, on or prior to the WIFIA Loan Agreement Effective Date, the WIFIA Note, having a maximum principal amount of fourteen million eight hundred and five thousand Dollars (\$14,805,000) (excluding interest to be capitalized in accordance with the terms hereof and of the WIFIA Master Agreement).

(c) Interest Only Period. During the Interest Only Period, the WIFIA Debt Service payable by the Borrower shall consist of one hundred percent (100%) of the amount of interest then due and payable on the Outstanding WIFIA Loan Balance, and no payment of principal will be due and payable.

Section 9. Prepayment. The WIFIA Note shall be prepaid in accordance with Section 9(a) (*Prepayment – Mandatory Prepayment from Insurance Proceeds or Eminent Domain Proceeds*) of the WIFIA Master Agreement. The Borrower may prepay the WIFIA Loan in accordance with Section 9(b) (*Prepayment – Optional Prepayments*) of the WIFIA Master Agreement.

Section 10. Fees and Expenses. The District shall pay, on behalf of the Borrower, to the WIFIA Lender, in each case pursuant to and in accordance with Section 10 (*Fees and Expenses*) of the WIFIA Master Agreement:

(a) a one-time Servicing Set-Up Fee equal to \$[];

(b) an annual Construction Period Servicing Fee equal to \$[] per annum; provided that the initial Construction Period Servicing Fee shall be in a pro-rated amount equal to \$[] in accordance with Section 10(a)(ii) (*Fees and Expenses – Fees*) of the WIFIA Master Agreement;

(c) an Operating Period Servicing Fee equal to \$[] per annum; and

(d) any other applicable fees, costs, charges and expenses pursuant to, and otherwise in accordance with, Section 10 (*Fees and Expenses*) of the WIFIA Master Agreement.

ARTICLE III CONDITIONS PRECEDENT

Section 11. Conditions Precedent.

(a) Conditions Precedent to Effectiveness. The effectiveness of this Agreement is subject to the satisfaction, or the WIFIA Lender's written waiver, as determined by the WIFIA Lender in its sole discretion, of each of the conditions precedent to the effectiveness of this Agreement set forth in Section 11(b) (*Conditions Precedent – Conditions Precedent to Effectiveness of Each WIFIA Loan Agreement*) of the WIFIA Master Agreement (each of which is incorporated by reference herein, *mutatis mutandis*, as if set out in this Agreement in full and as if each reference therein to (a) any "Project," (b) any "WIFIA IPA," (c) any "WIFIA Loan" or "WIFIA Loan Agreement," or (d) any "WIFIA Note" were a reference, respectively, to (i) the Project, (ii) the WIFIA IPA, (iii) the WIFIA Loan or this Agreement, or (iv) the WIFIA Note (as such terms are defined in this Agreement)).

(b) Conditions Precedent to Disbursements. Notwithstanding anything in this Agreement to the contrary, the WIFIA Lender’s obligation to make any disbursement of the WIFIA Loan to the Borrower (including the initial disbursement hereunder) is subject to the satisfaction or the WIFIA Lender’s written waiver, as determined by the WIFIA Lender in its sole discretion, of each of the conditions precedent to disbursements set forth in Section 11(c) (*Conditions Precedent – Conditions Precedent to Disbursements*) of the WIFIA Master Agreement (each of which is incorporated by reference herein, *mutatis mutandis*, as if set out in this Agreement in full and as if each reference therein to (a) any “Project,” (b) any “WIFIA IPA” or (c) any “WIFIA Loan” or “WIFIA Loan Agreement” were a reference, respectively, to (i) the Project, (ii) the WIFIA IPA or (iii) the WIFIA Loan or this Agreement (as such terms are defined in this Agreement)).

ARTICLE IV REPRESENTATIONS AND WARRANTIES

Section 12. Representations and Warranties of the Borrower. The representations and warranties set out in Section 12 (*Representations and Warranties of the Borrower*) of the WIFIA Master Agreement shall be made on the WIFIA Loan Agreement Effective Date and as of each date on which any disbursement of the WIFIA Loan is requested or made, except as otherwise expressly provided in Section 12 of the WIFIA Master Agreement. Each such representation and warranty is incorporated by reference herein, *mutatis mutandis*, for the benefit of the WIFIA Lender as if set out in this Agreement in full (and as if each reference therein to “this Agreement” were a reference to this Agreement and as if each reference therein to (a) any “Project” or the “Master Program,” (b) any “WIFIA IPA,” (c) any “WIFIA Loan” or (d) any “WIFIA Note” were a reference, respectively, to (i) the Project, (ii) the WIFIA IPA, (iii) the WIFIA Loan or (iv) the WIFIA Note (as such terms are defined in this Agreement)). The Borrower acknowledges that it makes such representations and warranties with the intention of inducing the WIFIA Lender to enter into this Agreement and the other WIFIA Loan Documents and to advance the WIFIA Loan to the Borrower, and that the WIFIA Lender has entered into this Agreement and the other WIFIA Loan Documents on the basis of, and in full reliance on, each such representation and warranty.

Section 13. Representations and Warranties of the District. The representations and warranties set out in Section 13 (*Representations and Warranties of the District*) of the WIFIA Master Agreement shall be made on the WIFIA Loan Agreement Effective Date and as of each date on which any disbursement of the WIFIA Loan is requested or made, except as otherwise expressly provided in Section 13 of the WIFIA Master Agreement. Each such representation and warranty is incorporated by reference herein, *mutatis mutandis*, for the benefit of the WIFIA Lender as if set out in this Agreement in full (and as if each reference therein to “this Agreement” were a reference to this Agreement and as if each reference therein to (a) any “Project” or the “Master Program,” (b) any “WIFIA IPA” or (c) any “WIFIA Loan” or “WIFIA Loan Agreement” were a reference, respectively, to (i) the Project, (ii) the WIFIA IPA or (iii) the WIFIA Loan or this Agreement (as such terms are defined in this Agreement)). The District acknowledges that it makes such representations and warranties with the intention of inducing the WIFIA Lender to enter into this Agreement and the other WIFIA Loan Documents and to advance the WIFIA Loan to the Borrower, and that the WIFIA Lender has entered into this Agreement and the other WIFIA Loan Documents on the basis of, and in full reliance on, each such representation and warranty.

Section 14. Representations and Warranties of WIFIA Lender. The representations and warranties set out in Section 14 (*Representations and Warranties of WIFIA Lender*) of the WIFIA Master Agreement shall be made on the WIFIA Loan Agreement Effective Date, *mutatis mutandis*, for the benefit of the Borrower and the District as if set out in this Agreement in full (and as if each reference therein to any “WIFIA Loan” were a reference to the WIFIA Loan (as such term is defined in this Agreement)).

ARTICLE V COVENANTS

Section 15. Covenants of the Borrower. The Borrower covenants and agrees, until the date the WIFIA Loan and all of the obligations of the Borrower under the WIFIA Loan Documents with respect to the WIFIA Loan or the Project (other than contingent indemnity obligations) have been irrevocably paid in full in immediately available funds and the WIFIA Lender no longer has any commitment to make disbursements under this Agreement to the Borrower, unless the WIFIA Lender waives compliance in writing, to comply with each of the covenants set forth in the WIFIA Master Agreement, including Section 15 (*Affirmative Covenants of the Borrower*), Section 16 (*Negative Covenants of the Borrower*) and Section 19 (*Reporting Requirements of the Borrower*) of the WIFIA Master Agreement, which covenants are incorporated by reference herein *mutatis mutandis* as if fully set forth herein (and as if each reference therein to “this Agreement” were a reference to this Agreement and as if each reference therein to (a) any “Project” or the “Master Program,” (b) any “WIFIA IPA,” (c) any “WIFIA Loan” or “WIFIA Loan Agreement,” or (d) any “WIFIA Note” were a reference, respectively, to (i) the Project, (ii) the WIFIA IPA, (iii) the WIFIA Loan or this Agreement, or (iv) the WIFIA Note (as such terms are defined in this Agreement)).

Section 16. [Reserved].

Section 17. Covenants of the District. The District covenants and agrees, until the date the WIFIA Loan and all of the obligations of the Borrower and the District under the WIFIA Loan Documents with respect to the WIFIA Loan or the Project (other than contingent indemnity obligations) have been irrevocably paid in full in immediately available funds and the WIFIA Lender no longer has any commitment to make disbursements under this Agreement to the Borrower or the District, unless the WIFIA Lender waives compliance in writing, to comply with each of the covenants set forth in the WIFIA Master Agreement, including Section 17 (*Affirmative Covenants of the District*), Section 18 (*Negative Covenants of the District*) and Section 20 (*Reporting Requirements of the District*) of the WIFIA Master Agreement, which covenants are incorporated by reference herein *mutatis mutandis* as if fully set forth herein (and as if each reference therein to “this Agreement” were a reference to this Agreement and as if each reference therein to (a) any “Project” or the “Master Program,” (b) any “WIFIA IPA,” (c) any “WIFIA Loan” or “WIFIA Loan Agreement,” or (d) any “WIFIA Note” were a reference, respectively, to (i) the Project, (ii) the WIFIA IPA, (iii) the WIFIA Loan or this Agreement, or (iv) the WIFIA Note (as such terms are defined in this Agreement)).

Section 18. [Reserved].

Section 19. [Reserved].

Section 20. [Reserved].

ARTICLE VI EVENTS OF DEFAULT

Section 21. Events of Default and Remedies.

(a) Each Borrower Event of Default set out in Section 21(a) (*Events of Default and Remedies*) of the WIFIA Master Agreement shall constitute an Event of Default hereunder, except as otherwise expressly provided in Section 21(a) (*Events of Default and Remedies*) of the WIFIA Master Agreement.

(b) Each District Event of Default set out in Section 21(b) (*Events of Default and Remedies*) of the WIFIA Master Agreement shall constitute an Event of Default hereunder, except as otherwise expressly provided in Section 21(b) (*Events of Default and Remedies*) of the WIFIA Master Agreement.

(c) Upon the occurrence and during the continuation of any Event of Default hereunder, the WIFIA Lender shall have each of the rights and remedies to which it is entitled as provided in and with the same effect as described in Section 21 (*Events of Default and Remedies*) of the WIFIA Master Agreement.

ARTICLE VII MISCELLANEOUS

Section 22. Governing Law. This Agreement shall be governed by the federal laws of the United States of America, if and to the extent such federal laws are applicable, and the internal laws of the State, if and to the extent such federal laws are not applicable.

Section 23. Effectiveness. This Agreement shall be effective on the WIFIA Loan Agreement Effective Date.

Section 24. Survival. The indemnification requirements of Section 37 (*Indemnification*) of the WIFIA Master Agreement, as incorporated herein, the reporting and record keeping requirements of Sections 15(j) (*Affirmative Covenants of the Borrower – Access; Records*) and 17(p) (*Affirmative Covenants of the District – Access; Records*) of the WIFIA Master Agreement, as incorporated herein, and the payment requirements of Section 10 (*Fees and Expenses*) shall survive the termination of this Agreement as provided in such sections.

Section 25. Miscellaneous. Article VII (*Miscellaneous*) of the WIFIA Master Agreement (other than Sections 30 (*Governing Law*), 39 (*Effectiveness*) and 40 (*Survival*) of the WIFIA Master Agreement) shall be incorporated in this Agreement, *mutatis mutandis*, as if set out in this Agreement in full (and as if each reference therein to “this Agreement” were a reference to this Agreement and as if each reference therein to (a) any “Project” or the “Master Program,” (b) any “WIFIA Loan” or (c) any “WIFIA Note” were a reference, respectively, to (i) the Project, (ii) the WIFIA Loan or (iii) the WIFIA Note (as such terms are defined in this Agreement)).

[The remainder of this page intentionally left blank; signature pages immediately follow.]

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

**PALMDALE WATER DISTRICT PUBLIC
FINANCING AUTHORITY**, by its authorized
representative

By: _____
Name:
Title:

PALMDALE WATER DISTRICT, by its
authorized representative

By: _____
Name:
Title:

**UNITED STATES ENVIRONMENTAL
PROTECTION AGENCY**, acting by and through
the Administrator of the Environmental Protection
Agency

By: _____
Name: Michael S. Regan
Title: Administrator

SCHEDULE I
PROJECT BUDGET

SOURCES OF FUNDS	AMOUNT (\$ USD)	PERCENTAGE (%)
WIFIA Loan	\$14,805,000	49%
Matching Bonds	\$13,124,338	43%
Previously Incurred Eligible Costs	\$1,122,041	4%
Grant Funding	\$1,165,000	4%
Total Sources of Funds	\$30,216,379	100%
USES OF FUNDS	AMOUNT (\$ USD)	PERCENTAGE (%)
Construction	\$13,631,975	45%
Design	\$2,688,867	9%
Land Acquisition	0	0%
Other Capital Costs	\$8,745,780	29%
Contingency	\$2,726,395	9%
Total Capital Costs	\$27,793,018	92%
Financing Costs	\$954,361	3%
WIFIA Loan Reserve Fund	\$1,469,000	5%
Total Uses of Funds	\$30,216,379	100%
Total Eligible Project Costs	\$30,216,379	100%
Total Project Costs	\$30,216,379	100%

SCHEDULE II

CONSTRUCTION SCHEDULE

Projected Substantial Completion Date: September 13, 2025.

Project Component	Design Start	Design End	Construction Start	Construction End
Construction Demonstration Facility	--	--	6/22/2024	12/21/2025
Full Scale Planning/Design Documents	2/1/2024	8/31/2026	--	--
Design of New Production Well	1/1/2025	12/31/2025	--	--

SCHEDULE III

PROJECT

The Project is the Pure Water Antelope Valley Master Program – Project 1, located in Palmdale, California, which consists of the following Project components for a regional recycled water program:

- (a) construction of a small-scale advanced purification demonstration facility to conduct testing and inform design criteria for a full-scale advanced purification facility;
- (b) planning and program management of the design of a full-scale advanced water purification facility for direct groundwater injection through new injection wells; and
- (c) design of a new groundwater production well.

SCHEDULE 13(m)

EXISTING CONSTRUCTION CONTRACTS¹

Contract Name	Effective Date	Construction Contractor	Amount	Description
[None (Currently)]				

¹ **Note to Draft:** Construction Contracts executed prior to closing to be added.

EXHIBIT A
WIFIA LOAN AMORTIZATION SCHEDULE²

[See attached]

² **Note to Draft:** EPA and Borrower to provide on closing day to account for the interest rate.

EXHIBIT C

2024 WIFIA TERM SHEET

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

[], 2024

Palmdale Water District Public Financing Authority
2029 E. Avenue Q
Palmdale, California 93550
Attention: Executive Director

Palmdale Water District
2029 E. Avenue Q
Palmdale, California 93550
Attention: General Manager

RE: WIFIA Loan Term Sheet for Pure Water Antelope Valley Program – Project 1 with Palmdale Water District Public Financing Authority and Palmdale Water District (WIFIA ID – N22112CA)

Ladies and Gentlemen:

This WIFIA Loan Term Sheet (this “**Term Sheet**”) constitutes (a) the approval of the United States Environmental Protection Agency, acting by and through the Administrator of the Environmental Protection Agency (hereinafter, the “**USEPA**”), of the application for credit assistance of the Borrower (as defined below) received on October 18, 2023 (the “**Application**”) and (b) the agreement of USEPA to provide financing for the above-referenced project (as further described below, the “**Project**”) in the form of a secured loan (the “**WIFIA Loan**”), pursuant to the Water Infrastructure Finance and Innovation Act (“**WIFIA**”), § 5021 *et seq.* of Public Law 113-121 (as amended, and as may be amended from time to time, the “**Act**”), codified as 33 U.S.C. §§ 3901-3915, subject in all respects to (i) the terms and conditions contained herein, (ii) the terms and conditions contained in that certain WIFIA Master Agreement, dated as of [], 2024, by and among the WIFIA Lender (as defined below), the Borrower and the District (as defined below) (the “**WIFIA Master Agreement**”), and (iii) the execution and delivery of the WIFIA loan agreement with respect to the Project to be entered into on or after the date hereof (the “**WIFIA Loan Agreement**”) on terms and conditions acceptable to USEPA contained therein. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the WIFIA Loan Agreement or, if not defined therein, the WIFIA Master Agreement.

By executing this Term Sheet, the District, on behalf of the Borrower, confirms its agreement to reimburse USEPA for any and all fees and expenses that USEPA incurs for legal counsel, financial advice, and other consultants in connection with the evaluation of the Project and the negotiation and preparation of the WIFIA Loan Agreement and related documents whether or not any such agreement is ultimately executed.

This Term Sheet shall be governed by the federal laws of the United States of America if and to the extent such federal laws are applicable, and the internal laws of the State of California, if and to the extent such federal laws are not applicable. This Term Sheet, and any amendments, waivers, consents or supplements hereto may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed and delivered shall be

deemed an original, but all such counterparts together shall constitute but one and the same instrument. Electronic delivery of an executed counterpart of a signature page shall be effective as delivery of an original executed counterpart.

INDICATIVE TERMS OF THE WIFIA LOAN

WIFIA LENDER	United States Environmental Protection Agency, an agency of the United States of America, acting by and through the Administrator of the Environmental Protection Agency (the “ WIFIA Lender ”).
BORROWER	Palmdale Water District Public Financing Authority, a joint exercise of powers agency duly organized and existing under the laws of the State of California (the “ Borrower ”).
DISTRICT	Palmdale Water District, an irrigation district duly organized and existing under the laws of the State of California (the “ District ”).
PROJECT	The “ Project ” means the Pure Water Antelope Valley Program Project 1, located in Palmdale, California, which consists of the (i) construction of a small-scale advanced purification demonstration facility to conduct testing and inform design criteria for a full-scale advanced purification facility; (ii) planning and program management of the design of a full-scale advanced water purification facility for direct groundwater injection through new injection wells; and (iii) design of a new groundwater production well, as further described in Schedule III (<i>Project</i>) to the WIFIA Loan Agreement and Schedule I (<i>Master Program</i>) of the WIFIA Master Agreement.
WIFIA LOAN AMOUNT	A maximum principal amount (sum of disbursements) not to exceed fourteen million eight hundred and five thousand Dollars (\$14,805,000); <u>provided</u> that (a) the maximum principal amount of the WIFIA Loan, together with the amount of any other credit assistance provided under the Act, shall not exceed forty-nine percent (49%) of reasonably anticipated Eligible Project Costs for the Project, (b) the total federal assistance for the Project, including but not limited to the maximum principal amount of the WIFIA Loan and all federal grants, shall not exceed eighty percent (80%) of Total Project Costs for the Project, and (c) such maximum principal amount does not include any interest that may be capitalized in accordance with the WIFIA Master Agreement and added to the principal amount of the WIFIA Loan.
INTEREST RATE	<p>The WIFIA Loan shall bear interest at a fixed rate, calculated by adding one basis point (0.01%) to the rate of securities of a similar maturity (based on the weighted-average life of the WIFIA Loan) as published, on the execution date of the WIFIA Loan Agreement, in the United States Treasury Bureau of the Fiscal Service’s daily rate table for State and Local Government Series (SLGS) securities.</p> <p>The WIFIA Loan shall also bear default interest at a rate of two hundred (200) basis points above the otherwise applicable interest</p>

	rate, at such times and upon such terms as provided in the WIFIA Master Agreement.
PAYMENT DATES	<p>Pursuant to the WIFIA Loan Documents, not later than the tenth (10th) business day prior to each interest payment date occurring on or after the debt service payment commencement date (each such date, an “Installment Payment Date”), the District shall make installment payments of interest and principal scheduled to be paid by the District to the Borrower (“WIFIA Installment Payments”), which shall be assigned by the Borrower to the WIFIA Lender.</p> <p>Principal of the WIFIA Loan shall be repaid in annual installments on October 1 each year, beginning on October 1, 2035.</p> <p>Interest on the WIFIA Loan shall be paid in arrears on April 1 and October 1 of each year, beginning on October 1, 2026.</p> <p>The debt service payment commencement date shall in no event be later than five (5) years after the Substantial Completion Date of the Project.</p> <p>Subject to the terms and conditions of the WIFIA Loan Agreement and the WIFIA Master Agreement, no principal or interest shall be paid during the Capitalized Interest Period.</p> <p>During the Interest Only Period, the WIFIA Debt Service payable by the Borrower shall consist of one hundred percent (100%) of the amount of interest then due and payable on the Outstanding WIFIA Loan Balance, and no payment of principal will be due and payable.</p>
FINAL MATURITY DATE	The earlier of (a) October 1, 2045 and (b) the Principal Payment Date immediately preceding the date that is thirty-five (35) years following the Substantial Completion Date.
PROJECTED SUBSTANTIAL COMPLETION DATE	September 13, 2025.
DEDICATED SOURCE OF REPAYMENT FOR WIFIA INSTALLMENT PAYMENTS	<p>The dedicated source of repayment for the WIFIA Installment Payments shall be Water Revenues (as defined below) in accordance with the terms of the WIFIA IPA and the WIFIA Master Agreement. The Acquisition Fund, the WIFIA Debt Service Account and the WIFIA Reserve Fund, and all amounts on deposit in such funds and accounts, are also pledged to the payment of the WIFIA Installment Payments.</p> <p>“Water Revenues” means for any District Fiscal Year, all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the District’s Water System, including, without limiting the generality of the foregoing,</p>

(1) business interruption insurance proceeds or other moneys derived by the District from the sale, furnishing and supplying of the water or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Water System, plus (2) proceeds of the District's share of the county's one percent (1%) property tax received by the District, if any, plus (3) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, or other moneys, including District reserves and any reserve funds, plus (4) the proceeds of any stand by or water availability charges collected by the District, but excluding in all cases customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District, and excluding any proceeds of any taxes or assessments required by law to be used by the District to pay bonds heretofore or hereafter issued and any Burns-Porter Assessments, plus (5) money withdrawn from the Rate Stabilization Fund in such District Fiscal Year.

“Net Water Revenues” means, for any District Fiscal Year, the Water Revenues for such District Fiscal Year less the Operation and Maintenance Costs for such District Fiscal Year.

“Operation and Maintenance Cost” means the reasonable and necessary costs paid or incurred by the District for maintaining and operating the Water System of the District, determined in accordance with generally accepted accounting principles, including any water purchase costs (exclusive of any recovered amount from the State of California's Department of Water Resources in accordance with the State Water Supply Contract) and all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System of the District in good repair and working order, and including all administrative costs of the District that are charged directly or apportioned to the maintenance and operation of the Water System of the District, such as salaries and wages of employees, overhead, insurance, taxes (if any) and insurance premiums, and including all other reasonable and necessary costs of the District or charges required to be paid by it to comply with the terms of the WIFIA IPA and other Bonds and Contracts, such as compensation, reimbursement and indemnification of the trustee with respect to any Bonds and Contracts; excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature, all capital charges, and any contract payments due under the State Water Supply Contract paid from the proceeds of any Burns-Porter Assessments.

	<p>“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 and storage of water to residents of the District and adjacent areas, and any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto at any time acquired, constructed or installed by the District.</p>
<p>SECURITY OF WIFIA LOAN</p>	<p>The WIFIA Loan shall be secured by a pledge and assignment by the Borrower for the benefit of the WIFIA Lender of (a) all of the Borrower’s right, title and interest to receive the Borrower Revenues (as defined below), (b) all of the Borrower’s rights to receive amounts from the District from the WIFIA Debt Service Account, the Acquisition Fund and the WIFIA Reserve Fund (including any Reserve Policy, as defined in the WIFIA IPA) and the proceeds thereof, and (c) all of the Borrower’s rights and remedies to enforce the WIFIA IPA upon an event of default under the WIFIA IPA.</p> <p>“Borrower Revenues” means (a) the WIFIA Installment Payments received or receivable by the Borrower pursuant to or with respect to the WIFIA IPA and (b) all interest or gain derived from the investment of amounts in any of the funds or accounts established under the WIFIA IPA or the WIFIA Master Agreement.</p> <p>The debt obligation of the Borrower under the WIFIA Loan shall be evidenced through the issuance by the Borrower of the WIFIA Note.</p>
<p>SECURITY AND LIEN PRIORITY OF WIFIA INSTALLMENT PAYMENTS</p>	<p>The obligation of the District to make the WIFIA Installment Payments under the WIFIA IPA shall (a) be secured by the Liens on the Pledged Collateral (as defined below) (subject to payment of Operation and Maintenance Costs as they become due and payable), (b) be subordinate in right of payment and in right of security to the Lien on the Pledged Collateral for the benefit of the Senior Obligations, and (c) be <i>pari passu</i> in right of payment and right of security to the Lien on the Pledged Collateral for the benefit of the Parity Obligations.</p> <p>The obligation of the District to make the WIFIA Installment Payments under the WIFIA IPA constitutes Parity Obligations under the WIFIA Master Agreement and “Contracts” under the WIFIA IPA.</p> <p>“Pledged Collateral” means (a) the Water Revenues and all associated amounts on deposit in the Water Revenue Fund, (b) the Acquisition Fund and all amounts on deposit in the Acquisition</p>

	<p>Fund, (c) the WIFIA Debt Service Account and all amounts on deposit in the WIFIA Debt Service Account and (d) the WIFIA Reserve Fund and all amounts on deposit in the WIFIA Reserve Fund.</p>
PREPAYMENT	<p>The WIFIA Loan shall be subject to mandatory prepayment, without prepayment premium, from and in the amount of any prepayments of the WIFIA Installment Payments received from the District pursuant to the WIFIA IPA and Section 9(a) (<i>Prepayment – Mandatory Prepayment from Eminent Domain Proceeds</i>) of the WIFIA Master Agreement.</p> <p>After the Final Disbursement Date, the Borrower may prepay the WIFIA Loan in whole or in part, from time to time, but not more than annually, without penalty or premium; <u>provided</u> that any such prepayment shall be made in a minimum principal amount of two hundred fifty thousand Dollars (\$250,000) or any integral multiple of one Dollar (\$1.00) in excess thereof, and otherwise in accordance with the WIFIA Loan Agreement and the WIFIA Master Agreement.</p>
RATE COVENANT	<p>(a) The District, to the fullest extent permitted by law, shall, at all times, fix, prescribe and collect Water Revenues for Water Service which shall be at least sufficient to yield during each District Fiscal Year Net Water Revenues equal to one hundred ten percent (110%) of Debt Service and one hundred percent (100%) of Policy Costs (the “Rate Covenant”).</p> <p>(b) For the purpose of computing the amount of Net Water Revenues for any District Fiscal Year under the Rate Covenant described above, (i) amounts transferred from the Water Revenue Fund to the Rate Stabilization Fund during such District Fiscal Year shall be included and (ii) amounts transferred from the Rate Stabilization Fund to the Water Revenue Fund shall not exceed ten percent (10%) of Debt Service payable in the applicable District Fiscal Year; <u>provided</u> that no amounts transferred to or from the Rate Stabilization Funding during such District Fiscal Year shall be double-counted for purposes of such computation.</p> <p>(c) In accordance with Section 6.13 of the WIFIA IPA, the District will have in effect at all times by-laws, rules and regulations requiring each customer to pay the rates and charges applicable to the Water Service and providing for the billing thereof and for a due date and a delinquency date for each bill.</p>
ADDITIONAL OBLIGATIONS OF THE DISTRICT	<p>(a) The District shall not create, incur or suffer to exist (i) any Additional Senior Obligations (<u>provided</u> that Refunding Senior Obligations may be issued for the purpose of refunding any Senior Obligations then Outstanding so long as the issuance of</p>

such Refunding Senior Obligations shall not result in (i) an extension of the final maturity date of the Senior Obligations to be refunded or (ii) an increase in annual debt service in any year by more than five percent (5%); (ii) any obligations, all or a portion of the proceeds of which are or will be applied at any time to fund all or any portion of Total Project Costs of any Project, that are secured by a Lien on any assets or property of the District other than the Pledged Collateral; or (iii) any obligations, all or a portion of the proceeds of which are or will be applied at any time to fund any purchase, construction, condemnation, acquisition or expansion of the Water System, that are secured by a Lien on the Pledged Collateral or payable from the Pledged Collateral except in either case, Parity Obligations, or obligations so secured on a basis subordinate to the Parity Obligations. While an Event of Default relating to a Payment Default or a Bankruptcy Related Event has occurred and is continuing, the District shall not incur any indebtedness of any kind payable from, secured or supported by the Pledged Collateral without the prior written consent of the WIFIA Lender.

(b) The District may incur Additional Parity Obligations in accordance with the terms of the WIFIA Master Agreement; provided that:

(1) the Net Water Revenues for the last audited District Fiscal Year, or for any consecutive twelve (12) calendar month-period during the eighteen (18) calendar month-period preceding the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Municipal Consultant on file with the District, shall have produced a sum equal to at least one hundred ten percent (110%) of the Debt Service and one hundred percent (100%) of any Policy Costs for such District Fiscal Year or other twelve (12) month-period;

(2) the Net Water Revenues for the last audited District Fiscal Year, or for any consecutive twelve (12) calendar month-period during the eighteen (18) calendar-month period preceding the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, including adjustments to give effect as of the first day of such District Fiscal Year or other twelve (12) month-period, to increases or decreases in rates and charges with respect, or applicable, to the Water

System approved and in effect as of the date of calculation, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Municipal Consultant on file with the District, shall have produced a sum equal to at least one hundred ten percent (110%) of the Debt Service and one hundred percent (100%) of any Policy Costs for such District Fiscal Year or other twelve (12) month-period, plus the Debt Service which would have accrued on any Contracts executed or Bonds issued since the end of such District Fiscal Year or other twelve (12) month-period, assuming that such Contracts had been executed or Bonds had been issued at the beginning of such District Fiscal Year or other twelve (12) month-period, plus the Debt Service which would have accrued had such proposed additional Contract been executed or proposed additional Bonds been issued at the beginning of such District Fiscal Year or other twelve (12) month-period; and

(3) the estimated Net Water Revenues for the then current District Fiscal Year and for each District Fiscal Year thereafter, including (after giving effect to the completion of all such uncompleted improvements to the Water System) an allowance for estimated Net Water Revenues for each of such District Fiscal Years arising from any increase in the rates and charges estimated to be fixed and prescribed or received for the Water Service and which are economically feasible and reasonably considered necessary based on projected operations for a period of not to exceed five (5) years, as evidenced by a certificate of the Manager on file with the District, shall produce a sum equal to at least one hundred ten percent (110%) of the estimated Debt Service and one hundred percent (100%) of any estimated Policy Costs for each of such District Fiscal Years, after giving effect to the execution of all Contracts and the issuance of all Bonds estimated to be required to be executed or issued to pay the costs of completing all uncompleted improvements to the Water System within such District Fiscal Years.

(c) For the purpose of computing the amount of Net Water Revenues for any District Fiscal Year under the Additional Parity Obligations test described above, the amount of Water Revenues yielding Net Water Revenues may be increased by Budgeted Transfers (excluding amounts transferred from the Water Revenue Fund to the Rate Stabilization Fund) (measured as of the last day of the immediately preceding District Fiscal Year),

	<p>such amount to be no greater than ten percent (10%) of Debt Service payable in the applicable District Fiscal Year.</p> <p>(d) Notwithstanding the foregoing but subject to no Event of Default at such issuance or execution being uncured, Bonds issued or Contracts executed, on a parity basis with the WIFIA Installment Payments due under the WIFIA IPA, to refund Bonds or prepay Contracts may be delivered without satisfying the conditions set forth above if Debt Service in each District Fiscal Year after the District Fiscal Year in which such Bonds are issued or Contracts are executed is not greater than one hundred ten (110%) of the Debt Service which would have been payable in each such District Fiscal Year prior to the issuance of such Bonds or execution of such Contracts.</p>
RESTRICTED PAYMENTS AND TRANSFERS	The District shall not permit Water Revenues or any funds in any other fund or account held by or on behalf of the District with respect to the Water System, to be paid or transferred or otherwise applied for purposes that would violate the terms of Section 5.2 of the WIFIA IPA.
WIFIA LOAN DOCUMENTATION	The WIFIA Loan shall be subject to the preparation, execution and delivery of the WIFIA Loan Agreement, the WIFIA IPA, the WIFIA Note and any other loan documentation required by the WIFIA Lender in connection therewith, in each case acceptable to the WIFIA Lender, the Borrower and the District, which will contain certain conditions precedent, representations and warranties, affirmative and negative covenants, events of default, in each case, with respect to the Borrower and the District, and other provisions as agreed among the WIFIA Lender, the Borrower and the District, in each case in accordance with the terms of the WIFIA Master Agreement.
GOVERNING LAW	Federal laws of the United States of America, if and to the extent such federal laws are applicable, and the internal laws of the State of California, if and to the extent such federal laws are not applicable.

[Signature pages follow]

If the foregoing terms are acceptable, please countersign this letter in the space indicated below.

Sincerely,

**UNITED STATES ENVIRONMENTAL
PROTECTION AGENCY**, acting by and
through the Administrator of the United States
Environmental Protection Agency

By: _____

Name: Michael S. Regan

Title: Administrator

ACKNOWLEDGED AND AGREED:

PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY,
by its authorized representative

By: _____
Name:
Title:

ACKNOWLEDGED AND AGREED:

PALMDALE WATER DISTRICT,
by its authorized representative

By: _____
Name:
Title:

EXHIBIT D

GOOD FAITH ESTIMATES PURSUANT TO GOVERNMENT CODE SECTION 5852.1

The good faith estimates set forth herein are provided with respect to the 2024 WIFIA Loan and the 2024 WIFIA Loan Agreement in accordance with California Government Code Section 5852.1. Such good faith estimates have been provided to the Palmdale Water District Public Financing Authority (the "Authority") by NHA Associates, Inc., the Authority's municipal advisor in connection with the execution of the 2024 WIFIA Loan Agreement (the "Municipal Advisor").

Principal Amount. The Municipal Advisor has informed the Authority that, based on the Authority's financing plan and current market conditions, its good faith estimate of the aggregate amount of the 2024 WIFIA Loan is expected to be \$15,857,459 (reflecting a draw of \$14,805,000 and capitalized interest of \$1,052,459).

True Interest Cost of the 2024 WIFIA Loan. The Municipal Advisor has informed the Authority that based on the expected interest rates prevailing at the time of preparation of such estimate, their good faith estimate of the true interest cost of the 2024 WIFIA Loan, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the amount received by the Authority under the 2024 WIFIA Loan, is 4.72%.

Finance Charge of the 2024 WIFIA Installment Purchase Agreement. The Municipal Advisor has informed the Authority that, assuming that the 2024 WIFIA Installment Purchase Agreement is executed, their good faith estimate of the finance charge for the 2024 WIFIA Installment Purchase Agreement, which means the sum of all fees and charges paid to third parties (or costs associated with the 2024 WIFIA Installment Purchase Agreement), is \$395,000.

Amount of Proceeds to be Received. The Municipal Advisor has informed the Authority that based on estimated interest rates prevailing at the time of preparation of such estimate, their good faith estimate of the amount of proceeds expected to be received by the Authority under the 2024 WIFIA Loan, less the finance charge of the 2024 WIFIA Loan, as estimated above, and any reserves or capitalized interest paid or funded with proceeds of the 2024 WIFIA Loan, is \$14,805,000.

Total Payment Amount. The Municipal Advisor has informed the Authority that based on interest rates prevailing at the time of preparation of such estimate, their good faith estimate of the total payment amount, which means the sum total of all payments the Authority will make to make payments under the 2024 WIFIA Loan, plus the finance charge for the 2024 WIFIA Loan, as described above, not paid with the proceeds of the 2024 WIFIA Loan, calculated to the final maturity of the 2024 WIFIA Loan, is \$27,054,016 which excludes any reserves funded with proceeds of the 2024 WIFIA Loan (which may offset such total payment amount).

The foregoing estimates constitute good faith estimates based on information provided in the draft 2024 WIFIA Loan at the time of preparation of such estimates. The actual principal amount of the 2024 WIFIA Loan 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 entering into the 2024 WIFIA Loan being different than the date assumed for purposes of such estimates, (b) the actual principal amount of 2024 WIFIA Loan sold being different from the principal amount, (c) the actual amortization of the 2024 WIFIA Loan being different than the amortization assumed for purposes of such estimates, (d) the actual interest rates at the time of execution of the 2024 WIFIA Loan being different than those estimated for purposes of such estimates, (e) other market conditions, (f) alterations in the Authority's financing plan, or a combination of such factors. The actual date of execution of the 2024 WIFIA Loan and the actual principal amount of the 2024 WIFIA Loan will be determined by the Authority based on the timing of the need for proceeds of the 2024 WIFIA

Loan and other factors. Factors such as the final payment schedule, any changes to the interest rate and timing of the execution of the 2024 WIFIA Loan may be affected by factors beyond the control of the Authority, or the Municipal Advisor.