

TO: BOARD OF DIRECTORS

FROM : RAY DIENZO, P.E. *R.D.*  
GENERAL MANAGER

DATE: SEPTEMBER 11, 2024



**RESOLUTION OF THE BOARD AUTHORIZING THE EXECUTION AND DELIVERY BY**

- A. THE DISTRICT OF AN INSTALLMENT PURCHASE AGREEMENT, A TRUST AGREEMENT, A CONTINUING DISCLOSURE CERTIFICATE, ONE OR MORE ESCROW AGREEMENTS AND A CERTIFICATE PURCHASE AGREEMENT IN CONNECTION WITH THE NIPOMO COMMUNITY SERVICES DISTRICT WATER REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2024, AUTHORIZING THE EXECUTION AND DELIVERY OF SUCH CERTIFICATES OF PARTICIPATION EVIDENCING PRINCIPAL IN AN AGGREGATE AMOUNT OF NOT TO EXCEED \$14,500,000, APPROVING THE FORM AND AUTHORIZING THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT AND THE EXECUTION AND DELIVERY OF A FINAL OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERING AND SALE OF SUCH CERTIFICATES OF PARTICIPATION AND AUTHORIZING THE EXECUTION OF NECESSARY DOCUMENTS AND RELATED ACTIONS**
  
- B. THE CORPORATION OF AN INSTALLMENT PURCHASE AGREEMENT AND A TRUST AGREEMENT IN CONNECTION WITH THE NIPOMO COMMUNITY SERVICES DISTRICT WATER REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2024, AUTHORIZING THE EXECUTION AND DELIVERY OF SUCH CERTIFICATES OF PARTICIPATION EVIDENCING PRINCIPAL IN AN AGGREGATE AMOUNT OF NOT TO EXCEED \$14,500,000 AND AUTHORIZING THE EXECUTION OF NECESSARY DOCUMENTS AND RELATED ACTIONS**

**ITEM**

This item includes recommended actions by both the Board of Directors of the District, and separately by the Board acting in the capacity of Directors of the Nipomo Community Services District Public Facilities Corporation. This item is a transaction between the two entities for efficiency and cost savings in a refinancing. There will be one staff presentation for both items. Following a staff report and public comment, it is recommended that the Board of Directors take the following actions:

- A. Adopt the following resolution:

Resolution of the Board Authorizing the Execution and Delivery by the District of an Installment Purchase Agreement, a Trust Agreement, a Continuing Disclosure Certificate, One or More Escrow Agreements and a Certificate Purchase Agreement in connection with the Nipomo Community Services District Water Revenue Certificates of Participation, Series 2024, Authorizing the Execution and Delivery of Such Certificates of Participation Evidencing Principal in an Aggregate Amount of Not To Exceed \$14,500,000, Approving the Form and Authorizing the Distribution of a Preliminary Official Statement and the Execution and Delivery of a Final Official Statement in Connection with the Offering and Sale of Such Certificates of Participation And Authorizing the Execution of Necessary Documents and Related Actions.

then

- B. Convene to the Nipomo Community Services District Public Facilities Corporation ("PFC") special meeting without adjourning the regular meeting of the District Board.

Following public comment, it is recommended that the Board of Directors of the PFC adopt the following resolution:

Resolution of the Board Authorizing the Execution and Delivery by the Corporation of an Installment Purchase Agreement and a Trust Agreement in Connection with the Nipomo Community Services District Water Revenue Certificates of Participation, Series 2024, Authorizing the Execution and Delivery of such Certificates of Participation Evidencing Principal in an Aggregate Amount of Not to Exceed \$14,500,000 and Authorizing the Execution of Necessary Documents and Related Actions

- C. Adjourn the meeting of the PFC and reconvene back to the regular meeting of the Board of the Nipomo Community Services District.

### **BACKGROUND**

On June 11, 2013, the Nipomo Community Services District ("District") issued its \$2,845,000 Water Revenue Refunding Bonds, Series 2013A (the "2013A Bonds"), to realize interest rate savings by refinancing its previously issued \$4,000,000 Revenue Certificates of Participation (Pipeline and Storage Facility Project) Series 2003 (the "2003 COPs"). The 2003 COPs were issued to fund improvements to the District's Water System. On June 21, 2013, the District executed and delivered its \$9,660,000 Revenue Certificates of Participation (Supplemental Water Project) Series 2013 (the "2013 COPs") to fund additional improvements to the District's Water System.

District staff along with Columbia Capital evaluated the interest rate environment, looking for opportunities that may exist with lower interest rates in the current financial markets (compared to 2013 interest rates) and the potential for borrowing new money for needed projects. Columbia Capital completed an evaluation and staff and Columbia Capital made a presentation to the Board on March 27, 2024.

That presentation highlighted the District's ability to take advantage of the current lower interest rate environment. Under current market conditions, Columbia estimates that the interest rate on the refunding portion of the 2013A Bonds borrowing can be reduced from approximately 4.1% to 3.4%, achieving present value annual cost savings of over \$45,000 or 3.1%. Under current market conditions, Columbia estimates that the interest rate on the refunding portion of the 2013 COPs borrowing can be reduced from approximately 4.5% to 3.8%, achieving present value annual cost savings of over \$570,000 or 7.0%. The 2013A Bonds and the 2013 COPs may be currently refinanced (first optional call date for 2013A Bonds is September 1, 2023 and for 2013 COPs is March 1, 2023). Final savings and rates will depend on interest rates on the day of sale, which is expected to be in early October 2024.

The Board gave direction in March for staff to explore refinancing the 2013A Bonds and the 2013 COPs through the delivery of the new financing (the "2024 COPs") without extending their maturities for their portion of the new debt service, and extending the maturities for the 2024 COPs. This will allow the District to finance up to an additional \$4.5 million for water system improvements. It is anticipate that this additional revenue will pay for the construction of a one million gallon potable water storage tank (the "2024 Project") for additional water storage capacity as has been recommended in the District's Water and Sewer Master Plan since 2008, and to maintain an annual debt service payment constraint of approximately \$900,000 (which is the approximate amount of *ad valorem* tax revenues collected by the District). It is currently expected that the repayment term will be extended five years to September 1, 2048 to accommodate the

2024 Project. The refinancing proposal of the 2013A Bonds and the 2013 COP's and the use of funds as described above are consistent with and comply with the District's Debt Management Policy under Resolution No. 2020-1539.

The approved financing plan calls for the execution of the 2024 COPs, a portion of the proceeds to refinance the 2013A Bonds and the 2013 COPs, and a portion to fund the 2024 Project.

2024 COPs. The 2024 COPs will be secured by the District's share of the 1% *ad valorem* tax revenues and by the net revenues of the Water Enterprise (gross revenues less operation and maintenance less certain deposits and grants, if any).

The District and Public Facilities Corporation ("PFC") will enter into a new Installment Purchase Agreement whereby the District will agree to repurchase the portion of the Water Enterprise funded by the 2003 COPs and 2013 COPs and purchase the 2024 Project. The Installment Payments will be structured to correspond to the debt service on the 2024 COPs. The term of the debt is proposed to be 24 or 25 years and will be structured to assure that the annual payments will be level. Under the current financing, the District's total annual debt service for 2025 is \$759,000. After the refinancing and with the addition of the \$4.5 million in revenue, total annual debt payments are expected to be approximately \$900,000 - \$905,000 per year until 2048 depending on final bond rating and market conditions at time of sale.

The structure does not require a debt service reserve fund to be funded. The District has applied for a bond rating from Standard & Poor's. The rating is expected to be publicly announced in late September or early October. It is currently expected that the Water Enterprise system rating will be in the double-A category but there is no assurance of this. The current bond rating is AA-. Bond insurance may also be considered by the purchaser of the 2024 COPs if shown to be cost effective in lowering interest cost net of the premium. The 2024 COPs method of bond sale will be negotiated sale in early October with a bond closing following later in October or shortly thereafter. The true interest rate on the debt is currently expected to be 3.8%, although the final rate will depend on the final bond rating and marketing conditions at time of sale.

Due to volatility in the financial markets and certain factors relating to the Water System, the District's municipal advisor advised that a negotiated sale is preferable to a competitive sale. Staff and the municipal advisor have conducted a request for proposal process to select an underwriter. The District received 6 proposals and after careful review and consultation recommend Raymond James & Associates, Inc., as underwriter for the sale of the COPs.

It is appropriate at this meeting for the Board to consider for adoption the resolutions authorizing the execution and delivery of the 2024 COPs. Resolutions for the District and PFC are attached which would authorize the execution and delivery of not to exceed \$14,500,000 of Water revenue certificates of participation by the District. The COPs will be sold on a negotiated basis at a true interest cost of not to exceed 4.75%. The resolutions also approve the various documents in connection with the execution and delivery of the 2024 COPs. Norton Rose Fulbright US LLP has acted as special counsel and disclosure counsel, Columbia Capital, as municipal advisor, and The Bank of New York Mellon Trust Company, N.A., as trustee.

The public disclosures required under SB 450, effective January 1, 2018, are incorporated herein. The estimates have been determined as of August 30, 2024. Specifically:

- 1) *The true interest cost of the 2024 COPs, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the new issue of 2024 COPs is estimated to be 3.83%.*

- 2) *The finance charge of the 2024 COPs, which means the sum of all fees and charges paid to third parties is estimated to be \$299,479. [No bond insurance premiums are anticipated. Such insurance may or may not be available.]*
- 3) *The amount of proceeds received by the public body for sale of the 2024 COPs less the finance charge of the 2024 COPs described and any reserves or capitalized interest paid or funded with proceeds of the 2024 COPs is estimated to be \$13,879,929.*
- 4) *The total payment amount, which means the sum total of all payments the borrower will make to pay debt service on the 2024 COPs plus any finance charge of the 2024 COPs not paid with the proceeds of the 2024 COPs. The total payment amount calculated to the final maturity of the 2024 COPs is estimated to be \$21,759,134.*

**General Summary of Security:** 2024 COPs are secured by revenues received by the PFC from the District, namely the Installment Payments under the Installment Purchase Agreement. Each owner of the 2024 COPs will have a proportionate share of an undivided interest in the installment payments. The installment payments have an interest and principal component and will be payable semiannually. Under the Installment Purchase Agreement, although it is anticipated that the District will pay debt service with property tax revenue, the District pledges its Net Revenues to the payment of the Installment Payments. Net Revenues include gross revenues of the water enterprise minus operating and maintenance costs. The District covenants to maintain its rates and charges at a specified level (125%) to have sufficient Net Revenue (less capacity charges) to make Installment Payments.

The action today by the Board is to approve the execution and delivery of the 2024 COPs in an amount not to exceed \$14,500,000, along with the approval of related bond documents. These documents briefly described below and are as follows:

**Trust Agreement:** The Trust Agreement is one of the key legal documents that lays out the legal structure and terms of the financing. It specifies payment dates, maturity dates of the 2024 COPs; revenues and accounts specifically pledged to the repayment of the 2024 COPs; flow of funds; default and remedy provisions; defeasance (the action or process of rendering something null and void) provisions in the event the 2024 COPs are prepaid; and covenants of the PFC and the District. The Trust Agreement is drafted by Special Counsel and executed by the PFC, the District and Trustee.

**Installment Purchase Agreement:** The Installment Purchase Agreement is the other key legal document that contains the pledge of Net Revenues by the District to make installment payments. It specifies payment dates; revenues and accounts specifically pledged to the repayment of the 2024 COPs; parity obligation tests; rate covenants and further covenants of the PFC and the District. It is drafted by Special Counsel and executed by the PFC and the District.

**Official Statement:** The Official Statement describes the security and discloses potential risks to prospective investors. It will generally describe the sources of payment for the 2024 COPs, the nature of the improvement project, the financial condition of the District's water enterprise, the economic and demographic characteristics of the District, and inherent known risk factors associated with the security. It's important that this document not contain any material misstatements or omissions. The Preliminary Official Statement (often referred to as the "POS") is provided to potential investors prior to the sale so that they can make informed investment decisions. The POS should be as close to final as possible with the actual terms of the pricing (interest rates and principal amounts) left necessarily blank. The Final Official Statement ("FOS")



will be prepared shortly after the bond sale and must be available in time for bond closing. The POS and FOS are drafted by Special Counsel, acting as disclosure counsel and in consultation with staff and the District's financial advisor, and is executed by the District.

*Escrow Agreements:* These Agreements provide that a portion of the proceeds from the 2024 COPs will be deposited with the trustee/escrow and used to legally payoff the 2013A Bonds and 2013. It is drafted by Special Counsel and executed by the District and the trustee as escrow agent.

*Continuing Disclosure Certificate:* This certificate outlines the updated information related to the security that the District will agree to provide to the bond markets. Securities and Exchange Commission Rule 15c2-12 requires that certain disclosure be undertaken by the District. Disclosure is required annually, and on an exceptional basis for any major "material" event. This document is drafted by Special Counsel, acting as disclosure counsel, and executed by the District.

*Certificate Purchase Agreement:* This agreement is among the District, the Corporation and a selected underwriter. If determined by the General Manager to sell on a negotiated basis, the true interest rate will be not to exceed 4.75%, with an underwriter's discount of not to exceed 0.525% and a principal amount of not to exceed \$14,500,000. This document is drafted by Underwriter's Counsel, reviewed by Special Counsel and executed by the District and the Underwriter.

More specific details of the financing can be found in the drafts of the documents referenced above.

It is appropriate at this meeting to consider for adoption the resolutions of the District and PFC authorizing the execution and delivery of the 2024 COPs.

### **FISCAL IMPACT**

Total annual debt payments for the 2024 COPs are expected to be approximately \$900,000 per year through 2048. The COPs are payable first from the District's ad valorem property tax revenue and then from net revenues of the Water Enterprise, if necessary.

### **STRATEGIC PLAN**

**Goal 2. FACILITIES THAT ARE RELIABLE, ENVIRONMENTALLY SENSIBLE AND EFFICIENT.** Plan, provide for and maintain District facilities and other physical assets to achieve reliable, environmentally sensible, and efficient District operations.

- B.1 NCSD shall maintain long-range infrastructure management, upgrade and replacement planning.
- B.2 Manage both collection systems with the objective of zero spills and zero permit violations from all regulatory oversight agencies and to ensure the long-term preservation of assets.

**Goal 4. FINANCE.** Maintain conservative, long-term financial management to minimize rate impacts on customers while meeting program financial needs.

- B.1 Evaluate, plan for and maintain finances that are adequate for all needs, stable, and reliable over the long-term.

Goal 6. GOVERNANCE AND ADMINISTRATION. Conduct District activities in an efficient, equitable and cost-effective manner.

A.1 Periodically review, update and reaffirm District policies and procedures.

**RECOMMENDATION**

Staff recommends that your Honorable Board adopt Resolution 2024-XXXX approving:

- A TRUST AGREEMENT
- AN INSTALLMENT PURCHASE AGREEMENT
- ESCROW AGREEMENTS
- A CONTINUING DISCLOSURE CERTIFICATE (APPENDIX E TO POS)
- A PRELIMINARY OFFICIAL STATEMENT
- CERTIFICATE PURCHASE AGREEMENT WITH AN AGGREGATE PURCHASE AMOUNT NOT TO EXCEED \$14,500,000.00

(all as more completely described above)

then

Convene to Nipomo Community Services District Public Facilities Corporation  
Conduct PFC business including:

Board of Directors adopt Resolution No. 2024-XX approving:

- A TRUST AGREEMENT
- AN INSTALLMENT PURCHASE AGREEMENT
- CERTIFICATE PURCHASE AGREEMENT WITH AN AGGREGATE PURCHASE AMOUNT NOT TO EXCEED \$14,500,000.00

(all as more completely described above)

Adjourn the Special Meeting of the PFC and reconvene back to the regular meeting of the Board of the Nipomo Community Services District.

**ATTACHMENTS**

- A. DISTRICT RESOLUTION NO. 2024-XXXX
- B. PUBLIC FACILITIES CORPORATION RESOLUTION NO. 2024-XX
- C. TRUST AGREEMENT
- D. INSTALLMENT PURCHASE AGREEMENT
- E. 2013 COPS ESCROW AGREEMENT
- F. 2013 A BONDS ESCROW AGREEMENT
- G. PRELIMINARY OFFICIAL STATEMENT
- H. CONTINUING DISCLOSURE CERTIFICATE (APPENDIX E TO POS)
- I. CERTIFICATE PURCHASE AGREEMENT

SEPTEMBER 11, 2024

ITEM E-1

ATTACHMENT A

**NIPOMO COMMUNITY SERVICES DISTRICT  
RESOLUTION NO. 2024-XXXX**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE NIPOMO COMMUNITY SERVICES DISTRICT AUTHORIZING THE EXECUTION AND DELIVERY BY THE DISTRICT OF AN INSTALLMENT PURCHASE AGREEMENT, A TRUST AGREEMENT, A CONTINUING DISCLOSURE CERTIFICATE, TWO ESCROW AGREEMENTS AND A CERTIFICATE PURCHASE AGREEMENT IN CONNECTION WITH THE NIPOMO COMMUNITY SERVICES DISTRICT WATER REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2024, AUTHORIZING THE EXECUTION AND DELIVERY OF SUCH CERTIFICATES OF PARTICIPATION EVIDENCING PRINCIPAL IN AN AGGREGATE AMOUNT OF NOT TO EXCEED \$14,500,000, APPROVING THE FORM AND AUTHORIZING THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT AND THE EXECUTION AND DELIVERY OF A FINAL OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERING AND SALE OF SUCH CERTIFICATES OF PARTICIPATION AND AUTHORIZING THE EXECUTION OF NECESSARY DOCUMENTS AND RELATED ACTIONS**

**WHEREAS**, in 2003, to finance the acquisition, construction and installation of certain additional improvements (the “2003 Project”) to its water system (the “Water System”), the Nipomo Community Services District (the “District”) has heretofore purchased the 2003 Project from the Nipomo Community Services District Public Facilities Corporation (the “Corporation”), for the installment payments (the “2003 Installment Payments”) made by the District pursuant to the Installment Purchase Agreement, dated as of May 1, 2003 (the “2003 Installment Agreement”), by and between the District and the Corporation;

**WHEREAS**, to provide the funds necessary to finance the 2003 Project, the District caused the execution and delivery of the \$4,000,000 Nipomo Community Services District Revenue Certificates of Participation (Pipeline and Storage Facility Project) Series 2003 (the “2003 COPs”), evidencing direct, undivided fractional interests in the 2003 Installment Payments;

**WHEREAS**, in June 2013, the District refinanced the 2003 Project by prepaying all of principal portion of the remaining 2003 Installment Payments, and the interest thereon to the date of prepayment, through the issuance by the District of its \$2,845,000 Water Revenue Refunding Bonds, Series 2013A (the “2013A Bonds”);

**WHEREAS**, in June 2013, to finance the acquisition, construction and installation of certain additional improvements to the Water System, known as Phase 1 of the Supplemental Water Project (the “2013 Project,” and together with the 2003 Project, collectively, the “Prior Project”), the District has heretofore purchased the 2013 Project from the Corporation, for the installment payments (the “2013 Installment Payments”)

Nipomo Community Services District  
Resolution No. \_\_\_\_\_

**RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY BY THE DISTRICT OF AN INSTALLMENT PURCHASE AGREEMENT, A TRUST AGREEMENT, A CONTINUING DISCLOSURE CERTIFICATE, TWO ESCROW AGREEMENTS AND A CERTIFICATE PURCHASE AGREEMENT IN CONNECTION WITH THE NIPOMO COMMUNITY SERVICES DISTRICT WATER REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2024, AUTHORIZING THE EXECUTION AND DELIVERY OF SUCH CERTIFICATES OF PARTICIPATION EVIDENCING PRINCIPAL IN AN AGGREGATE AMOUNT OF NOT TO EXCEED \$14,500,000, APPROVING THE FORM AND AUTHORIZING THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT AND THE EXECUTION AND DELIVERY OF A FINAL OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERING AND SALE OF SUCH CERTIFICATES OF PARTICIPATION AND AUTHORIZING THE EXECUTION OF NECESSARY DOCUMENTS AND RELATED ACTIONS**

made by the District pursuant to the Installment Sale Agreement, dated as of June 1, 2013 (the "2013 Installment Agreement"), by and between the District and the Corporation;

**WHEREAS**, to provide the funds necessary to finance the 2013 Project, the District caused the execution and delivery of the \$9,660,000 Nipomo Community Services District Revenue Certificates of Participation (Supplemental Water Project) Series 2013 (the "2013 COPs"), evidencing direct, undivided fractional interests in the 2013 Installment Payments;

**WHEREAS**, the District desires to refinance the 2003 Project by refunding the 2013A Bonds;

**WHEREAS**, the District also desires to refinance the 2013 Project by prepaying all of the principal portion of the remaining 2013 Installment Payments, and the interest thereon to the date of prepayment, thereby causing all of the remaining 2013 COPs to be prepaid;

**WHEREAS**, the District further desires to finance the acquisition, construction and installation of certain additional improvements to its Water System, including the construction of a one million gallon potable water storage tank (the "2024 Project");

**WHEREAS**, to provide the funds necessary to refund the 2013A Bonds, prepay the remaining 2013 Installment Payments and to finance the 2024 Project, the District and the Corporation desire that the Corporation purchase the Prior Project from the District and the District sell the Prior Project to the Corporation, and that the District then purchase the Prior Project and the 2024 Project from the Corporation and the Corporation sell the Prior Project and the 2024 Project to the District, for the installment payments (the "Installment Payments") to be made by the District pursuant to an Installment Purchase Agreement by and between the District and the Corporation (such Installment Purchase Agreement, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the "Installment Purchase Agreement");

**Nipomo Community Services District**  
**Resolution No. \_\_\_\_\_**

**RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY BY THE DISTRICT OF AN INSTALLMENT PURCHASE AGREEMENT, A TRUST AGREEMENT, A CONTINUING DISCLOSURE CERTIFICATE, TWO ESCROW AGREEMENTS AND A CERTIFICATE PURCHASE AGREEMENT IN CONNECTION WITH THE NIPOMO COMMUNITY SERVICES DISTRICT WATER REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2024, AUTHORIZING THE EXECUTION AND DELIVERY OF SUCH CERTIFICATES OF PARTICIPATION EVIDENCING PRINCIPAL IN AN AGGREGATE AMOUNT OF NOT TO EXCEED \$14,500,000, APPROVING THE FORM AND AUTHORIZING THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT AND THE EXECUTION AND DELIVERY OF A FINAL OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERING AND SALE OF SUCH CERTIFICATES OF PARTICIPATION AND AUTHORIZING THE EXECUTION OF NECESSARY DOCUMENTS AND RELATED ACTIONS**

**WHEREAS**, the Corporation intends to assign without recourse certain of its rights under and pursuant to the Installment Purchase Agreement to The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), pursuant to a Trust Agreement by and among the Trustee, the Corporation and the District (such Trust Agreement, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the “Trust Agreement”);

**WHEREAS**, in consideration of such assignment and the execution and delivery of the Trust Agreement, the Trustee intends to execute and deliver the Nipomo Community Services District Water Revenue Certificates of Participation, Series 2024 (the “Certificates”), evidencing direct, undivided fractional interests in the Installment Payments, and the interest thereon;

**WHEREAS**, it was determined that a sale of the Certificates through a negotiated sale is in the best interests of the District, and staff and the municipal advisor conducted a request for proposal process to select an underwriter, pursuant to which Raymond James & Associates, Inc. is proposed as the underwriter for the Certificates (the “Underwriter”);

**WHEREAS**, a form of the Preliminary Official Statement to be distributed in connection with the public offering of the Revenue Obligations has been prepared (such Preliminary Official Statement in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the “Preliminary Official Statement”);

**WHEREAS**, Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), requires that an underwriter thereof must have reasonably determined that the District has undertaken in a written agreement or contract for the benefit of the holders of the Certificates to provide disclosure of certain financial information and certain material events on an ongoing basis;

**Nipomo Community Services District**  
**Resolution No. \_\_\_\_\_**

**RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY BY THE DISTRICT OF AN INSTALLMENT PURCHASE AGREEMENT, A TRUST AGREEMENT, A CONTINUING DISCLOSURE CERTIFICATE, TWO ESCROW AGREEMENTS AND A CERTIFICATE PURCHASE AGREEMENT IN CONNECTION WITH THE NIPOMO COMMUNITY SERVICES DISTRICT WATER REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2024, AUTHORIZING THE EXECUTION AND DELIVERY OF SUCH CERTIFICATES OF PARTICIPATION EVIDENCING PRINCIPAL IN AN AGGREGATE AMOUNT OF NOT TO EXCEED \$14,500,000, APPROVING THE FORM AND AUTHORIZING THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT AND THE EXECUTION AND DELIVERY OF A FINAL OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERING AND SALE OF SUCH CERTIFICATES OF PARTICIPATION AND AUTHORIZING THE EXECUTION OF NECESSARY DOCUMENTS AND RELATED ACTIONS**

**WHEREAS**, to cause such requirement to be satisfied, the District desires to enter into a Continuing Disclosure Certificate (such Continuing Disclosure Certificate in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the “Continuing Disclosure Certificate”);

**WHEREAS**, there have been prepared and submitted to this meeting forms of:

- a) the Installment Purchase Agreement;
- b) the Trust Agreement;
- c) a Certificate Purchase Agreement (the “Certificate Purchase Agreement”);
- d) the Preliminary Official Statement;
- e) the Continuing Disclosure Certificate; and
- f) the Escrow Agreements relating to the 2013A Bonds to be refunded and the 2013 COPs to be prepaid (the “Escrow Agreement”).

**WHEREAS**, all acts, conditions and things required by the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the financing authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the District is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such financing for the purpose, in the manner and upon the terms herein provided;

**NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED BY THE NIPOMO COMMUNITY SERVICES DISTRICT BOARD OF DIRECTORS AS FOLLOWS:**

Nipomo Community Services District  
Resolution No. \_\_\_\_\_

**RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY BY THE DISTRICT OF AN INSTALLMENT PURCHASE AGREEMENT, A TRUST AGREEMENT, A CONTINUING DISCLOSURE CERTIFICATE, TWO ESCROW AGREEMENTS AND A CERTIFICATE PURCHASE AGREEMENT IN CONNECTION WITH THE NIPOMO COMMUNITY SERVICES DISTRICT WATER REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2024, AUTHORIZING THE EXECUTION AND DELIVERY OF SUCH CERTIFICATES OF PARTICIPATION EVIDENCING PRINCIPAL IN AN AGGREGATE AMOUNT OF NOT TO EXCEED \$14,500,000, APPROVING THE FORM AND AUTHORIZING THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT AND THE EXECUTION AND DELIVERY OF A FINAL OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERING AND SALE OF SUCH CERTIFICATES OF PARTICIPATION AND AUTHORIZING THE EXECUTION OF NECESSARY DOCUMENTS AND RELATED ACTIONS**

Section 1. All of the recitals herein contained are true and correct and the Board of Directors of the District (the “Board”) so finds.

Section 2. The Installment Purchase Agreement, in substantially the form submitted to this meeting and made a part hereof as though set forth herein, be and the same is hereby approved. The President of the Board, and such other member of the Board as the President may designate, the General Manager of the District, the Treasurer and the Director of Engineering and Operations, and such other officers of the District as the General Manager may designate (the “Authorized Officers”) are, and each of them is, hereby authorized and directed, for and in the name of the District, to execute and deliver, and the Secretary, or his or her written designee(s) is authorized to attest to, the Installment Purchase Agreement in the form submitted to this meeting, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, or as required by the District Counsel, or the District’s Special Counsel, Norton Rose Fulbright US LLP (“Special Counsel”), such requirement or approval to be conclusively evidenced by the execution of the Installment Purchase Agreement by such Authorized Officer; provided, however, that such changes, insertions and omissions shall not result in an aggregate principal component amount of the Installment Payments in excess of \$14,500,000, shall not result in a true interest cost for the Installment Payments in excess of 4.75% and shall not result in a final Installment Payment later than September 1, 2049.

Section 3. The Trust Agreement, in substantially the form submitted to this meeting and made a part hereof as though set forth in full herein, be and the same is hereby approved. The Authorized Officers are, and each of them is, hereby authorized and directed, for and in the name of the District, to execute and deliver, and the Secretary, or his or her written designee(s) is authorized to attest to, the Trust Agreement, and the in the form presented to this meeting, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, or as required by the District Counsel or Special Counsel, such requirement or approval to be conclusively evidenced by the execution of the Trust Agreement by such Authorized Officer.



Nipomo Community Services District  
Resolution No. \_\_\_\_\_

**RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY BY THE DISTRICT OF AN INSTALLMENT PURCHASE AGREEMENT, A TRUST AGREEMENT, A CONTINUING DISCLOSURE CERTIFICATE, TWO ESCROW AGREEMENTS AND A CERTIFICATE PURCHASE AGREEMENT IN CONNECTION WITH THE NIPOMO COMMUNITY SERVICES DISTRICT WATER REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2024, AUTHORIZING THE EXECUTION AND DELIVERY OF SUCH CERTIFICATES OF PARTICIPATION EVIDENCING PRINCIPAL IN AN AGGREGATE AMOUNT OF NOT TO EXCEED \$14,500,000, APPROVING THE FORM AND AUTHORIZING THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT AND THE EXECUTION AND DELIVERY OF A FINAL OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERING AND SALE OF SUCH CERTIFICATES OF PARTICIPATION AND AUTHORIZING THE EXECUTION OF NECESSARY DOCUMENTS AND RELATED ACTIONS**

Section 4. The execution and delivery of Certificates evidencing principal in an aggregate amount not to exceed \$14,500,000, payable in the years and in the amounts, and evidencing principal of and interest on the Installment Payments as specified in the Trust Agreement as finally executed, are hereby authorized and approved. The Certificates are being executed and delivered in compliance with the District's Amended Debt Management Policy. In addition, in accordance with Government Code section 5852.1, this Board has been presented with certain Good Faith Estimates for the Certificates, which Good Faith Estimates are incorporated herein by reference.

Section 5. The refunding of the 2013A Bonds and the prepayment of all of the remaining principal components of the 2013 Installment Payments, and the interest components thereof to the dates of prepayment, and the 2013 COPs evidencing interests therein, as determined by any Authorized Officer, is hereby authorized and approved.

Section 6. The Board ratifies the selection of Raymond James & Associates, Inc., as Underwriter in connection with execution, delivery and sale of the Certificates. The Certificate Purchase Agreement, in substantially the form submitted to this meeting and made a part hereof as though set forth in full herein, be and the same is hereby approved. The Authorized Officers are, and each of them is, hereby authorized and directed, for and in the name of the District, to execute and deliver, and the Secretary, or his or her written designee(s) is authorized to attest to, the Certificate Purchase Agreement, in the form presented to this meeting, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, or as required by the District Counsel or Special Counsel, such requirement or approval to be conclusively evidenced by the execution of the Certificate Purchase Agreement by such Authorized Officer, provided that the aggregate principal amount evidenced by the Certificates shall not exceed \$14,500,000, a true interest cost shall not exceed 4.75% and a final Installment Payment date shall not be later than September 1, 2049.

Section 7. The Preliminary Official Statement, in substantially the form presented to this meeting and made a part hereof as though set forth in full herein, with

Nipomo Community Services District  
Resolution No. \_\_\_\_\_

**RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY BY THE DISTRICT OF AN INSTALLMENT PURCHASE AGREEMENT, A TRUST AGREEMENT, A CONTINUING DISCLOSURE CERTIFICATE, TWO ESCROW AGREEMENTS AND A CERTIFICATE PURCHASE AGREEMENT IN CONNECTION WITH THE NIPOMO COMMUNITY SERVICES DISTRICT WATER REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2024, AUTHORIZING THE EXECUTION AND DELIVERY OF SUCH CERTIFICATES OF PARTICIPATION EVIDENCING PRINCIPAL IN AN AGGREGATE AMOUNT OF NOT TO EXCEED \$14,500,000, APPROVING THE FORM AND AUTHORIZING THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT AND THE EXECUTION AND DELIVERY OF A FINAL OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERING AND SALE OF SUCH CERTIFICATES OF PARTICIPATION AND AUTHORIZING THE EXECUTION OF NECESSARY DOCUMENTS AND RELATED ACTIONS**

such changes, insertions and omissions therein as may be approved by an Authorized Officer, is hereby approved, and the use of the Preliminary Official Statement in connection with the offering and sale of the Certificates is hereby authorized and approved. The Authorized Officers are each hereby authorized to certify on behalf of the District that the Preliminary Official Statement is deemed final as of its date, within the meaning of Rule 15c2-12 (except for the omission of certain information permitted by Rule 15c2-12 to be omitted). The Authorized Officers are each hereby authorized and directed to furnish, or cause to be furnished, to prospective bidders for the Certificates a reasonable number of copies of the Preliminary Official Statement.

Section 8. The preparation and delivery of a final Official Statement (the "Official Statement"), and its use in connection with the offering and sale of the Certificates, be and the same is hereby authorized and approved. The Official Statement shall be in substantially the form of the Preliminary Official Statement, with such changes, insertions and omissions as may be approved by an Authorized Officer, or as required by the District Counsel or the Special Counsel, such approval to be conclusively evidenced by the execution and delivery thereof. The Authorized Officers are, and each of them is, hereby authorized and directed to execute the final Official Statement and any amendment or supplement thereto, for and in the name of the District.

Section 9. The Continuing Disclosure Certificate, in substantially the form appended to the Preliminary Official Statement and submitted to this meeting and made a part hereof as though set forth herein, be and the same is hereby approved. The Authorized Officers are, and each of them is, hereby authorized and directed, for and in the name of the District, to execute and deliver the Continuing Disclosure Certificate in the form submitted to this meeting, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, or as required by the District Counsel or the Special Counsel, such requirement or approval to be conclusively evidenced by the execution of the Continuing Disclosure Certificate by such Authorized Officer.

Nipomo Community Services District  
Resolution No. \_\_\_\_\_

**RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY BY THE DISTRICT OF AN INSTALLMENT PURCHASE AGREEMENT, A TRUST AGREEMENT, A CONTINUING DISCLOSURE CERTIFICATE, TWO ESCROW AGREEMENTS AND A CERTIFICATE PURCHASE AGREEMENT IN CONNECTION WITH THE NIPOMO COMMUNITY SERVICES DISTRICT WATER REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2024, AUTHORIZING THE EXECUTION AND DELIVERY OF SUCH CERTIFICATES OF PARTICIPATION EVIDENCING PRINCIPAL IN AN AGGREGATE AMOUNT OF NOT TO EXCEED \$14,500,000, APPROVING THE FORM AND AUTHORIZING THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT AND THE EXECUTION AND DELIVERY OF A FINAL OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERING AND SALE OF SUCH CERTIFICATES OF PARTICIPATION AND AUTHORIZING THE EXECUTION OF NECESSARY DOCUMENTS AND RELATED ACTIONS**

Section 10. The Escrow Agreement, in substantially the form submitted to this meeting and made a part hereof as though set forth herein, be and the same is hereby approved. The Authorized Officers are, and each of them is, hereby authorized and directed, for and in the name of the District, to execute and deliver one or more Escrow Agreement in the form submitted to this meeting, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, or as required by the District Counsel or the Special Counsel, such requirement or approval to be conclusively evidenced by the execution of the Escrow Agreement by such Authorized Officer.

Section 11. The Authorized Officers are, and each of them hereby is, authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the execution and delivery of the Certificates and the transactions contemplated by the notices, agreements and documents referenced in this Resolution, including the purchase of municipal bond insurance for all or any portion of the Certificates.

Section 12. All actions heretofore taken by the officers and employees of the District with respect to the execution, delivery and sale of the Certificates, or in connection with or related to any of the agreements or documents referenced in this Resolution, are hereby approved, confirmed and ratified.

Section 13. Any action authorized or directed in this resolution to be taken or performed by an Authorized Officer may be taken or performed by their designee with the same force and effect as if taken or performed by such Authorized Officer.

Section 14. If any section, subsection, sentence, clause or phrase of this resolution is, for any reason, held to be invalid or unconstitutional, such decision shall not affect the validity or constitutionality of the remaining portions of this resolution. The Board hereby declares that it would have passed this resolution and each section, subsection, sentence, clause or phrase hereof, irrespective of the fact that any one or more sections, subsections, sentences, clauses or phrases be declared invalid or unconstitutional.

**Nipomo Community Services District**  
**Resolution No. \_\_\_\_\_**

**RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY BY THE DISTRICT OF AN INSTALLMENT PURCHASE AGREEMENT, A TRUST AGREEMENT, A CONTINUING DISCLOSURE CERTIFICATE, TWO ESCROW AGREEMENTS AND A CERTIFICATE PURCHASE AGREEMENT IN CONNECTION WITH THE NIPOMO COMMUNITY SERVICES DISTRICT WATER REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2024, AUTHORIZING THE EXECUTION AND DELIVERY OF SUCH CERTIFICATES OF PARTICIPATION EVIDENCING PRINCIPAL IN AN AGGREGATE AMOUNT OF NOT TO EXCEED \$14,500,000, APPROVING THE FORM AND AUTHORIZING THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT AND THE EXECUTION AND DELIVERY OF A FINAL OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERING AND SALE OF SUCH CERTIFICATES OF PARTICIPATION AND AUTHORIZING THE EXECUTION OF NECESSARY DOCUMENTS AND RELATED ACTIONS**

Section 15. The Board finds that the sale of the Certificates to refinance the Prior Project and to finance the 2024 Project is categorically exempt from review under the California Environmental Quality Act (Public Resources Code Section 21000 et seq.) (“CEQA”) and its implementing guidelines (Title 14 of the California Code of Regulations, Section 15000 et seq.) (the “CEQA Guidelines”) pursuant to CEQA Guidelines Section 15302 because the Project consists of the replacement or reconstruction of existing sewer facilities located generally on the same site as the sewer system and equipment being replaced and will have generally the same purpose and capacity as that existing system. Staff is hereby directed to file a Notice of Exemption with the County Clerk within five (5) days of the adoption of this resolution pursuant to Section 15062 of the CEQA Guidelines.

Section 16. This Resolution shall take effect upon its adoption by the Board.

Nipomo Community Services District  
Resolution No. \_\_\_\_\_

**RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY BY THE DISTRICT OF AN INSTALLMENT PURCHASE AGREEMENT, A TRUST AGREEMENT, A CONTINUING DISCLOSURE CERTIFICATE, TWO ESCROW AGREEMENTS AND A CERTIFICATE PURCHASE AGREEMENT IN CONNECTION WITH THE NIPOMO COMMUNITY SERVICES DISTRICT WATER REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2024, AUTHORIZING THE EXECUTION AND DELIVERY OF SUCH CERTIFICATES OF PARTICIPATION EVIDENCING PRINCIPAL IN AN AGGREGATE AMOUNT OF NOT TO EXCEED \$14,500,000, APPROVING THE FORM AND AUTHORIZING THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT AND THE EXECUTION AND DELIVERY OF A FINAL OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERING AND SALE OF SUCH CERTIFICATES OF PARTICIPATION AND AUTHORIZING THE EXECUTION OF NECESSARY DOCUMENTS AND RELATED ACTIONS**

Upon a motion by Director \_\_\_\_\_, seconded by Director \_\_\_\_\_, on the following roll call vote, to wit:

AYES:

NOES:

ABSTAIN:

ABSENT:

the foregoing resolution is hereby passed and adopted at a regular meeting on this \_\_\_\_ day of \_\_\_\_\_, 2024.

\_\_\_\_\_  
ED EBY  
President of the Board

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
RAY DIENZO  
Secretary to the Board

\_\_\_\_\_  
CRAIG A. STEELE  
District Legal Counsel

**SEPTEMBER 11, 2024**

**ITEM E-1**

**ATTACHMENT B**

**NIPOMO COMMUNITY SERVICES DISTRICT  
PUBLIC FACILITIES CORPORATION  
RESOLUTION NO. 2024- XX**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE NIPOMO COMMUNITY SERVICES DISTRICT PUBLIC FACILITIES CORPORATION AUTHORIZING THE EXECUTION AND DELIVERY BY THE CORPORATION OF AN INSTALLMENT PURCHASE AGREEMENT AND A TRUST AGREEMENT IN CONNECTION WITH THE NIPOMO COMMUNITY SERVICES DISTRICT WATER REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2024, AUTHORIZING THE EXECUTION AND DELIVERY OF SUCH CERTIFICATES OF PARTICIPATION EVIDENCING PRINCIPAL IN AN AGGREGATE AMOUNT OF NOT TO EXCEED \$14,500,000 AND AUTHORIZING THE EXECUTION OF NECESSARY DOCUMENTS AND RELATED ACTIONS**

**WHEREAS**, in 2003, to finance the acquisition, construction and installation of certain additional improvements (the “2003 Project”) to its water system (the “Water System”), the Nipomo Community Services District (the “District”) has heretofore purchased the 2003 Project from the Nipomo Community Services District Public Facilities Corporation (the “Corporation”), for the installment payments (the “2003 Installment Payments”) made by the District pursuant to the Installment Purchase Agreement, dated as of May 1, 2003 (the “2003 Installment Agreement”), by and between the District and the Corporation;

**WHEREAS**, to provide the funds necessary to finance the 2003 Project, the District caused the execution and delivery of the \$4,000,000 Nipomo Community Services District Revenue Certificates of Participation (Pipeline and Storage Facility Project) Series 2003 (the “2003 COPs”), evidencing direct, undivided fractional interests in the 2003 Installment Payments;

**WHEREAS**, in June 2013, the District refinanced the 2003 Project by prepaying all of principal portion of the remaining 2003 Installment Payments, and the interest thereon to the date of prepayment, through the issuance by the District of its \$2,845,000 Water Revenue Refunding Bonds, Series 2013A (the “2013A Bonds”);

**WHEREAS**, in June 2013, to finance the acquisition, construction and installation of certain additional improvements to the Water System, known as Phase 1 of the Supplemental Water Project (the “2013 Project,” and together with the 2003 Project, collectively, the “Prior Project”), the District has heretofore purchased the 2013 Project from the Corporation, for the installment payments (the “2013 Installment Payments”) made by the District pursuant to the Installment Sale Agreement, dated as of June 1, 2013 (the “2013 Installment Agreement”), by and between the District and the Corporation;

**Nipomo Community Services District  
Public Facilities Corporation  
Resolution No. \_\_\_\_\_**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE NIPOMO  
COMMUNITY SERVICES DISTRICT PUBLIC FACILITIES CORPORATION  
AUTHORIZING THE EXECUTION AND DELIVERY BY THE CORPORATION  
OF AN INSTALLMENT PURCHASE AGREEMENT AND A TRUST  
AGREEMENT IN CONNECTION WITH THE NIPOMO COMMUNITY  
SERVICES DISTRICT WATER REVENUE CERTIFICATES OF  
PARTICIPATION, SERIES 2024, AUTHORIZING THE EXECUTION AND  
DELIVERY OF SUCH CERTIFICATES OF PARTICIPATION EVIDENCING  
PRINCIPAL IN AN AGGREGATE AMOUNT OF NOT TO EXCEED \$14,500,000  
AND AUTHORIZING THE EXECUTION OF NECESSARY DOCUMENTS AND  
RELATED ACTIONS**

**WHEREAS**, to provide the funds necessary to finance the 2013 Project, the District caused the execution and delivery of the \$9,660,000 Nipomo Community Services District Revenue Certificates of Participation (Supplemental Water Project) Series 2013 (the "2013 COPs"), evidencing direct, undivided fractional interests in the 2013 Installment Payments;

**WHEREAS**, the District desires to refinance the 2003 Project by refunding the 2013A Bonds;

**WHEREAS**, the District also desires to refinance the 2013 Project by prepaying all of the principal portion of the remaining 2013 Installment Payments, and the interest thereon to the date of prepayment, thereby causing all of the remaining 2013 COPs to be prepaid;

**WHEREAS**, the District further desires to finance the acquisition, construction and installation of certain additional improvements to its Water System, including the construction of a one million gallon potable water storage tank (the "2024 Project");

**WHEREAS**, to provide the funds necessary to refund the 2013A Bonds, prepay the remaining 2013 Installment Payments and to finance the 2024 Project, the District and the Corporation desire that the Corporation purchase the Prior Project from the District and the District sell the Prior Project to the Corporation, and that the District then purchase the Prior Project and the 2024 Project from the Corporation and the Corporation sell the Prior Project and the 2024 Project to the District, for the installment payments (the "Installment Payments") to be made by the District pursuant to an Installment Purchase Agreement by and between the District and the Corporation (such Installment Purchase Agreement, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the "Installment Purchase Agreement");

**WHEREAS**, the Corporation intends to assign without recourse certain of its rights under and pursuant to the Installment Purchase Agreement to The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), pursuant to a Trust Agreement by and among the Trustee, the Corporation and the District (such Trust Agreement, in the form



**Nipomo Community Services District  
Public Facilities Corporation  
Resolution No. \_\_\_\_\_**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE NIPOMO  
COMMUNITY SERVICES DISTRICT PUBLIC FACILITIES CORPORATION  
AUTHORIZING THE EXECUTION AND DELIVERY BY THE CORPORATION  
OF AN INSTALLMENT PURCHASE AGREEMENT AND A TRUST  
AGREEMENT IN CONNECTION WITH THE NIPOMO COMMUNITY  
SERVICES DISTRICT WATER REVENUE CERTIFICATES OF  
PARTICIPATION, SERIES 2024, AUTHORIZING THE EXECUTION AND  
DELIVERY OF SUCH CERTIFICATES OF PARTICIPATION EVIDENCING  
PRINCIPAL IN AN AGGREGATE AMOUNT OF NOT TO EXCEED \$14,500,000  
AND AUTHORIZING THE EXECUTION OF NECESSARY DOCUMENTS AND  
RELATED ACTIONS**

presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the "Trust Agreement");

**WHEREAS**, in consideration of such assignment and the execution and delivery of the Trust Agreement, the Trustee intends to execute and deliver the Nipomo Community Services District Water Revenue Certificates of Participation, Series 2024 (the "Certificates"), evidencing direct, undivided fractional interests in the Installment Payments, and the interest thereon;

**WHEREAS**, there have been prepared and submitted to this meeting forms of:

- a) the Installment Purchase Agreement;
- b) the Trust Agreement; and
- c) Certificate Purchase Agreement.

**WHEREAS**, all acts, conditions and things required by the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the financing authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the District is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such financing for the purpose, in the manner and upon the terms herein provided;

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE NIPOMO COMMUNITY SERVICES DISTRICT PUBLIC FACILITIES CORPORATION AS FOLLOWS:**

Section 1. All of the recitals herein contained are true and correct and the Board of Directors of the Corporation (the "Board") so finds.

Section 2. The Installment Purchase Agreement, in substantially the form submitted to this meeting and made a part hereof as though set forth herein, be and the same is hereby approved. The President of the Board, and such other member of the Board

**Nipomo Community Services District  
Public Facilities Corporation  
Resolution No. \_\_\_\_\_**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE NIPOMO  
COMMUNITY SERVICES DISTRICT PUBLIC FACILITIES CORPORATION  
AUTHORIZING THE EXECUTION AND DELIVERY BY THE CORPORATION  
OF AN INSTALLMENT PURCHASE AGREEMENT AND A TRUST  
AGREEMENT IN CONNECTION WITH THE NIPOMO COMMUNITY  
SERVICES DISTRICT WATER REVENUE CERTIFICATES OF  
PARTICIPATION, SERIES 2024, AUTHORIZING THE EXECUTION AND  
DELIVERY OF SUCH CERTIFICATES OF PARTICIPATION EVIDENCING  
PRINCIPAL IN AN AGGREGATE AMOUNT OF NOT TO EXCEED \$14,500,000  
AND AUTHORIZING THE EXECUTION OF NECESSARY DOCUMENTS AND  
RELATED ACTIONS**

as the President may designate, the Executive Director, the Chief Financial Officer and such other officers of the Corporation as the Executive Director may designate (the "Authorized Officers") are, and each of them is, hereby authorized and directed, for and in the name of the Corporation, to execute and deliver, and the Secretary, or his or her written designee(s) is authorized to attest to, the Installment Purchase Agreement in the form submitted to this meeting, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, or as required by the Corporation Legal Counsel, or the Special Counsel, Norton Rose Fulbright US LLP ("Special Counsel"), such requirement or approval to be conclusively evidenced by the execution of the Installment Purchase Agreement by such Authorized Officer; provided, however, that such changes, insertions and omissions shall not result in an aggregate component amount of the Installment Payments in excess of \$14,500,000, shall not result in a true interest cost for the Installment Payments in excess of 4.75% and shall not result in a final Installment Payment later than September 1, 2049.

Section 3. The Trust Agreement, in substantially the form submitted to this meeting and made a part hereof as though set forth in full herein, be and the same is hereby approved. The Authorized Officers are, and each of them is, hereby authorized and directed, for and in the name of the Corporation, to execute and deliver, and the Secretary, or his or her written designee(s) is authorized to attest to, the Trust Agreement in the form presented to this meeting, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, or as required by the Corporation Legal Counsel or Special Counsel, such requirement or approval to be conclusively evidenced by the execution of the Trust Agreement by such Authorized Officer.

Section 4. The execution and delivery of Certificates evidencing principal in an aggregate amount not to exceed \$14,500,000, payable in the years and in the amounts, and evidencing principal of and interest on the Installment Payments as specified in the Trust Agreement as finally executed, are hereby authorized and approved.

Section 5. The Authorized Officers are, and each of them is, hereby authorized and directed, for and in the name of the Corporation, to execute and deliver, and the Secretary, or his or her written designee(s) is authorized to attest to, the Certificate Purchase Agreement, in the form presented to this meeting, with such changes, insertions

**Nipomo Community Services District  
Public Facilities Corporation  
Resolution No. \_\_\_\_\_**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE NIPOMO  
COMMUNITY SERVICES DISTRICT PUBLIC FACILITIES CORPORATION  
AUTHORIZING THE EXECUTION AND DELIVERY BY THE CORPORATION  
OF AN INSTALLMENT PURCHASE AGREEMENT AND A TRUST  
AGREEMENT IN CONNECTION WITH THE NIPOMO COMMUNITY  
SERVICES DISTRICT WATER REVENUE CERTIFICATES OF  
PARTICIPATION, SERIES 2024, AUTHORIZING THE EXECUTION AND  
DELIVERY OF SUCH CERTIFICATES OF PARTICIPATION EVIDENCING  
PRINCIPAL IN AN AGGREGATE AMOUNT OF NOT TO EXCEED \$14,500,000  
AND AUTHORIZING THE EXECUTION OF NECESSARY DOCUMENTS AND  
RELATED ACTIONS**

and omissions as the Authorized Officer executing the same may require or approve, or as required by the Corporation Legal Counsel or Special Counsel, such requirement or approval to be conclusively evidenced by the execution of the Certificate Purchase Agreement by such Authorized Officer, provided that the aggregate principal amount evidenced by the Certificates shall not exceed \$14,500,000, a true interest cost shall not exceed 4.75% and a final Installment Payment date shall not be later than September 1, 2049.

Section 6. The Authorized Officers are, and each of them hereby is, authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the execution and delivery of the Certificates and the transactions contemplated by the notices, agreements and documents referenced in this Resolution.

Section 7. All actions heretofore taken by the officers and employees of the District with respect to the execution, delivery and sale of the Certificates, or in connection with or related to any of the agreements or documents referenced in this Resolution, are hereby approved, confirmed and ratified.

Section 8. Any action authorized or directed in this resolution to be taken or performed by an Authorized Officer may be taken or performed by their designee with the same force and effect as if taken or performed by such Authorized Officer.

Section 9. If any section, subsection, sentence, clause or phrase of this resolution is, for any reason, held to be invalid or unconstitutional, such decision shall not affect the validity or constitutionality of the remaining portions of this resolution. The Board hereby declares that it would have passed this resolution and each section, subsection, sentence, clause or phrase hereof, irrespective of the fact that any one or more sections, subsections, sentences, clauses or phrases be declared invalid or unconstitutional.

Section 10. This Resolution shall take effect upon its adoption by the Board.

**Nipomo Community Services District  
Public Facilities Corporation  
Resolution No. \_\_\_\_\_**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE NIPOMO  
COMMUNITY SERVICES DISTRICT PUBLIC FACILITIES CORPORATION  
AUTHORIZING THE EXECUTION AND DELIVERY BY THE CORPORATION  
OF AN INSTALLMENT PURCHASE AGREEMENT AND A TRUST  
AGREEMENT IN CONNECTION WITH THE NIPOMO COMMUNITY  
SERVICES DISTRICT WATER REVENUE CERTIFICATES OF  
PARTICIPATION, SERIES 2024, AUTHORIZING THE EXECUTION AND  
DELIVERY OF SUCH CERTIFICATES OF PARTICIPATION EVIDENCING  
PRINCIPAL IN AN AGGREGATE AMOUNT OF NOT TO EXCEED \$14,500,000  
AND AUTHORIZING THE EXECUTION OF NECESSARY DOCUMENTS AND  
RELATED ACTIONS**

Upon a motion by Director \_\_\_\_\_, seconded by Director \_\_\_\_\_, on the following roll call vote, to wit:

AYES:

NOES:

ABSTAIN:

ABSENT:

the foregoing resolution is hereby passed and adopted at a special meeting on this \_\_\_\_ day of \_\_\_\_\_, 2024.

\_\_\_\_\_  
ED EBY  
President of the Board

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
RAY DIENZO  
Secretary to the Board

\_\_\_\_\_  
CRAIG A. STEELE  
Corporation Legal Counsel

**SEPTEMBER 11, 2024**

**ITEM E-1**

**ATTACHMENT C**

TRUST AGREEMENT

by and among

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

NIPOMO COMMUNITY SERVICES DISTRICT  
PUBLIC FACILITIES CORPORATION

and

NIPOMO COMMUNITY SERVICES DISTRICT

Dated as of October 1, 2024

Relating to

[\$[PAR AMOUNT]]  
Nipomo Community Services District  
Water Revenue Certificates of Participation  
Series 2024

---

# TABLE OF CONTENTS

Page

## ARTICLE I DEFINITIONS; EQUAL SECURITY

Section 1.01.	Definitions .....	2
Section 1.02.	Definitions in Installment Purchase Agreement .....	13
Section 1.03.	Equal Security .....	14

## ARTICLE II TERMS AND CONDITIONS OF CERTIFICATES

Section 2.01.	Preparation and Delivery of Certificates .....	14
Section 2.02.	Denomination, Medium and Dating of Certificates .....	14
Section 2.03.	Payment Dates of Certificates; Interest Computation .....	14
Section 2.04.	Form of Certificates .....	16
Section 2.05.	Execution of Certificates and Replacement Certificates .....	16
Section 2.06.	Transfer and Payment, Exchange or Cancellation of Certificates .....	16
Section 2.07.	Certificate Registration Books .....	16
Section 2.08.	Temporary Certificates .....	17
Section 2.09.	Certificates Mutilated, Lost, Destroyed or Stolen .....	17
Section 2.10.	Book-Entry System .....	17

## ARTICLE III PROCEEDS OF CERTIFICATES

Section 3.01.	Delivery of Certificates .....	20
Section 3.02.	Deposit of Proceeds of Certificates .....	20
Section 3.03.	Costs of Issuance Fund .....	20
Section 3.04.	Construction Fund .....	20
Section 3.03.	Payment of Construction Costs .....	21

## ARTICLE IV PREPAYMENT OF CERTIFICATES

Section 4.01.	Optional Prepayment .....	21
Section 4.02.	Mandatory Prepayment .....	21
Section 4.03.	Prepayment From Net Proceeds of Insurance and Condemnation .....	22
Section 4.04.	Selection of Certificates for Prepayment .....	22
Section 4.05.	Notice of Prepayment .....	23
Section 4.06.	Partial Prepayment of Certificates .....	23
Section 4.07.	Effect of Prepayment .....	24

## ARTICLE V ASSIGNMENT AND PLEDGE; FUNDS AND ACCOUNTS

Section 5.01.	Assignment and Pledge .....	24
Section 5.02.	Installment Payment Fund .....	24
Section 5.03.	Investment of Moneys .....	25
Section 5.04.	Brokerage Confirmations .....	26

**TABLE OF CONTENTS**  
(continued)

**Page**

ARTICLE VI  
COVENANTS

Section 6.01.	Compliance with Trust Agreement.....	26
Section 6.02.	Compliance with Installment Purchase Agreement.....	26
Section 6.03.	Observance of Laws and Regulations.....	27
Section 6.04.	Other Liens .....	27
Section 6.05.	Prosecution and Defense of Suits .....	27
Section 6.06.	Accounting Records and Statements .....	27
Section 6.07.	Tax Covenants .....	27
Section 6.08.	Continuing Disclosure .....	31
Section 6.09.	Further Assurances .....	31

ARTICLE VII  
DEFAULT AND LIMITATIONS OF LIABILITY

Section 7.01.	Action upon Event of Default.....	31
Section 7.02.	Other Remedies of the Trustee .....	32
Section 7.03.	Non-Waiver .....	32
Section 7.04.	Remedies Not Exclusive.....	32
Section 7.05.	Application of Amounts After Default.....	33
Section 7.06.	Trustee May Enforce Claims Without Possession of Certificates.....	33
Section 7.07.	Limitation on Suits .....	33
Section 7.08.	No Liability by the Corporation to the Owners .....	34
Section 7.09.	No Liability by the District to the Owners .....	34
Section 7.10.	No Liability of the Trustee to the Owners .....	34

ARTICLE VIII  
THE TRUSTEE

Section 8.01.	Employment of the Trustee; Duties .....	34
Section 8.02.	Removal and Resignation of the Trustee.....	35
Section 8.03.	Compensation and Indemnification of the Trustee.....	36
Section 8.04.	Protection of the Trustee.....	36

ARTICLE IX  
AMENDMENT OF OR SUPPLEMENT TO TRUST AGREEMENT

Section 9.01.	Amendment or Supplement .....	39
Section 9.02.	Disqualified Certificates .....	40
Section 9.03.	Endorsement or Replacement of Certificates After Amendment or Supplement .....	40
Section 9.04.	Amendment by Mutual Consent.....	41

ARTICLE X  
DEFEASANCE

Section 10.01.	Discharge of Certificates and Trust Agreement .....	41
----------------	---	----



**TABLE OF CONTENTS**  
(continued)

	<b>Page</b>
Section 10.02. Unclaimed Moneys .....	42
ARTICLE XI MISCELLANEOUS	
Section 11.01. Benefits of Trust Agreement .....	43
Section 11.02. Successor Deemed Included in all References to Predecessor .....	43
Section 11.03. Execution of Documents by Owners .....	43
Section 11.04. Waiver of Personal Liability .....	43
Section 11.05. Acquisition of Certificates by District .....	44
Section 11.06. Content of Certificates .....	44
Section 11.07. Funds and Accounts .....	44
Section 11.08. Article and Section Headings, Gender and References .....	44
Section 11.09. Partial Invalidity .....	45
Section 11.10. California Law .....	45
Section 11.11. Notices .....	45
Section 11.12. Effective Date .....	46
Section 11.13. Execution in Counterparts .....	46

EXHIBIT A – FORM OF CERTIFICATE

EXHIBIT B – FORM OF CONSTRUCTION FUND REQUISITION

## **TRUST AGREEMENT**

**THIS TRUST AGREEMENT** (this “Trust Agreement”), dated as of October 1, 2024, is made by and among THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association organized and existing under the laws of the United States of America, as trustee (the “Trustee”), the NIPOMO COMMUNITY SERVICES DISTRICT PUBLIC FACILITIES CORPORATION, a nonprofit public benefit corporation organized and existing under the laws of the State of California (the “Corporation”), and the NIPOMO COMMUNITY SERVICES DISTRICT, a special district organized and existing under the laws of the State of California (the “District”).

### **WITNESSETH:**

**WHEREAS**, the District owns and operates a water system (the “Enterprise”); and

**WHEREAS**, in 2003, to finance the acquisition, construction and installation of certain additional improvements to the Enterprise (the “2003 Project”) District has heretofore purchased the 2003 Project from the Corporation for the installment payments (the “2003 Installment Payments”) made by the District pursuant to the Installment Purchase Agreement, dated as of May 1, 2003, by and between the District and the Corporation; and

**WHEREAS**, to provide the funds necessary to finance the 2003 Project, the District caused the execution and delivery of the \$4,000,000 Nipomo Community Services District Revenue Certificates of Participation (Pipeline and Storage Facility Project) Series 2003 (the “2003 COPs”), evidencing direct, undivided fractional interests in the 2003 Installment Payments; and

**WHEREAS**, in June 2013, the District refinanced the 2003 Project by prepaying all of the principal portion of the remaining 2003 Installment Payments, and the interest thereon to the date of prepayment, through the issuance by the District of the \$2,845,000 Nipomo Community Services District Water Revenue Refunding Bonds, Series 2013A (the “2013A Bonds”); and

**WHEREAS**, to finance the acquisition, construction and installation of certain improvements to the Enterprise (the “2013 Project,” and together with the 2003 Project, collectively, the “Prior Project”), the District has heretofore purchased the 2013 Project from the Corporation, and the Corporation has heretofore sold the 2013 Project to the District, for the installment payments (the “2013 Installment Payments”) made by the District pursuant to the Installment Sale Agreement, dated as of June 1, 2013, by and between the District and the Corporation;

**WHEREAS**, to provide the funds necessary to finance the 2013 Prior Project, the District caused the execution and delivery of the \$9,660,000 Nipomo Community Services District Revenue Certificates of Participation (Supplemental Water Project) Series 2013 (the “2013 COPs,” and together with the 2013A Bonds, the “Prior Obligations”), evidencing direct, undivided fractional interests in the 2013 Installment Payments;

**WHEREAS**, the District has determined to refinance the Prior Project by (a) refunding the outstanding 2013A Bonds, in the aggregate principal amount of \$1,505,000, and (b) prepaying all

of the remaining principal components of the 2013 Installment Payments and the interest components thereof to the date of prepayment, thereby causing to be prepaid all of the currently outstanding 2013 COPs, in the aggregate principal amount of \$8,035,000; and

**WHEREAS**, the District has determined to finance the acquisition, construction and installation of certain additional improvements to the Enterprise, including the construction of a one million gallon potable water storage tank (the “2024 Project”); and

**WHEREAS**, to provide the funds necessary to refund the 2013A Bonds, prepay all of the 2013 Installment Payments and to finance the 2024 Project, the District and the Corporation desire that the Corporation purchase the Prior Project from the District and the District sell the Prior Project to the Corporation, and that the District then purchase the Project (as defined herein) from the Corporation and the Corporation sell the Project to the District, pursuant to the Installment Purchase Agreement, dated the date hereof (the “Installment Purchase Agreement”), under which the District will agree to make installment payments (the “Installment Payments”) to the Corporation; and

**WHEREAS**, the Corporation proposes to assign without recourse certain of its rights under and pursuant to the Installment Purchase Agreement to the Trustee; and

**WHEREAS**, in consideration of such assignment and the execution and delivery of this Trust Agreement, the Trustee has agreed to execute and deliver Nipomo Community Services District Water Revenue Certificates of Participation, Series 2024 (the “Certificates”), which are certificates of participation, evidencing direct, undivided fractional interests in the Installment Purchase Agreement and the Installment Payments, and the interest thereon;

**WHEREAS**, a portion of the proceeds of the Certificates will be used to (a) refund the 2013A Bonds, (b) prepay the 2013 Installment Payments and (c) finance the 2024 Project; and

**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 Trust Agreement do 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 deliver this Trust Agreement;

**NOW, THEREFORE**, in consideration of the promises and of the mutual agreements and covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby agree as follows:

## **ARTICLE I**

### **DEFINITIONS; EQUAL SECURITY**

**Section 1.01. Definitions.** Except as provided in Section 1.02 hereof or 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 the Certificates and of any certificate, opinion, request or other document mentioned herein or therein have the meanings defined herein, the

following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

**“Ad Valorem Taxes”** means, for any period, the ad valorem property taxes received by the District during such period pursuant to Article XIII A of the California Constitution and Section 95 et seq. of the California Revenue and Taxation Code, excluding any such taxes levied to pay any voter approved general obligation indebtedness of the District.

**“Additional Payments”** has the meaning ascribed thereto in Section 4.3 of the Installment Purchase Agreement.

**“Annual Debt Service”** means, for any Fiscal Year, the sum of (1) the interest component of the Installment Payments and the interest payable on all Parity Obligations during such Fiscal Year, assuming that all such Installment Payments are paid as scheduled and all such Parity Obligations are retired as scheduled, plus (2) the principal component of the Installment Payments and the principal amount allocable to all Parity Obligations in such Fiscal Year, provided that the following adjustments shall be made to the foregoing amounts in the calculation of Annual Debt Service:

(a) with respect to any Parity Obligations bearing or comprising interest at other than a fixed interest rate, the rate of interest used to calculate Annual Debt Service shall be (i) with respect to such Parity Obligations then outstanding, 110% of the greater of (A) the daily average interest rate on such Parity Obligations during the 12 calendar months next preceding the date of such calculation (or the portion of such 12 calendar months that such Parity Obligations have borne interest), or (B) the most recent effective interest rate on such Parity Obligations prior to the date of such calculation, or (ii) with respect to Parity Obligations then proposed to be issued, the then current The Bond Buyer Revenue Bond Index for a maturity comparable to the maturity of the applicable Parity Obligations (or if such index is no longer published, such other published similar index as shall be selected by the District);

(b) with respect to any issue or series of Parity Obligations having 25% or more of the aggregate principal amount thereof due in any one Fiscal Year, Annual Debt Service shall be calculated as if the interest on and principal of the Parity Obligations of such issue or series were being paid in substantially equal annual amounts over the term of such Parity Obligations; provided, however that the full amount of scheduled payments of interest and principal of such Parity Obligations shall be included in Annual Debt Service if the date of calculation is within 24 months of the date on which such 25% or more of aggregate principal amount becomes due;

(c) with respect to any Parity Obligations or portions thereof bearing no interest but which are sold at a discount and which discount accretes with respect to such Parity Obligations or portions thereof, such accreted discount shall be treated as due when scheduled to be paid;

(d) Annual Debt Service shall not include interest on any Parity Obligations which is to be paid from amounts constituting capitalized interest;

(e) if an interest rate swap agreement is in effect with respect to, and is payable on a parity with, any Parity Obligations, no amounts payable under such interest rate swap agreement in addition to debt service payable with respect to such Parity Obligations shall be included in the calculation of Annual Debt Service unless, in the applicable Fiscal Year, the sum of (i) the interest payable on such Parity Obligations, plus (ii) the amounts payable by the District under such interest rate swap agreement, less (iii) the amounts receivable by the District under such interest rate swap agreement, is greater than the interest payable on such Parity Obligations, in which case the net amount of payments to be made by the District under such interest rate swap agreement that exceed the interest to be paid on such Parity Obligations shall be included in such calculation, and for this purpose, the variable amount under any such interest rate swap agreement shall be determined in accordance with the procedure set forth in subparagraph (a) of this definition; and

(f) Repayment Obligations payable on a parity with the Installment Payments or any Parity Obligations shall be deemed to be payable at the scheduled amount due under such Repayment Obligation, and, for this purpose, the variable interest amount included in any such Repayment Obligation shall be determined in accordance with the procedure set forth in subparagraph (a) of this definition.

**“Authorized Corporation Representative”** means the President, the Executive Director, the Chief Financial Officer and the Secretary of the Corporation, and any other Person authorized by the Executive Director of the Corporation to act on behalf of the Corporation under or with respect to this Trust Agreement.

**“Authorized Denominations”** means \$5,000 and integral multiples thereof.

**“Authorized District Representative”** means the President of the Board, General Manager of the District, Finance Director of the District, the Treasurer of the District and any other Person authorized by the General Manager of the District to act on behalf of the District under or with respect to this Trust Agreement.

**“Beneficial Owners”** means those individuals, partnerships, corporations or other entities for which the Participants have caused the Depository to hold Book-Entry Certificates.

**“Board”** means the Board of Directors of the District.

**“Book-Entry Certificates”** means the Certificates registered in the name of the nominee of DTC, or any successor securities depository for the Certificates, as the Owner thereof pursuant to the terms and provisions of Section 2.10 hereof.

**“Business Day”** means any day of the year, other than (a) Saturday or Sunday, (b) a day on which banking institutions in the city in which the Principal Office is located are authorized or required by law to be closed, or (c) a day on which the New York Stock Exchange or the payment system of the Federal Reserve System is authorized or obligated by law or executive order to be closed.

**“Cede & Co.”** means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Certificates.

**“Certificate of an Independent Consultant”** means an instrument in writing signed by an Independent Consultant.

**“Certificate Year”** means each twelve-month period beginning on [September 2/day following closing date] in each year and extending to the next succeeding [September 1/Closing date], both dates inclusive.

**“Certificates”** means the Nipomo Community Services District Water Revenue Certificates of Participation, Series 2024, executed and delivered by the Trustee pursuant hereto, which are certificates of participation, evidencing direct, undivided fractional interests in the Installment Purchase Agreement and the related Installment Payments, and the interest thereon.

**“Closing Date”** means October \_\_, 2024.

**“Code”** means the Internal Revenue Code of 1986.

**“Construction Costs”** means the costs of the acquisition, construction, rehabilitation, equipping, improvement or financing of improvements to, or part of, the Enterprise constituting the 2024 Project.

**“Construction Fund”** means the fund by that name established in accordance with Section 3.04 hereof and held by the Trustee.

**“Continuing Disclosure Certificate”** means the Continuing Disclosure Certificate, dated as of the Closing Date, by the District, as originally executed and as it may from time to time be amended in accordance with the terms thereof.

**“Corporation”** means the Nipomo Community Services District Public Facilities Corporation, a nonprofit public benefit corporation organized and existing under the laws of the State, and any successor thereto.

**“Costs of Issuance”** means all the costs of executing and delivering the Certificates, including, but not limited to, all printing and document preparation expenses in connection with this Trust Agreement, the Installment Purchase Agreement, the Certificates and any preliminary official statement and final official statement pertaining to the Certificates, fees of a municipal advisor, rating agency fees, market study fees, legal fees and expenses of counsel with respect to the execution and delivery of the Certificates, the initial fees and expenses of the Trustee and its counsel and other fees and expenses incurred in connection with the execution and delivery of the Certificates, to the extent such fees and expenses are approved by the District.

**“Costs of Issuance Fund”** means the fund by that name established in accordance with Section 3.03 hereof.

**“Depository”** means the securities depository acting as Depository pursuant to Section 2.10 hereof.

**“District”** means the Nipomo Community Services District, a special district organized and existing under the laws of the State, and any successor thereto.

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

**“Enterprise”** means all facilities for obtaining, storing and delivering water and related facilities for the disposition of drainage water now owned or operated by the District, and all other properties, structures or works hereafter acquired and constructed by the District and determined to be a part of the Enterprise, whether located within or without the District, together with all improvements to such facilities, properties, structures or works or any part thereof hereafter acquired or constructed.

**“Escrow Agent”** means The Bank of New York Mellon Trust Company, N.A. and its successor or assign.

**“Escrow Agreements”** mean the 2013A Bonds Escrow Agreement and the 2013 COPs Escrow Agreement.

**“Event of Default”** shall have the meaning set forth in Section 6.01 of the Installment Purchase Agreement.

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

**“Fitch”** means Fitch Ratings, its successors and assigns, except that if such corporation shall no longer perform the function of a securities rating agency for any reason, the term “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

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

**“Government Obligations”** means any of the following which are noncallable by the issuer thereof except to the extent not permitted by the laws of the State as an investment for the moneys to be invested therein at the time of investment:

(i) (a) direct general obligations of the United States of America, (b) obligations the payment of the principal of and interest on which are unconditionally guaranteed as to the full and timely payment by the United States of America, or (c) any fund or other pooling arrangement whose assets consist exclusively of the obligations listed in clause (a) or (b) of this clause (i) and which is rated at least “P-1” by Moody’s; provided that, such obligations shall not include unit investment trusts or mutual fund obligations;

(ii) advance refunded tax-exempt obligations that (a) are rated by Moody’s and S&P, (b) are secured by obligations specified in clause (i), (c) are tax-exempt because they are secured by obligations specified in clause (i), and (d) have the same ratings as the obligations specified in clause (i);

(iii) bonds, debentures or notes issued by any of the following federal agencies: Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation or Fannie Mae; provided, that such bonds, debentures or notes shall be the senior obligations of such agencies (including participation certificates) and have the same ratings by Moody's and S&P as the obligations specified in clause (i); and

(iv) bonds, debentures or notes issued by any Federal agency hereafter created by an act of Congress, the payment of the principal of and interest on which are unconditionally guaranteed by the United States of America as to the full and timely payment; provided, that, such obligations shall not include unit investment trusts or mutual fund obligations.

**"Gross Revenues"** means all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Enterprise, including, without limiting the generality of the foregoing:

(1) the Ad Valorem Tax Revenues,

(2) all income, rents, rates, fees, charges 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 Enterprise, and certain administrative and maintenance costs related thereto,

(3) the proceeds of any stand-by or water availability charges, development fees and connection charges, including capacity charges, collected by the District,

(4) all moneys received by the District from other public or private entities whose inhabitants are served pursuant to contracts with the District,

(5) moneys deposited in the Installment Payment Fund, the Water Fund or other fund to secure the Certificates or Parity Obligations or to provide for the payment of the principal of or interest with respect to the Certificates or Parity Obligations,

(6) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of a part of the Enterprise as permitted under the Installment Purchase Agreement, and

(7) the earnings on and income derived from the investment of amounts described in clauses (1) through (6) above and from funds held by the District or the Trustee under this Agreement and receipts from the Rate Stabilization Fund,

but excluding



(w) grant, loan or bond proceeds restricted in use to specific capital improvements not consisting of the Project, (x) that portion of the annexation fees collected as deposits on behalf of and payable to other governmental agencies as required by law, (y) customers' deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District, and (z) any proceeds of taxes or assessments restricted by law to be used by the District to pay bonds or other obligations theretofore or thereafter issued.

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

**“Independent Consultant”** means any registered engineer or firm of registered engineers of national reputation generally recognized to be well qualified in engineering matters relating to water systems, or any other financial consultant or firm of financial consultants (including an Independent Certified Public Accountant) generally recognized to be well qualified in matter relating to water systems, appointed and paid by the District, and who or each of whom –

(a) is in fact independent and not under the domination of the District;

(b) does not have a substantial financial interest, direct or indirect, in the operations of the District; and

(c) 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.

**“Installment Payment Date”** means five (5) days prior to each Interest Payment Date, or if such day is not a Business Day, then the preceding Business Day.

**“Installment Payment Fund”** means the fund by that name established in accordance with Section 5.02 hereof.

**“Installment Payments”** means the Installment Payments required to be made by the District pursuant to Section 3.02 of the Installment Purchase Agreement.

**“Installment Purchase Agreement”** means the Installment Purchase Agreement, dated as of the date hereof, by and between the District and the Corporation, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

**“Interest Account”** means the account by that name within the Installment Payment Fund established in accordance with Section 5.02 hereof.

**“Interest Payment Date”** means March 1 and September 1 of each year, commencing March 1, 2025.

**“Letter of Representations”** means the letter of the District delivered to and accepted by the Depository on or prior to the delivery of the Certificates as Book-Entry Certificates setting forth the basis on which the Depository serves as depository for such Book-Entry Certificates, as

originally executed or as it may be supplemented or revised or replaced by a letter to a substitute Depository.

**“Maximum Annual Debt Service”** means, as of any date of calculation, the largest Annual Debt Service becoming due and payable in the Fiscal Year in which the calculation is made or in any subsequent Fiscal Year.

**“Moody’s”** means Moody’s Investors Service, its successors and assigns, except that if such corporation shall no longer perform the function of a securities rating agency for any reason, the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

**“Net Proceeds”** means, when used with respect to any casualty insurance or condemnation award, the proceeds from such insurance or condemnation award remaining after payment of all expenses (including attorneys’ fees) incurred in the collection of such proceeds.

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

**“Nominee”** means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.10 hereof.

**“Obligations”** mean the Installment Payments, Parity Obligations and Subordinate Obligations.

**“Operation and Maintenance Costs”** means the costs and expenses reasonable and necessary to operate and maintain the Enterprise, including but not limited to all costs of water purchased or otherwise acquired for the Enterprise, the costs and expenses to preserve the Enterprise in good repair and working order, including reasonable expenditures for repair and replacement incident to or arising from the Enterprise, the reasonable administrative and management costs and expenses of the District that are charged directly or apportioned to the operation and maintenance of the Enterprise, such as salaries and wages of employees, payments to the Public Employees Retirement System, overhead, taxes (if any) and insurance premiums, together with all other necessary and reasonable costs of the District or charges (other than debt service payments) required to be paid by it to comply with the terms hereof or any Parity Obligation, such as compensation, reimbursement and indemnification of the trustee for such Parity Obligation and fees and expenses of Independent Accountants and Independent Engineers, and transfers made to other funds of the District for the purpose of paying or reimbursing the payment of Operation and Maintenance Costs, as determined by Generally Accepted Accounting Principles, but excluding (1) any transfers out to the Administration Fund of the District, (2) noncash items of depreciation, replacement and obsolescence charges or reserves therefore, (3) amortization of intangibles, premiums and discounts, (4) interest expense, (5) amounts paid from other than Gross Revenues of the Enterprise (including but not limited to amounts paid from the proceeds of excluded property taxes and assessments), (6) non-cash expenses attributable to pension plans, other retirement accounts and other post-employment benefits.

**“Opinion of Counsel”** means a written opinion of Norton Rose Fulbright US LLP or any other counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the District.

**“Outstanding,”** when used as of any particular time with reference to Certificates, means (subject to the provisions of Section 9.02 hereof) all Certificates except (a) Certificates previously canceled by the Trustee or delivered to the Trustee for cancellation, (b) Certificates paid or deemed to have been paid within the meaning of Section 10.01 hereof, and (c) Certificates in lieu of or in substitution for which other Certificates shall have been executed and delivered by the Trustee pursuant to Section 2.09 hereof.

**“Owner”** means any Person who shall be the registered owner of any Outstanding Certificate as indicated in the registration books of the Trustee required to be maintained pursuant to Section 2.07 hereof.

**“Parity Obligation Payments”** means the payments scheduled to be paid by the District under and pursuant to Parity Obligations, which payments are secured by a pledge of Net Revenues on a parity with the Installment Payments as provided in the Installment Purchase Agreement.

**“Parity Obligations”** means all revenue bonds, certificates of participation or notes (including bond anticipation notes and commercial paper) of the District authorized, executed, issued and delivered under and pursuant to applicable law, and all other contracts (including financial contracts) or leases of the District authorized and executed by the District under and pursuant to applicable law, the installment, lease or other payments which are, in accordance with the provisions of the Installment Purchase Agreement, payable from Net Revenues on a parity with the Installment Payments under the Installment Purchase Agreement pursuant to and in accordance with the provisions of Section 5.3 of the Installment Purchase Agreement.

**“Participants”** means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Book-Entry Certificates as securities depository.

**“Participating Underwriter”** has the meaning ascribed thereto in the Continuing Disclosure Certificate.

**“Permitted Investments”** means any of the following, except to the extent not permitted by the laws of the State as an investment for the moneys to be invested therein at the time of investment:

- (1) Government Obligations;
- (2) Bonds, debentures, notes, participation certificates or other evidences of indebtedness issued, or the principal of and interest on which are unconditionally guaranteed, by the Federal Intermediate Credit Bank, the Federal Home Loan Bank System, the Government National Mortgage Association or any other agency or instrumentality of or corporation wholly owned by the United States of America when such obligations are backed by the full faith and credit of the United States for the full and timely payment of principal and interest;

(3) Obligations of any state of the United States or any political subdivision thereof, which at the time of investment are rated "Aa3" or higher by Moody's or "AA-" or higher by S&P or Fitch; or which are rated "VMIG 1" or better by Moody's, "A-1" or better by S&P, or "F1" or better by Fitch with respect to commercial paper, or "VMIG 1," "SP-1," or "F1," respectively, with respect to municipal notes;

(4) Unsecured certificates of deposit, demand deposits, including interest bearing money market accounts, time deposits trust funds, trust accounts, overnight bank deposits, interest-bearing deposits, other deposit products, certificates of deposit, including those placed by a third party pursuant to an agreement between the Trustee and the District, or bankers acceptances of depository institutions, including the Trustee or any of its affiliate, and bankers' acceptance (having maturities of not more than 365 days) of any bank the short-term obligations of which are rated on the date of purchase "A-1+" or better by S&P, "F1" or better by Fitch and "P-1" by Moody's and/or certificates of deposit (including those of the Trustee, its parent and its affiliates) secured at all times by collateral that may be used by a national bank for purposes of satisfying its obligations to collateralize pursuant to federal law which are issued by commercial banks, savings and loan associations or mutual savings bank whose short-term obligations are rated on the date of purchase "A-1" or better by S&P, "F1" or better by Fitch or "P-1" by Moody's and investment in any interest bearing deposits/interest bearing money market deposit account, time deposit account, including such accounts with the Trustee;

(5) Repurchase agreements with any bank, trust company or national banking association insured by the Federal Deposit Insurance Corporation (including the Trustee), with subsidiaries (of a parent company), provided the obligations of the subsidiary under the agreement are unconditionally guaranteed by the parent, or with any government bond dealer recognized as a primary dealer by the Federal Reserve Bank of New York, which agreements are fully and continuously secured by a valid and perfected first priority security interest in obligations described in paragraph (1) or (2) of this definition, provided that either such bank, trust company or national banking association which (or senior debt or claims paying ability of the financial entity's guarantor) is rated, at the time of investment, at least "A1" or "A+" by any two Rating Agencies;

(6) Repurchase agreements with maturities of not more than one year entered into with financial institutions such as banks or trust companies organized under state law or national banks or banking associations (including the Trustee), insurance companies or government bond dealers reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York and a member of the Securities Investor Protection Corporation or with a dealer or parent holding company that is rated, at the time of investment, or whose long-term debt obligations (or senior debt or claims paying ability of the financial entity's guarantor) are rated, at the time of investment, at least "A1" or "A+" by any two Rating Agencies; provided, that such repurchase agreements are in writing, secured by obligations described in paragraphs (1) and (2) of this definition having a fair market value, exclusive of accrued interest, at least equal to the amount invested in the repurchase agreements and in which the Trustee has a perfected first lien in, and retains possession of, such obligations free from all third party claims;

(7) Investment agreements, forward purchase agreements and reserve fund put agreements with any corporation, including banking or financial institutions, or agreements entered into with subsidiaries (of a parent company), provided the obligations of the subsidiary under the agreement are unconditionally guaranteed by the parent, the corporate debt of which (or senior debt or claims paying ability of the financial entity's guarantor) is rated, at the time of investment, at least "A1" or "A+" by any two Rating Agencies;

(8) Guaranteed investment contracts or similar funding agreements issued by insurance companies, provided that either the long term corporate debt of such insurance company, at the time of investment, is rated, at the time of investment, at least "A1" or "A+" by any two Rating Agencies or which agreements are fully and continuously secured by a valid and perfected first priority security interest in obligations described in paragraph (1) or (2) of this definition, or that the following conditions are met: (a) the market value of the collateral is maintained at levels acceptable to Moody's and S&P or Fitch, (b) the Trustee or a third party acting solely as agent for the Trustee has possession of the collateral, (c) the Trustee has a perfected first priority security interest in the collateral, (d) the collateral is free and clear of third-party liens, and (e) failure to maintain the requisite collateral level will require the Trustee to liquidate collateral;

(9) Corporate commercial paper which are rated at the time of purchase at least "P-1," "A-1" or "F1" by any two Rating Agencies at the time of investment;

(10) Taxable government money market portfolios which are rated at least "AAM" or "AAM-G" or "Aaa-mf" or "AAMmf" by any two Rating Agencies (including funds for which the Trustee or an affiliate receives and retains a fee for services provided to the fund whether as a custodian, transfer agent, investment advisor or otherwise);

(11) Deposits with the Local Agency Investment Fund of the State, as may otherwise be permitted by law; and

(12) Investment in money market mutual funds having a rating in the highest investment category granted thereby from S&P or Moody's, including those for which the Trustee or an affiliate receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise.

Ratings of Permitted Investments referred to herein shall be determined at the time of purchase of such Permitted Investments and without regard to rating subcategories. The Trustee shall have no responsibility to monitor the ratings of Permitted Investments after the initial purchase of such Permitted Investments, or the responsibility to validate Permitted Investments the ratings of Permitted Investments prior to the initial purchase.

**"Person"** means an individual, corporation, limited liability company, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

**"Prepayment Account"** means the account by that name within the Installment Payment Fund established in accordance with Section 5.02 hereof.

**“Prepayment Price”** means, with respect to any Certificate (or portion thereof), the principal amount with respect to such Certificate (or portion thereof) plus the applicable premium, if any, payable upon prepayment thereof pursuant to the provisions of such Certificate and this Trust Agreement.

**“Principal Account”** means the account by that name within the Installment Payment Fund established in accordance with Section 5.02 hereof.

**“Principal Office”** means the Trustee’s principal corporate trust office in Los Angeles, California, except that with respect to presentation of Certificates for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

**“Principal Payment Date”** means a date on which an Installment Payment evidenced by the Certificates becomes due and payable.

**“Prior Obligations”** means the 2013A Bonds and the 2013 COPs.

**“Prior Project”** has the meaning ascribed thereto in the recitals hereto and furthered described in the Installment Purchase Agreement.

**“Project”** means, collectively, the Prior Project and the 2024 Project.

**“Rate Stabilization Fund”** means the fund by that name referred to in Section 5.4 of the Installment Purchase Agreement.

**“Rating Agency”** means Fitch, Moody’s or S&P.

**“Record Date”** means, with respect to the interest payable on any Interest Payment Date, the 15th day of the calendar month immediately preceding such Interest Payment Date, whether or not such day is a Business Day.

**“Repayment Obligation”** means the reimbursement obligation or any other payment obligation of the District under a written agreement between the District and a credit or liquidity provider to reimburse the credit or liquidity provider for amounts paid pursuant to a credit or liquidity facility for the payment of the principal amount or purchase price of and/or interest on any Parity Obligation.

**“S&P”** means S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, its successors and assigns, except that if such entity shall no longer perform the functions of a securities rating agency for any reason, the term “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

**“State”** means the State of California.

**“Subordinate Obligations”** means the obligations of the District that are secured by a pledge of and payable from Net Revenues on a basis that is junior and subordinate to the payment of the Installment Payments and Parity Obligations.

**“Tax Certificate”** means the tax certificate described in Section 6.07 hereof.

**“Treasury Regulations”** means those regulations issued by the United States Department of the Treasury under the Code.

**“Trust Agreement”** means this Trust Agreement, dated as of October 1, 2024, by and among the Trustee, the Corporation and the District, as originally executed and delivered and as it may from time to time be amended or supplemented in accordance with the provisions hereof.

**“Trustee”** means The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under the laws of the United States of America, or any other bank or trust company which may at any time be substituted in its place as provided in Section 8.02 hereof.

**“2013 COPs”** means the \$9,660,000 Nipomo Community Services District Revenue Certificates of Participation (Supplemental Water Project) Series 2013, currently outstanding in the aggregate principal amount of \$8,035,000.

**“2013 COPs Escrow Agreement”** means the Escrow Agreement, dated as of October 1, 2024, between the Escrow Agent and the District, related to the 2013 COPs.

**“2013 COPs Escrow Fund”** means the escrow fund established under the Escrow Agreement and held by the Escrow Agent.

**“2013A Bonds”** means \$2,845,000 Nipomo Community Services District Water Revenue Refunding Bonds, Series 2013A, currently outstanding in the aggregate principal amount of \$1,505,000.

**“2013A Bonds Escrow Agreement”** means the Escrow Agreement, dated as of October 1, 2024, between the Escrow Agent and the District, related to the 2013A Bonds.

**“2013A Bonds Escrow Fund”** means the escrow fund established under the Escrow Agreement and held by the Escrow Agent.

**“2024 Project”** has the meaning ascribed thereto in the recitals hereto and furthered described in the Installment Purchase Agreement.

**“Water Fund”** means the fund by that name referred to in Section 5.2 of the Installment Purchase Agreement.

**“Written Certificate”** and **“Written Request”** mean (a) with respect to the Corporation, a written certificate or written request, respectively, signed in the name of the Corporation by an Authorized Corporation Representative, and (b) with respect to the District, a written certificate or written request, respectively, signed in the name of the District by an Authorized District Representative. Any such certificate or request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

**Section 1.02. Definitions in Installment Purchase Agreement.** Except as otherwise herein defined and unless the context otherwise requires, the terms defined in the Installment Purchase Agreement shall for all purposes hereof and of any amendment hereof or supplement hereto and of any report or other document mentioned herein have the meanings defined therein, such definitions to be equally applicable to both the singular and plural forms of any of the terms defined therein. With respect to any defined term which is given a different meaning under this Trust Agreement than under the Installment Purchase Agreement, as used herein it shall have the meaning given herein.

**Section 1.03. Equal Security.** In consideration of the acceptance of the Certificates by the Owners, this Trust Agreement shall be deemed to be and shall constitute a contract between the Trustee and the Owners to secure the full and final payment of the interest and principal evidenced by the Certificates which may be executed and delivered hereunder, subject to each of the agreements, conditions, covenants and terms contained herein; and all agreements, conditions, covenants and terms contained herein required to be observed or performed by or on behalf of the Trustee shall be for the equal and proportionate benefit, protection and security of all Owners without distinction, preference or priority as to security or otherwise of any Certificates over any other Certificates by reason of the number or date thereof or the time of execution or delivery thereof or for any cause whatsoever, except as expressly provided herein or therein.

## ARTICLE II

### TERMS AND CONDITIONS OF CERTIFICATES

**Section 2.01. Preparation and Delivery of Certificates.** The Trustee is hereby authorized, upon the Written Request of the District, to execute and deliver the Certificates in the aggregate principal amount of \$[PAR AMOUNT] evidencing the aggregate principal amount of the Installment Payments and each evidencing a direct, fractional undivided interest in the Installment Payments, and the interest thereon. The Installment Payments evidenced by each Certificate shall constitute the principal evidenced thereby and the interest on such Installment Payments shall constitute the interest evidenced thereby. The Certificates shall be numbered, with or without prefixes, as directed by the Trustee.

**Section 2.02. Denomination, Medium and Dating of Certificates.** The Certificates shall be designated “Nipomo Community Services District Water Revenue Certificates of Participation, Series 2024” and shall be prepared in the form of fully registered Certificates, without coupons, in Authorized Denominations and shall be payable in lawful money of the United States of America.

The Certificates shall be dated as of the Closing Date. Each Certificate shall evidence interest from the Interest Payment Date next preceding its date of execution to which interest has been paid in full, unless such date of execution shall be after a Record Date and on or prior to the following Interest Payment Date, in which case such Certificate shall evidence interest from such Interest Payment Date, or unless such date of execution shall be on or prior to May 15, 2024, in which case such Certificate shall represent interest from the Closing Date. Notwithstanding, the foregoing, if, as shown by the records of the Trustee, interest evidenced by the Certificates shall be in default, each Certificate shall evidence interest from the last Interest Payment Date to which such interest has been paid in full or duly provided for.



**Section 2.03. Payment Dates of Certificates; Interest Computation.**

(a) *Method and Place of Payment.* The principal evidenced by the Certificates shall become due and payable, subject to prior prepayment, on June 1 of the years, in the amounts, and shall evidence interest accruing at the rates per annum set forth below:

<u>Principal Payment Date (September 1)</u>	<u>Principal Component</u>	<u>Interest Rate</u>
---	--------------------------------	--------------------------

Except as otherwise provided in the Letter of Representations, payments of interest evidenced by the Certificates shall be made to the Owners thereof (as determined at the close of business on the Record Date next preceding the related Interest Payment Date) by check or draft of the Trustee mailed to the address of each such Owner as it appears on the registration books maintained by the Trustee pursuant to Section 2.07 hereof, or to such other address as may be furnished in writing to the Trustee by each such Owner. Except as otherwise provided in the Letter of Representations, payment of principal and prepayment premium, if any, evidenced by the Certificates, on their stated Principal Payment Dates or on prepayment in whole or in part prior thereto, shall be made only upon presentation and surrender of the Certificates at the Principal Office.

(b) *Computation of Interest.* The interest evidenced by the Certificates shall be payable on each Interest Payment Date to and including their respective Principal Payment Dates or prepayment prior thereto, and shall represent the sum of the interest component of the Installment Payments coming due on the Interest Payment Dates in each year. The principal evidenced by the

Certificates shall be payable on their respective Principal Payment Dates in each year and shall represent the principal component of the Installment Payments coming due on the Principal Payment Dates in each year. Interest evidenced by the Certificates shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

**Section 2.04. Form of Certificates.** The Certificates shall be in substantially the form of Exhibit A hereto, with necessary or appropriate insertions, omissions and variations as permitted or required hereby.

**Section 2.05. Execution of Certificates and Replacement Certificates.** The Certificates shall be executed by the Trustee by the manual signature of an authorized signatory of the Trustee. The Trustee shall deliver replacement Certificates in the manner and as contemplated by this Article. Such replacement Certificates shall be executed as herein provided and shall be in Authorized Denominations.

**Section 2.06. Transfer and Payment, Exchange or Cancellation of Certificates.** Each Certificate is transferable by the Owner thereof, in person or by his attorney duly authorized in writing, at the Principal Office, on the registration books maintained by the Trustee pursuant to the provisions of Section 2.07 hereof, upon surrender of such Certificate for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee. The Trustee may treat the Owner of any Certificate as the absolute owner of such Certificate for all purposes, whether or not the principal or interest evidenced by such Certificate shall be overdue, and the Trustee shall not be affected by any knowledge or notice to the contrary; and payment of the interest and principal evidenced by such Certificate shall be made only to such Owner, which payments shall be valid and effectual to satisfy and discharge the liability evidenced by such Certificate to the extent of the sum or sums so paid. Whenever any Certificate shall be surrendered for transfer, the Trustee shall execute and deliver a new Certificate or Certificates evidencing principal in the same aggregate amount and having the same stated Principal Payment Date. The Trustee shall require the payment by any Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer. Each Certificate may be exchanged at the Principal Office for Certificates evidencing principal in a like aggregate principal amount having the same stated Principal Payment Date in such Authorized Denominations as the Owner thereof may request. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. The cost of printing Certificates and any services rendered or expenses incurred by the Trustee in connection with any transfer and exchange shall be paid by the District. Whenever in this Trust Agreement provision is made for the cancellation by the Trustee of any Bonds, the Trustee shall destroy such Bonds and deliver a certificate of such destruction to the District.

The transferor shall also provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045. The Trustee may rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

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

**Section 2.07. Certificate Registration Books.** The Trustee shall keep at its Principal Office sufficient books for the registration and transfer of the Certificates, which books shall be available for inspection and copying by the District at reasonable hours and under reasonable conditions (including, without limitation, reasonable prior written notice of inspection); and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer the Certificates on such books as hereinabove provided.

**Section 2.08. Temporary Certificates.** The Certificates may be initially delivered in temporary form exchangeable for definitive Certificates when ready for delivery, which temporary Certificates shall be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Trustee, shall be in fully registered form and shall contain such reference to any of the provisions hereof as may be appropriate. Every temporary Certificate shall be executed and delivered by the Trustee upon the same conditions and terms and in substantially the same manner as definitive Certificates. If the Trustee executes and delivers temporary Certificates, it shall prepare and execute definitive Certificates without delay, and thereupon the temporary Certificates may be surrendered at the Principal Office in exchange for such definitive Certificates, and until so exchanged such temporary Certificates shall be entitled to the same benefits hereunder as definitive Certificates executed and delivered hereunder.

**Section 2.09. Certificates Mutilated, Lost, Destroyed or Stolen.** If any Certificate shall become mutilated, the Trustee, at the expense of the Owner thereof, shall execute and deliver a new Certificate evidencing a like principal amount and having the same stated Principal Payment Date and number in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee shall be canceled by it. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and if such evidence is satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Owner thereof, shall execute and deliver a new Certificate evidencing a like principal amount and having the same stated Principal Payment Date, numbered as the Trustee shall determine, in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Certificate executed and delivered by it under this Section and of the expenses which may be incurred by it under this Section. Any Certificate executed and delivered under the provisions of this Section in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits hereof with all other Certificates executed and delivered hereunder, and the Trustee shall not be required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the amount of Certificates which may be executed and delivered hereunder or for the purpose of determining any percentage of Certificates Outstanding hereunder, but both the original and replacement Certificate

shall be treated as one and the same. Notwithstanding any other provision of this Section, in lieu of executing and delivering a new Certificate for a Certificate which has been lost, destroyed or stolen and which evidences principal that is then payable, the Trustee may make payment of such Certificate to the Owner thereof if so instructed by the District.

**Section 2.10. Book-Entry System.** (a) The Certificates shall be initially executed and delivered as Book-Entry Certificates, and the Certificates for each stated Principal Payment Date shall be in the form of a separate single fully registered Certificate (which may be typewritten). Upon initial execution and delivery, the ownership of each Certificate shall be registered in the registration books maintained by the Trustee in the name of the Nominee, as nominee of the Depository. Payment of principal or interest evidenced by any Book-Entry Certificate registered in the name of the Nominee shall be made on the applicable Interest Payment Date by wire transfer of New York clearing house or equivalent next day funds or by wire transfer of same day funds to the account of the Nominee. Such payments shall be made to the Nominee at the address which is, on the Record Date, shown for the Nominee in the registration books maintained by the Trustee.

(b) With respect to Book-Entry Certificates, the District, the Corporation and the Trustee shall have no responsibility or obligation to any Participant or to any Person on behalf of which such a Participant holds an interest in such Book-Entry Certificates. Without limiting the immediately preceding sentence, the District, the Corporation and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Participant with respect to any ownership interest in Book-Entry Certificates, (ii) the delivery to any Participant or any other Person, other than an Owner as shown in the registration books maintained by the Trustee, of any notice with respect to Book-Entry Certificates, including any notice of prepayment (except such notice as is required to be given by the District to the Trustee or the Depository), (iii) the selection by the Depository and its Participants of the beneficial interests in Book-Entry Certificates to be prepaid in the event Certificates are prepaid in part, (iv) the payment to any Participant or any other Person, other than an Owner as shown in the registration books maintained by the Trustee, of any amount with respect to principal, premium, if any, prepayment price or interest evidenced by Book-Entry Certificates, or (v) any consent given or other action taken by the Depository as Owner.

(c) The District, the Corporation and the Trustee may treat and consider the Person in whose name each Book-Entry Certificate is registered in the registration books maintained by the Trustee as the absolute Owner of such Book-Entry Certificate for the purpose of payment of principal, prepayment premium, if any, and interest evidenced by such Certificate, for the purpose of selecting any Certificates, or portions thereof, to be prepaid, for the purpose of giving notices of prepayment and other matters with respect to such Certificate, for the purpose of registering transfers with respect to such Certificate, for the purpose of obtaining any consent or other action to be taken by Owners and for all other purposes whatsoever, and the District, the Corporation and the Trustee shall not be affected by any notice to the contrary.

(d) The Trustee shall pay all principal, premium, if any, and interest evidenced by the Certificates to the respective Owner, as shown in the registration books maintained by the Trustee, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the obligations with respect to payment of principal, premium, if any, and interest evidenced by the Certificates to the extent of the sum or sums so

paid. No Person other than an Owner, as shown in the registration books maintained by the Trustee, shall receive a Certificate evidencing principal, premium, if any, and interest evidenced by the Certificates. Upon delivery by the Depository to the Owners, the Trustee and the District of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in this Trust Agreement shall refer to such nominee of the Depository. The requirement for physical delivery and surrender of the Certificates in connection with a demand for purchase under this Trust Agreement shall be deemed satisfied when the ownership rights in the Certificates are transferred by Participants on the records of the Depository to the participant account of the Trustee.

(e) To qualify the Book-Entry Certificates for the Depository's book-entry system, the District shall execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the Corporation, the District or the Trustee any obligation whatsoever with respect to persons having interests in such Book-Entry Certificates other than the Owners, as shown on the registration books maintained by the Trustee. Such Letter of Representations may provide the time, form, content and manner of transmission, of notices to the Depository. In addition to the execution and delivery of a Letter of Representations by the District, the District, the Corporation and the Trustee shall take such other actions, not inconsistent with this Trust Agreement, as are reasonably necessary to qualify Book-Entry Certificates for the Depository's book-entry program.

(f) If the District determines that it is in the best interests of the Beneficial Owners that they be able to obtain certificated Certificates and that such Certificates should therefore be made available and notifies the Depository and the Trustee of such determination, the Depository will notify the Participants of the availability through the Depository of certificated Certificates. In such event, the Trustee shall transfer and exchange certificated Certificates as requested by the Depository and any other Owners in appropriate amounts. In the event (i) the Depository determines not to continue to act as securities depository for Book-Entry Certificates, or (ii) the Depository shall no longer so act and gives notice to the Trustee of such determination, then the District shall discontinue the Book-Entry system with the Depository. If the District determines to replace the Depository with another qualified securities depository, the District shall prepare or direct the preparation of a new single, separate, fully registered Certificate for each stated Principal Payment Date of such Book-Entry Certificates, registered in the name of such successor or substitute qualified securities depository or its nominee. If the District fails to identify another qualified securities depository to replace the Depository, then the Certificates shall no longer be restricted to being registered in the registration books maintained by the Trustee in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging such Certificates shall designate, in accordance with the provisions of Sections 2.06 and 2.09 hereof. Whenever the Depository requests the District to do so, the District will cooperate with the Depository in taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the Book-Entry Certificates to any Participant having Book-Entry Certificates credited to its account with the Depository, and (ii) to arrange for another securities depository to maintain custody of certificates evidencing the Book-Entry Certificates.

(g) Notwithstanding any other provision of this Trust Agreement to the contrary, if DTC is the sole Owner of the Certificates, so long as any Book-Entry Certificate is registered in

the name of the Nominee, all payments of principal, premium, if any, and interest evidenced by such Certificate and all notices with respect to such Certificate shall be made and given, respectively, as provided in the Letter of Representations or as otherwise instructed by the Depository.

(h) In connection with any notice or other communication to be provided to Owners pursuant to the Trust Agreement by the District, the Corporation or the Trustee, with respect to any consent or other action to be taken by Owners, the Trustee shall establish a record date for such consent or other action and give the Depository notice of such record date not less than 15 calendar days in advance of such record date to the extent possible. Notice to the Depository shall be given only when DTC is the sole Owner of the Certificates.

### ARTICLE III

#### PROCEEDS OF CERTIFICATES

**Section 3.01. Delivery of Certificates.** The Trustee is hereby authorized to execute the Certificates and deliver the Certificates to the original purchaser thereof upon receipt of a Written Request of the District and upon receipt of the net proceeds of sale thereof.

**Section 3.02. Deposit of Proceeds of Certificates.** The net proceeds received by the Trustee from the sale of the Certificates in the amount of \$ \_\_\_\_\_ shall be deposited or transferred by the Trustee as follows:

(a) the Trustee shall deposit in the Costs of Issuance Fund the amount of \$ \_\_\_\_\_; and

(b) the Trustee shall transfer to the Escrow Agent for deposit in the 2013A Bonds Escrow Fund established under the Escrow Agreement the amount of \$ \_\_\_\_\_ from the proceeds of the Certificates [(together with other available monies relating to the 2013A Bonds in the amount of \$ \_\_\_\_\_, for a total of \$ \_\_\_\_\_)], to apply to the redemption of the 2013A Bonds as provided in the Escrow Agreement;

(c) the Trustee shall transfer to the Escrow Agent for deposit in the 2013 COPs Escrow Fund established under the Escrow Agreement the amount of \$ \_\_\_\_\_ from the proceeds of the Certificates [(together with other available monies relating to the 2013 COPs in the amount of \$ \_\_\_\_\_, for a total of \$ \_\_\_\_\_)], to apply to the prepayment of the installment payments related to the 2013 COPs as provided in the Escrow Agreement; and

(d) the Trustee shall deposit in the Construction Fund the amount of \$ \_\_\_\_\_.

The Trustee may, in its discretion, establish a temporary fund or account in its books and records to facilitate the foregoing transfers.

**Section 3.03. Costs of Issuance Fund.** The Trustee shall establish and maintain a separate special fund to be held by the Trustee known as the Costs of Issuance Fund. There shall be deposited in the Costs of Issuance Fund on the Closing Date the amount required to be deposited

therein pursuant to Section 3.02 hereof. The Trustee shall disburse moneys from the Costs of Issuance Fund on such dates and in such amounts as are necessary to pay Costs of Issuance, in each case upon the Written Request of the District stating the Person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against the Costs of Issuance Fund. Each such Request of the District shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. On the date that is six months after the Closing Date, the Trustee shall transfer any amounts then remaining in the Costs of Issuance Fund to the Installment Payment Fund. Upon such transfer, the Costs of Issuance Fund shall be closed.

**Section 3.04. Construction Fund.** There is hereby established with the Trustee the Construction Fund, which the Trustee shall establish and maintain and hold in trust separate and apart from other funds held by it. The moneys in the Construction Fund shall be used and withdrawn by the Trustee to pay costs of the acquisition, construction, rehabilitation, equipping, improvement or financing of improvements to, or part of, the 2024 Project.

**Section 3.05. Payment of Construction Costs.** Amounts in the Construction Fund shall be disbursed for Construction Costs. Disbursements from the Construction Fund shall be made by the Trustee upon receipt of a sequentially numbered requisition, a form of which is attached as Exhibit B, requesting disbursement, and executed by an Authorized District Representative.

The Trustee shall be responsible for the safekeeping and investment (in accordance with Section 5.03 hereof) of the moneys held in the Construction Fund and the payment thereof in accordance with this Section 3.05. Each such requisition shall be sufficient evidence to the Trustee of the fully rely on any such requisition delivered pursuant to this Section and shall not be required to make any investigation in connection therewith.

The Trustee shall be under no duty or obligation to analyze or verify any documentation supporting the payments or reimbursements by the District, but shall hold and provide to Owners upon request such documentation supporting the payments or reimbursements requested by the District, solely as a repository for the benefit of Owner.

Any unexpended moneys in the Construction Fund subsequent to the payment of all Construction Costs which are not used to pay the cost of other improvements of the District shall be transferred by the Trustee and deposited in the Installment Payment Fund upon receipt by the Trustee of a Written Request of the District accompanied by a Written Certificate of the District stating that all Construction Costs have been paid or provision made for their payment.

## ARTICLE IV

### PREPAYMENT OF CERTIFICATES

**Section 4.01. Optional Prepayment.** The Certificates maturing on or after September 1, 2035 are subject to optional prepayment prior to their stated Principal Payment Dates, on any date on or after September 1, 2034, in whole or in part, in Authorized Denominations, from and to the extent of prepaid Installment Payments paid pursuant to the Installment Purchase Agreement or from any other source of available funds, any such prepayment to be at a Prepayment Price equal

to the principal evidenced by the Certificates to be prepaid, plus accrued interest evidenced thereby to the date fixed for prepayment, without premium.

**Section 4.02. Mandatory Prepayment.** The Certificates bearing stated maturities of September 1, 20\_\_, and September 1, 20\_\_, respectively, shall be subject to mandatory prepayment, upon notice as hereinafter provided, in part (by lot) on the respective prepayment dates, in integral multiples of \$5,000 at a Prepayment Price of the principal amount thereof plus accrued interest evidenced and represented thereby to the date fixed for prepayment, without premium. Such Certificates shall be prepaid in the amounts and upon the dates as follows:

Term Certificate Maturing September 1, 20\_\_

<u>Prepayment Dates</u>	<u>Principal Amount</u>
<u>(September 1)</u>	

\*Maturity

Term Certificate Maturing September 1, 20\_\_

<u>Prepayment Dates</u>	<u>Principal Amount</u>
<u>(September 1)</u>	

\*Maturity

In the event of a partial prepayment of Certificates pursuant to Section 4.01 or 4.03, the foregoing annual mandatory prepayments shall be reduced in equal percentages, as nearly as practicable, provided that the reductions shall be made in multiples of \$5,000. The District shall provide the Trustee with the amended mandatory prepayment schedule calculated as set forth above.

**Section 4.03. Prepayment From Net Proceeds of Insurance and Condemnation.** The Certificates shall be subject to prepayment prior to their respective stated maturities, as a whole on any date or in part on any Interest Payment Date, in the order of stated maturity as directed by the District in a Written Request of the District provided to the Trustee at least 60 days prior to the prepayment date, (or in the event the District has not directed the order of stated maturity, in inverse order of stated maturity), and by lot within each stated maturity in integral multiples of



\$5,000, from prepaid Installment Payments made by the District from Net Proceeds which are deposited in the Prepayment Account of the Installment Payment Fund and credited towards prepayment made by the District, upon the terms and conditions of, as provided for in Sections 6.7 and 6.8 of the Installment Purchase Agreement (provided that such prepayment shall occur on the next Interest Payment Date subsequent to such transfer with respect to which timely notice of prepayment can be provided as required hereunder) at a Prepayment Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for prepayment, without premium.

**Section 4.04. Selection of Certificates for Prepayment.** Whenever less than all the Outstanding Certificates are to be prepaid on any one date pursuant to Sections 4.01 and 4.03 hereof, the Trustee shall select the Certificates to be prepaid among Certificates with different Principal Payment Dates as directed in a Written Request of the District. Whenever less than all the Outstanding Certificates with the same stated Principal Payment Date are to be prepaid on any one date, the Trustee shall select the Certificates with such Principal Payment Date to be prepaid as directed in a Written Request of the District, or at the discretion of the District by lot in any manner that the Trustee deems fair and appropriate, which decision shall be final and binding upon the District and the Owners. The Trustee shall promptly notify the District in writing of the numbers of the Certificates so selected for prepayment on such date. For purposes of such selection, any Certificate may be prepaid in part in Authorized Denominations.

**Section 4.05. Notice of Prepayment.** When prepayment of Certificates is authorized pursuant to Sections 4.01 and 4.03, the Trustee shall give notice, at the expense of the District, of the prepayment of the Certificates. The notice of prepayment shall specify (a) the Certificates or designated portions thereof (in the case of prepayment of the Certificates in part but not in whole) which are to be prepaid, (b) the date of prepayment, (c) the place or places where the prepayment will be made, including the name and address of any paying agent, (d) the prepayment price, (e) the CUSIP numbers assigned to the Certificates to be prepaid, (f) the numbers of the Certificates to be prepaid in whole or in part and, in the case of any Certificate to be prepaid in part only, the principal evidenced by such Certificate to be prepaid, and (g) the interest rate and stated Principal Payment Date of each Certificate to be prepaid in whole or in part. Such notice of prepayment shall further state that on the specified date there shall become due and payable upon each Certificate or portion thereof being prepaid the prepayment price and that from and after such date interest evidenced thereby shall cease to accrue and be payable. With respect to any notice of prepayment of Certificates pursuant to Sections 4.01 and 4.03 hereof, unless at the time such notice is given the Certificates to be prepaid shall be deemed to have been paid within the meaning of Section 10.01 hereof, such notice shall state that such prepayment is conditional upon receipt by the Trustee, on or prior to the date fixed for such prepayment, of moneys sufficient to pay for the prepayment price of the Certificates to be prepaid, and that if such moneys shall not have been so received said notice shall be of no force and effect and the District shall not be required to prepay such Certificates. If a notice of prepayment of Certificates contains such a condition and such moneys are not so received, the prepayment of Certificates as described in the conditional notice of prepayment shall not be made and the Trustee shall, within a reasonable time after the date on which such prepayment was to occur, give notice to the persons and in the manner in which the notice of prepayment was given, that such moneys were not so received and that there shall be no prepayment of Certificates pursuant to such notice of prepayment.

The Trustee shall, at least 20 but not more than 60 days prior to any prepayment date, give notice of prepayment to the respective Owners of Certificates designated for prepayment by first-class mail, postage prepaid, at their addresses appearing on the registration books maintained by the Trustee as of the close of business on the day before such notice of prepayment is given.

The actual receipt by the Owner of any notice of such prepayment shall not be a condition precedent to prepayment, and neither failure to receive such notice nor any defect therein shall affect the validity of the proceedings for the prepayment of such Certificates or the cessation of interest evidenced thereby on the date fixed for prepayment.

A certificate by the Trustee that notice of prepayment has been given to Owners as herein provided shall be conclusive as against all parties, and no Owner whose Certificate is called for prepayment may object thereto or object to the cessation of interest evidenced thereby on the fixed prepayment date by any claim or showing that said Owner failed to actually receive such notice of prepayment.

**Section 4.06. Partial Prepayment of Certificates.** Upon surrender of any Certificate prepaid in part only, the Trustee shall execute and deliver to the Owner thereof a new Certificate or Certificates evidencing the unprepaid principal with respect to the Certificate surrendered.

**Section 4.07. Effect of Prepayment.** If notice of prepayment has been duly given as aforesaid and moneys for the payment of the prepayment price of the Certificates to be prepaid are held by the Trustee, then on the prepayment date designated in such notice, the Certificates so called for prepayment shall become payable at the prepayment price specified in such notice; and from and after the date so designated, interest evidenced by the Certificates so called for prepayment shall cease to accrue, such Certificates shall cease to be entitled to any benefit or security hereunder and the Owners of such Certificates shall have no rights in respect thereof except to receive payment of the prepayment price thereof. The Trustee shall, upon surrender for payment of any of the Certificates to be prepaid, pay such Certificates at the prepayment price thereof, and such moneys shall be pledged to such payment. All Certificates prepaid pursuant to the provisions of this Article shall be canceled by the Trustee and shall not be redelivered.

## ARTICLE V

### ASSIGNMENT AND PLEDGE; FUNDS AND ACCOUNTS

**Section 5.01. Assignment and Pledge.** The Corporation hereby transfers, conveys and assigns to the Trustee, for the benefit of the Owners, all of the Corporation's rights, title and interest in and to the Installment Purchase Agreement (excepting its rights to indemnification thereunder), including the right to receive Installment Payments, and the interest thereon, from the District and the right to exercise any remedies provided therein in the event of a default by the District thereunder. The Trustee hereby accepts said transfer, conveyance and assignment, solely in its capacity as Trustee, for the benefit of the Owners, subject to the provisions of this Trust Agreement. All Installment Payments, and the interest thereon, shall be paid directly by the District to the Trustee, and if received by the Corporation at any time shall be deposited by the Corporation with the Trustee immediately upon the receipt thereof.

To secure the respective rights of the Owners to the payments required to be made thereto as provided herein, the Corporation and the District hereby irrevocably pledge to the Trustee, for the benefit of the Owners, all of their right, title and interest, if any, in and to all amounts on deposit from time to time in the funds and accounts established hereunder. This pledge shall constitute a first lien on the amounts on deposit in such funds and accounts.

**Section 5.02. Installment Payment Fund.** (a) The Trustee shall establish and maintain the Installment Payment Fund until all required Installment Payments, and the interest thereon, are paid in full pursuant to the Installment Purchase Agreement and until the first date upon which the Certificates are no longer Outstanding. The Trustee shall deposit in the Installment Payment Fund all Installment Payments, and the interest thereon, paid by the District and received by the Trustee. The moneys in the Installment Payment Fund shall be held in trust by the Trustee for the benefit of the Owners and shall be used and disbursed only for the purposes and uses herein authorized.

(b) The Trustee shall transfer the amounts on deposit in the Installment Payment Fund, at the times and in the manner hereinafter provided, to the following respective accounts within the Installment Payment Fund, each of which the Trustee hereby agrees to establish and maintain (provided the Prepayment Account need not be established in the records of the Trustee until deposit is required to be made to the Prepayment Account) until all required Installment Payments, and the interest thereon, are paid in full pursuant to the Installment Purchase Agreement and until the first date upon which the Certificates are no longer Outstanding. The moneys in each of such accounts shall be held in trust by the Trustee for the benefit of the Owners and shall be used and disbursed only for the purposes and uses herein authorized.

(i) *Interest Account.* The Trustee, on each Interest Payment Date, shall deposit in the Interest Account that amount of moneys representing the interest on the Installment Payments coming due on such Interest Payment Date. Moneys in the Interest Account shall be used by the Trustee for the purpose of paying the interest evidenced by the Certificates when due and payable.

(ii) *Principal Account.* The Trustee, on each Principal Payment Date, shall deposit in the Principal Account that amount of moneys representing the Installment Payments coming due on such Principal Payment Date. Moneys in the Principal Account shall be used by the Trustee for the purpose of paying the principal evidenced by the Certificates when due and payable, including mandatory sinking payments.

(iii) *Prepayment Account.* The Trustee, on the prepayment date specified in the Written Request of the District filed with the Trustee at the time that any prepaid Installment Payment is paid to the Trustee pursuant to the Installment Purchase Agreement, shall deposit in the Prepayment Account that amount of moneys representing such prepaid Installment Payment, the accrued interest thereon to the prepayment date and any premium payable with respect thereto. The Trustee shall deposit in the Prepayment Account any other amounts made available by the District that the District, pursuant to a Written Request of the District, instructs the Trustee to apply to the prepayment of Certificates pursuant to either Section 4.01 or Section 4.03 hereof. Moneys in the Prepayment Account shall be used by the Trustee for the purpose of paying the interest, premium, if any, and principal

evidenced by the Certificates to be prepaid pursuant to either Section 4.01 or Section 4.03 hereof.

**Section 5.03. Investment of Moneys.** Except as otherwise provided herein, all moneys in any of the funds or accounts established pursuant to this Trust Agreement shall be invested or reinvested by the Trustee solely in Permitted Investments, as directed by the District pursuant to a Written Request of the District at least two (2) Business Days prior to the making of such investment. The Trustee may conclusively rely upon the District's written instructions as to both the suitability and legality of the directed investments. In no event shall the Trustee be liable for the selection of investment or for investment losses thereof.

Moneys in all funds and accounts held by the Trustee shall be invested in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in this Trust Agreement. Permitted Investments that are registerable securities shall be registered in the name of the Trustee. All interest, profits and other income received from the investment of moneys in any fund or account established pursuant to this Trust Agreement shall be retained therein. In no event shall the Trustee be liable for the selection of investments or for investment losses thereon. The Trustee shall have no liability in respect of losses incurred as a result of the liquidation of any investment prior to its stated maturity or the failure of the District to provide timely written investment direction. Ratings of permitted investments shall be determined at the time of purchase of such permitted investments and without regard to ratings subcategories. The Trustee may make any and all such investments through its own investment department or that of its affiliates or subsidiaries, and may charge its ordinary and customary fees for such trades, including account maintenance fees. In the absence of timely written direction from the District, the Trustee shall hold the moneys held by it hereunder uninvested. Permitted Investments acquired as an investment of moneys in any fund or account established under this Trust Agreement shall be credited to such fund or account. For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued by the Trustee at the market value thereof, such valuation to be performed not less frequently than semiannually on or before each May 15 and November 15. The Trustee may use and rely conclusively and without liability upon any generally recognized pricing information service (including brokers and dealers in securities) available to it.

The Trustee or an affiliate may act as principal or agent in the making or disposing of any investment. The Trustee shall sell or present for redemption any Permitted Investment whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from any investment made or sold pursuant to this Section. For purposes of investment, the Trustee may commingle moneys in any of the funds and accounts established hereunder.

The Trustee is hereby authorized, in making or disposing of any investment permitted by this Section, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether or not such affiliate is acting as an agent of the Trustee or for any third Person or dealing as principal for its own account.

**Section 5.04. Brokerage Confirmations.** The Trustee shall furnish the District periodic cash transaction statements which shall include detail for all investment transactions effected by the Trustee or brokers selected by the District. Upon the District's election and request, the Trustee shall provide the District online access to such statements. Although the District recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, the District agrees that confirmations of permitted investments are not required to be issued by the Trustee for each month in which a monthly statement is rendered and that no statement need be rendered for any fund or account if no activity occurred in such fund or account during such month. The District further waives the right to receive brokerage confirmations of securities transactions effected by the Trustee as they occur, to the extent permitted by law. The District further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker

## ARTICLE VI

### COVENANTS

**Section 6.01. Compliance with Trust Agreement.** The Trustee will not execute or deliver any Certificates in any manner other than in accordance with the provisions hereof, and the Corporation and the District will not suffer or permit any default by them to occur hereunder, but will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms hereof required to be complied with, kept, observed and performed by them.

**Section 6.02. Compliance with Installment Purchase Agreement.** The Corporation and the District will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Installment Purchase Agreement required to be complied with, kept, observed and performed by them and, together with the Trustee, will enforce the Installment Purchase Agreement against the other party thereto in accordance with its terms. The Corporation shall not consent to the amendment, alteration or modification, in whole or in part, of the Installment Purchase Agreement except: (a) to the extent such amendment, alteration or modification will cure an ambiguity, supply an omission; or cure or correct a defect or inconsistent provision therein; (b) to the extent such amendment, alteration or modification will insert such provisions clarifying matters or questions arising thereunder as are necessary or desirable and are not contrary to or inconsistent with this Trust Agreement; (c) if, in the Opinion of Counsel, delivered to the Trustee such amendment, alteration or modification does not materially adversely affect the rights of the Owners; or (d) with the written consent of the Owners of a majority in aggregate principal of the Certificates then Outstanding. Any such written consent shall be obtained in the manner provided herein for amendments to this Trust Agreement. No such amendment, alteration or modification shall be effective unless and until there shall have been filed with the Trustee an Opinion of Counsel stating that such amendment, alteration or modification has been duly and lawfully entered into by the parties thereto, is authorized or permitted by this Trust Agreement, and is valid and binding upon the parties thereto in accordance with its terms and, if applicable, containing the opinion described in the above subclause (c). For purposes of this Trust Agreement, no change or revision of Exhibit B to the Installment Purchase Agreement, made pursuant to the terms thereof, shall constitute an amendment, alteration or modification of the Installment Purchase Agreement.

**Section 6.03. Observance of Laws and Regulations.** The Corporation and the District will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States of America or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

**Section 6.04. Other Liens.** None of the Trustee, the Corporation or the District shall create or suffer to be created any pledge of or lien on the amounts on deposit in any of the funds or accounts created hereunder, other than the pledge and lien hereof.

**Section 6.05. Prosecution and Defense of Suits.** The District will defend against every action, suit or other proceeding at any time brought against the Trustee or any Owner upon any claim arising out of the receipt, deposit or disbursement of any of the Installment Payments, or the interest thereon, or involving the rights of the Trustee or any Owner hereunder; provided, however, that the Trustee or any Owner at its or his election may appear in and defend any such action, suit or other proceeding.

**Section 6.06. Accounting Records and Statements.** The Trustee will keep proper accounting records in which complete and correct entries shall be made of all transactions made by the Trustee relating to the receipt, deposit and disbursement of the Installment Payments, and the interest thereon, and such accounting records shall be available for inspection by the Corporation and the District at reasonable hours and under reasonable conditions. The Trustee shall not be obligated to provide an accounting for any fund or account that (a) has a balance of \$0.00 and (b) has not had any activity since the last reporting date. The Trustee will, upon written request, make copies of the foregoing available to any Owner (at the expense of such Owner).

**Section 6.07. Tax Covenants.**

(a) **Special Definitions.** When used in this Section, the following terms shall have the following meanings:

“*Computation Date*” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“*Computation Period*” means, initially, that period commencing on the date of the execution and delivery of the Certificates and concluding on the initial Computation Date and, thereafter, each period commencing on the day next following a Computation Date and concluding on the immediately succeeding Computation Date.

“*Gross Proceeds*” of any issue of governmental obligations means any proceeds as defined in section 1.148-1(b) of the Tax Regulations (referring to sales, investment and transferred proceeds) of that issue, and any replacement proceeds as defined in section 1.148-1(c) of the Tax Regulations, of that issue.

“*Investment*” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“*Nonpurpose Investment*” means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of an issue are invested and that is not acquired to carry out the governmental purposes of that issue.

“*Opinion of Special Counsel*” means a written opinion of Norton Rose Fulbright US LLP or any other counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the District.

“*Prior Issue*” shall refer to the Prior Obligations (but in the case of any of the foregoing executed and delivered for multiple purposes, only to the portion thereof allocable pursuant to section 1.148-9(h)(4) of the Tax Regulations to other than refunding purposes).

“*Proceeds*,” with respect to an issue of governmental obligations, has the meaning set forth in has the meaning set forth in section 1.148-1(b) of the Tax Regulations (referring to sales, investment and transferred proceeds, but not replacement proceeds).

“*Rebate Amount*” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“*Special Counsel*” means Norton Rose Fulbright US LLP or any other counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the District.

“*Tax Regulations*” means the United States Treasury Regulations promulgated pursuant to sections 103 and 141 through 150 of the Code.

“*Yield*” of (i) any Investment has the meaning set forth in section 1.148-5 of the Tax Regulations and (ii) in respect of the Certificates has the meaning set forth in section 1.148-4 of the Tax Regulations.

(a) Exclusion of Interest from Gross Income. The District will take all actions necessary to establish and maintain the exclusion pursuant to section 103(a) of the Code of interest component of the Installment Payments from the gross income of the owners thereof for federal income tax purposes, and will not use, permit the use of, or omit to use Gross Proceeds of the Certificates or any other amounts (or any property the acquisition, construction or improvement of which is to be refinanced directly or indirectly with Gross Proceeds) in a manner that if made or omitted, respectively, would cause the interest component of the Installment Payments to fail to be excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the Trustee receives an Opinion of Special Counsel to the effect that failure to comply with such covenant will not adversely affect the exclusion pursuant to section 103(a) of the Code of the interest component of the Installment Payments from the gross income of the owner thereof, the District shall comply with this covenant and each of the specific covenants in this Section.

(b) No Private Use or Private Payments. Except as would not cause any Certificate to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, the District shall at all times prior to the payment and cancellation of the last of the Certificates to be retired:

(i) exclusively own, operate and possess all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the Certificates and not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds or the Gross Proceeds of the Prior Issue in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(ii) does not directly or indirectly impose or accept any charge or other payment by any person or entity who is treated as using Gross Proceeds of the Certificates or of the Prior Issue, or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds, other than taxes of general application within the jurisdiction of the District or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

(c) No Private Loan. Except as would not cause any Certificate to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, the District shall not use of Gross Proceeds of the Certificates to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be “loaned” to a person or entity if: (i) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction that creates a debt for federal income tax purposes; (ii) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (iii) indirect benefits of such Gross Proceeds, or burdens and benefits of ownership of any property acquired, constructed or improved with such Gross Proceeds, are otherwise transferred in a transaction that is the economic equivalent of a loan. For purposes of this covenant, the District will treat any transaction constituting a loan of Gross Proceeds of the Prior Issue as resulting in a loan of Gross Proceeds of the Certificates.

(d) Not to Invest at Higher Yield. Except as would not cause any Certificate to become an “arbitrage bond” within the meaning of section 148 of the Code and the Tax Regulations and rulings thereunder, the District will not, at any time prior to the final cancellation of the last Certificate to be retired, directly or indirectly invest Gross Proceeds of the Certificates in any Investment, if as a result of that investment the yield of any Investment acquired with Gross Proceeds of the Certificates, whether then held or previously disposed of, would materially exceed the yield of the Certificates within the meaning of said section 148.

(e) Not Federally Guaranteed. Except to the extent such action or failure to act would not pursuant to section 149(b) of the Code and the Tax Regulations and rulings thereunder, adversely affect the exclusion pursuant to section 103(a) of interest with respect to the Certificates from the gross income of the owners thereof for federal income tax purposes, the District will not take or omit to take any action that would cause any Certificate to be “federally guaranteed” within the meaning of section 149(b) of the Code and the Tax Regulations and rulings thereunder.



(f) Information Report. The District will timely file any information necessary to the exclusion pursuant to section 103(a) of the Code of interest with respect to the Certificates required by section 149(e) of the Code with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary of the Treasury may prescribe.

(g) Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the Tax Regulations and rulings thereunder, the District will not at any time prior to the final cancellation of the last of the Certificates to be retired, enter into any transaction that reduces the amount required to be paid to the United States pursuant to section 148(f) of the Code because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the yield on the Certificates not been relevant to either party.

(h) Certificates Satisfy Section 149(g). The District represents that neither the Prior Issue nor the Certificates are or will become "hedge bonds" within the meaning of section 149(g) of the Code. Without limitation of the foregoing, with respect to the Prior Issue, (i)(A) on the date of execution and delivery of that issue the District reasonably expected (based upon its own knowledge and upon representations made by other governmental persons upon the issuance of those obligations) that within the three-year period commencing on such date no less than 85% of the spendable proceeds of that issue would be expended for the governmental purposes thereof and (B) the District believes and represents that at no time has more than 50% of the proceeds of that issue been invested in Nonpurpose Investments having a substantially guaranteed yield for a period of four years or more, and with respect to the application of Proceeds of the Certificates other than for refunding purposes, (ii)(A) the District will not deliver the Certificates unless on the date of the issuance of the Certificates it reasonably expects that within the three-year period commencing on such date of issuance at least 85% of such spendable proceeds of the Certificates will be expended for the governmental purpose of the Certificates and (B) at no time will more than 50% of such spendable proceeds of the Certificates be invested in Nonpurpose Investments having a substantially guaranteed yield for a period of four years or more.

(i) Elections. The District hereby directs and authorizes any Authorized Representative to make elections permitted or required pursuant to the provisions of the Code or the Tax Regulations, as such Authorized Representative (after consultation with Special Counsel) deems necessary or appropriate in connection with the Certificates, in the Tax Certificate (as defined below) or similar or other appropriate certificate, form or document.

(j) Tax Certificate. The District agrees to execute and deliver in connection with the execution and delivery of the Certificates a *Tax Certificate*, or similar document containing additional representations and covenants pertaining to the exclusion of interest with respect to the Certificates from the gross income of the owners thereof for federal income tax purposes (the "Tax Certificate"), which representations and covenants are incorporated as though expressly set forth herein.

**Section 6.08. Continuing Disclosure**. The District will comply with and carry out all of the provisions of the Continuing Disclosure Certificate applicable to it. Notwithstanding any other provision of this Trust Agreement, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; provided, however, the Trustee at the

request of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Certificates and upon being indemnified to its reasonable satisfaction, shall, or any Owner or Beneficial Owner of Certificates may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order. The Trustee is authorized and directed to execute the acceptance and acknowledgement of the Continuing Disclosure Certificate.

**Section 6.09. Further Assurances.** The District will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to carry out the purposes and intentions of this Trust Agreement and for preserving and protecting the rights and interests of the Owners.

## ARTICLE VII

### DEFAULT AND LIMITATIONS OF LIABILITY

**Section 7.01. Action upon Event of Default.** An Event of Default under the Installment Purchase Agreement shall constitute an Event of Default hereunder. The Trustee may give notice, as assignee of the Corporation, of an Event of Default under the Installment Purchase Agreement to the District, and shall do so if directed to do so by the Owners of not less than 5% of the aggregate principal evidenced by Certificates then Outstanding. In each and every case during the continuance of an Event of Default, the Trustee may and, at the direction of the Owners of not less than a majority of the aggregate principal evidenced by Certificates then Outstanding, shall, upon notice in writing to the District and the Corporation (a) exercise any of the remedies granted to the Corporation under the Installment Purchase Agreement, and (b) take whatever action at law or in equity may appear necessary or desirable to enforce its rights pursuant to this Trust Agreement or the Installment Purchase Agreement or to protect and enforce any of the rights vested in the Trustee or the Owners by this Trust Agreement, the Certificates or the Installment Purchase Agreement, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right, including any one or more of the remedies set forth in Section 7.02 hereof.

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

**Section 7.02. Other Remedies of the Trustee.** Subject to the provisions of Section 7.01 hereof, the Trustee shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the Corporation or the District or any member, director, officer or employee thereof, and to compel the Corporation or the District or any such member, director, officer or employee to perform or carry out its or his or her duties under law and the agreements and covenants required to be performed by it or him or her contained herein;

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

(c) by suit in equity upon the happening of any Event of Default hereunder to require the Corporation and the District to account as the trustee of an express trust.

**Section 7.03. Non-Waiver.** A waiver of any default or breach of duty or contract by the Trustee or the Owners 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 Trustee or the Owners 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 Trustee or the Owners by law or by this Article may be enforced and exercised from time to time and as often as the Trustee shall deem expedient.

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

**Section 7.04. Remedies Not Exclusive.** Subject to the provisions of Section 7.01 hereof, no remedy herein conferred upon or reserved to the Trustee 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 any law. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent or subsequent assertion or employment of any other appropriate right or remedy.

**Section 7.05. Application of Amounts After Default.** All damages or other payments received by the Trustee for the enforcement of any rights and powers of the Trustee under this Article shall be deposited into the Installment Payment Fund and as soon as practicable and thereafter applied:

(a) to the payment of all amounts due the Trustee under Section 8.03 hereof;

(b) unless the unpaid Installment Payments, and the interest thereon, shall have become, and shall remain, immediately due and payable pursuant to the Installment Purchase Agreement:

(i) to the payment of all amounts then due for interest evidenced by the Certificates, in respect of which, or for the benefit of which, money has been collected (other than Certificates which have become payable prior to such Event of Default and money for the payment of which is held by the Trustee), ratably without preference or priority of any kind, according to the amounts of interest evidenced by such Certificates due and payable; and

(ii) to the payment of all amounts then due for principal evidenced by the Certificates, in respect of which, or for the benefit of which, money has been collected

(other than Certificates which have become payable prior to such Event of Default and money for the payment of which is held by the Trustee), ratably without preference or priority of any kind, according to the amounts of principal evidenced by such Certificates due and payable.

(c) if the unpaid Installment Payments, and the interest thereon, shall have become, and shall remain, immediately due and payable pursuant to the Installment Purchase Agreement, to the payment of all amounts then due for principal and interest evidenced by the Certificates and, if the amount available therefor shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Certificate over any other Certificate, to the persons entitled thereto without any discrimination or preference.

**Section 7.06. Trustee May Enforce Claims Without Possession of Certificates.** All rights of action and claims under this Trust Agreement or the Certificates may be prosecuted and enforced by the Trustee without the possession of any of the Certificates or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Owners of the Certificates in respect of which such judgment has been recovered.

**Section 7.07. Limitation on Suits.** No Owner shall have any right to institute any proceeding, judicial or otherwise, with respect to this Trust Agreement, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless (a) such Owner shall have previously given written notice to the Trustee of a continuing Event of Default hereunder, (b) the Owners of not less than a majority of the aggregate principal evidenced by Certificates then Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder, (c) such Owner or Owners shall have afforded to the Trustee indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request, (d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such proceedings, and (e) no direction inconsistent with such written request shall have been given to the Trustee during such 60-day period by the Owners of a majority of the aggregate principal evidenced by Certificates then Outstanding; it being understood and intended that no one or more Owners of Certificates shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Trust Agreement to affect, disturb or prejudice the rights of any other Owner of Certificates, or to obtain or seek to obtain priority or preference over any other Owner or to enforce any right under this Trust Agreement, except in the manner herein provided and for the equal and ratable benefit of all the Owners of Certificates.

**Section 7.08. No Liability by the Corporation to the Owners.** Except as expressly provided herein, the Corporation shall not have any obligation or liability to the Owners with respect to the payment when due of the Installment Payments, and the interest thereon, by the District, or with respect to the performance by the District of the other agreements and covenants required to be performed by it contained in the Installment Purchase Agreement or herein, or with

respect to the performance by the Trustee of any right or obligation required to be performed by it contained herein.

**Section 7.09. No Liability by the District to the Owners.** Except for the payment when due of the Installment Payments, and the interest thereon, and the performance of the other agreements and covenants required to be performed by it contained in the Installment Purchase Agreement or herein, the District shall not have any obligation or liability to the Owners with respect to this Trust Agreement or the preparation, execution, delivery or transfer of the Certificates or the disbursement of the Installment Payments, and the interest thereon, by the Trustee to the Owners, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained herein.

**Section 7.10. No Liability of the Trustee to the Owners.** Except as expressly provided herein, the Trustee shall not have any obligation or liability to the Owners with respect to the payment when due of the Installment Payments, and the interest thereon, by the District, or with respect to the performance by the Corporation or the District of the other agreements and covenants required to be performed by them, respectively contained in the Installment Purchase Agreement or herein.

## ARTICLE VIII

### THE TRUSTEE

**Section 8.01. Employment of the Trustee; Duties.** The Corporation and the District hereby appoint and employ the Trustee to receive, deposit and disburse the Installment Payments, and the interest thereon, to register, execute, deliver and transfer the Certificates and to perform the other functions contained herein, all in the manner provided herein and subject to the conditions and terms hereof. By executing and delivering this Trust Agreement, the Trustee accepts the appointment and employment hereinabove referred to and accepts the rights and obligations of the Trustee provided herein, subject to the conditions and terms hereof. Other than when an Event of Default hereunder has occurred and is continuing, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Trust Agreement, and no implied covenants or obligations shall be read into this Trust Agreement against the Trustee. In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of its own affairs.

**Section 8.02. Removal and Resignation of the Trustee.** The Corporation and the District may with 30 days prior notice, by an instrument in writing, remove the Trustee initially as a party hereto and any successor thereto unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee initially as a party hereto and any successor thereto if at any time (a) requested to do so by an instrument or concurrent instruments in writing signed by the Owners of a majority of the aggregate principal evidenced by the Certificates at the time Outstanding (or their attorneys duly authorized in writing), or (b) the Trustee shall cease to be eligible in accordance with the following sentence, and shall appoint a successor Trustee. The Trustee shall be a national banking association, bank having trust powers or a trust company in good standing in or incorporated under the laws of the United States or any state thereof, having

(or if such national banking association, bank or trust company is a member of a bank holding company system, its parent bank holding company shall have) a combined capital and surplus of at least \$50,000,000, and be subject to supervision or examination by federal or state banking authorities. If such national banking association, bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section the combined capital and surplus of such national banking association, bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee may at any time resign by giving written notice of such resignation to the Corporation and the District and by giving notice, by first class mail, postage prepaid, of such resignation to the Owners at their addresses appearing on the registration books maintained by the Trustee. Upon receiving such notice of resignation, the Corporation and the District shall promptly appoint a successor Trustee by an instrument in writing; provided, however, that in the event the District and the Corporation do not appoint a successor Trustee within 30 days following receipt of such notice of resignation, the resigning Trustee may, at the expense of the District, petition the appropriate court having jurisdiction to appoint a successor Trustee. Any resignation or removal of a Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee. Any successor Trustee appointed under this Trust Agreement shall signify its acceptance of such appointment by executing and delivering to the District and the Corporation and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless, at the written request of the District or of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Trust Agreement and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth.

Any bank, corporation or association into which the Trustee may be merged or converted, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such merger, conversion or consolidation or transfer to which it is a party, provided that such entity meets the combined capital and surplus requirements of this Section, *ipso facto*, or any bank, corporation or association succeeding to all or substantially all of the corporate trust business of the Trustee shall be the successor trustee under this Trust Agreement and vested with all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, except where an instrument of transfer or assignment is required by law to effect such succession, anything herein to the contrary notwithstanding.

**Section 8.03. Compensation and Indemnification of the Trustee.** The District shall from time to time, subject to any written agreement then in effect with the Trustee, pay the Trustee reasonable compensation for all its services rendered hereunder and reimburse the Trustee for all its reasonable advances and expenditures hereunder, including but not limited to advances to and

reasonable fees and reasonable expenses of accountants, agents, appraisers, consultants or other experts, and counsel retained by the Trustee, employed by it in the exercise and performance of its rights and obligations hereunder. The Trustee may take whatever legal actions are lawfully available to it directly against the Corporation or the District. When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

Upon an Event of Default, and only upon an Event of Default, the Trustee shall have a first lien with right of payment prior to payment on account of principal of and premium, if any, and interest with respect to any Certificate, upon the Installment Payments for the foregoing fees, charges and expenses incurred by it.

Except as otherwise expressly provided herein, no provision of this Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers hereunder. The Trustee may refuse to perform any duty or exercise any right or power which would require it to expend its own funds or risk any liability if it shall reasonably believe that repayment of such funds or adequate indemnity against such risk is not reasonably assured to it.

If the Trustee renders any service hereunder not provided for in this Trust Agreement or related financing documents, or the Trustee is made a party to or intervenes in any litigation pertaining to this Trust Agreement or related financing documents or institutes interpleader proceedings relative hereto, the Trustee shall be compensated reasonably by the District for such extraordinary services and reimbursed for any and all claims, liabilities, losses, damages, fines, penalties, and expenses, including out-of-pocket and incidental expenses and legal fees and expenses occasioned thereby.

The District, to the extent permitted by law, agrees to indemnify and save the Trustee, its directors, officers, employees and agents harmless from and against any loss, damage, claim, liability or expense arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including costs and expenses of defending itself against any claim (whether asserted by the District, or any holder or any other person) or liability in connection with the exercise or performance of any of its powers or duties hereunder, or in connection with enforcing the provisions of this Section, except to the extent that such loss, damage, claim, liability or expense is due to its own gross negligence or willful misconduct. The obligations of the District under this Section shall survive the resignation or removal of the Trustee and the termination of this Trust Agreement.

**Section 8.04. Protection of the Trustee.** The Trustee shall be protected and shall incur no liability in acting, or refraining from acting, or proceeding in good faith upon any affidavit, bond, certificate, consent, notice, request, requisition, resolution, statement, waiver or other paper or document which it shall in good faith believe to be genuine and to have been adopted, executed or delivered by the proper party or pursuant to any of the provisions hereof, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence

of the truth and accuracy of such statements. The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Trust Agreement at the request or direction of any of the Owners of the Certificates pursuant to this Trust Agreement, unless such Owners shall have offered to the Trustee security or indemnity, reasonably satisfactory to the Trustee, against the reasonable costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. The Trustee may consult with counsel, who may be counsel to the Corporation or the District, with regard to legal questions, and the advice or any opinion of such counsel shall be full and complete authorization and protection in respect to any action taken or omitted by it hereunder in good faith in accordance therewith.

In acting or omitting to act pursuant to this Trust Agreement, or any other documents executed in connection herewith, the Trustee shall be entitled to all of the rights, immunities and indemnities accorded to it under this Trust Agreement.

The Trustee shall not be responsible for the sufficiency of the Certificates or the Installment Purchase Agreement, or of the assignment made to it hereunder, or for statements made in the preliminary or final official statement relating to the Certificates.

The Trustee shall not be required to take notice or be deemed to have notice of any default or Event of Default hereunder, except failure of any of the payments to be made to the Trustee required to be made hereunder or under the Installment Purchase Agreement, unless the Trustee shall be specifically notified in writing of such default or Event of Default by the District, the Corporation or the Owners of not less than 5% of the aggregate principal evidenced by the Certificates then Outstanding.

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

The Trustee may buy, sell, own, hold and deal in any of the Certificates and may join in any action which any Owner may be entitled to take with like effect as if the Trustee were not a party hereto. The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Corporation or the District, and may act as agent, depository or trustee for any committee or body of Owners or of owners of obligations of the Corporation or the District as freely as if it were not the Trustee hereunder.

The Trustee may, to the extent reasonably necessary, execute any of the trusts or powers hereof and perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed. The Trustee shall be entitled to advice of counsel concerning all matters of trust and its rights and obligations hereunder, and the Trustee shall not be answerable for the negligence or misconduct



of any such agent, attorney or receiver selected by it with reasonable care; provided, however, that in the event of any negligence or willful misconduct of any such attorney, agent or receiver, the Trustee shall diligently pursue all remedies of the Trustee against such agent, attorney or receiver. The Trustee shall not be liable for any error of judgment made by it in good faith unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

The Trustee shall not be answerable for the exercise of any trusts or powers hereunder or for anything whatsoever in connection with the funds established hereunder, except only for its own willful misconduct, negligence or breach of an obligation hereunder.

The Trustee may, on behalf of the Owners, intervene in any judicial proceeding to which the Corporation or the District is a party and which, in the opinion of the Trustee and its counsel, affects the Certificates or the security therefor, and shall do so if requested in writing by the Owners of at least 5% of the aggregate principal evidenced by Certificates then Outstanding, provided the Trustee shall have no duty to take such action unless it has been indemnified to its reasonable satisfaction against all risk or liability arising from such action.

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

The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Trust Agreement and delivered using Electronic Means ("Electronic Means" shall mean the following communications methods: e-mail, transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the Corporation and/or the District, as applicable, shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Corporation and/or the District, as applicable, whenever a person is to be added or deleted from the listing. If the Corporation and/or the District, as applicable, elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions shall be deemed controlling. The Corporation and the District understand and agree that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Corporation and the District shall be responsible for ensuring that only Authorized Officers

transmit such Instructions to the Trustee and that the Corporation and the District and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Corporation and/or the District, as applicable. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Corporation and the District agree: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Corporation and/or the District, as applicable; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

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

The permissive right of the Trustee to do things enumerated in this Trust Agreement shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct.

The Trustee may rely conclusively upon the investment direction of the District as to the suitability and legality of the directed investments.

The Trustee shall have no duty to review, verify or analyze any financial statements furnished to it by the District, and shall hold such financial statements solely as a repository for the Owners. The Trustee shall not be deemed to have notice of any information contained therein or any default or Event of Default that may be disclosed therein in any manner.

## ARTICLE IX

### AMENDMENT OF OR SUPPLEMENT TO TRUST AGREEMENT

**Section 9.01. Amendment or Supplement.** This Trust Agreement and the rights and obligations of the Corporation, the District, the Owners and the Trustee hereunder may be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding when the prior written consents of the Owners of a majority of the aggregate principal evidenced by the Certificates then Outstanding, exclusive of Certificates disqualified as provided in Section 9.02 hereof, are filed with the Trustee. No such amendment or supplement shall (i) extend the stated Principal Payment Date of any Certificate or reduce the rate of interest evidenced thereby or extend the time of payment of such interest or reduce the amount of principal evidenced thereby or change the prepayment terms and provisions or the provisions regarding delivery of notice of prepayment without the prior written consent of the Owner of each Certificate

so affected, (ii) reduce the percentage of Owners whose consent is required for the execution of any amendment hereof or supplement hereto without the prior written consent of the Owners of all Certificates then Outstanding, (iii) modify any of the rights or obligations of the Trustee without the prior written consent of the Trustee, or (iv) amend this Section without the prior written consent of the Owners of all Certificates then Outstanding.

This Trust Agreement and the rights and obligations of the Corporation, the District, the Owners and the Trustee hereunder may also be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding upon execution, without the written consents of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the agreements, conditions, covenants and terms required by the Corporation or the District to be observed or performed herein other agreements, conditions, covenants and terms thereafter to be observed or performed by the Corporation or the District, or to surrender any right or power reserved herein to or conferred herein on the Corporation or the District;

(ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the Corporation or the District may deem desirable or necessary and not inconsistent herewith;

(iii) to make such additions, deletions or modifications as may be necessary or appropriate to assure the exclusion from gross income for federal income tax purposes of interest evidenced by the Certificates; or

(iv) for any other reason, provided such amendment or supplement does not adversely affect the rights or interests of the Owners.

In executing or accepting any amendment or supplemental trust agreement permitted by this Article or the modification thereby of the trusts created by this Trust Agreement, the Trustee shall be entitled to receive, at the expense of the District, and shall be fully protected in relying upon, an opinion of counsel stating that the execution of such amendment or supplemental trust agreement is authorized or permitted by this Trust Agreement and complies with the terms hereof.

**Section 9.02. Disqualified Certificates.** Certificates owned or held by or for the account of the District (but excluding Certificates held in any pension or retirement fund of the District) shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Certificates provided in this Article, and shall not be entitled to consent to or take any other action provided in this Article, and the Trustee may adopt appropriate regulations to require each Owner, before his consent provided for herein shall be deemed effective, to reveal if the Certificates as to which such consent is given are disqualified as provided in this Section.

**Section 9.03. Endorsement or Replacement of Certificates After Amendment or Supplement.** After the effective date of any action taken as hereinabove provided in this Article, the District may determine that the Certificates may bear a notation by endorsement in form approved by the District as to such action, and in that case upon demand of the Owner of any

Outstanding Certificate and presentation of such Certificate for such purpose at the Principal Office a suitable notation as to such action shall be made on such Certificate. If the Trustee shall receive an Opinion of Counsel advising that new Certificates modified to conform to such action are necessary, modified Certificates shall be prepared, and in that case upon demand of the Owner of any Outstanding Certificates such new Certificates shall be exchanged at the Principal Office without cost to each Owner for Certificates then Outstanding upon surrender of such Outstanding Certificates.

**Section 9.04. Amendment by Mutual Consent.** The provisions of this Article shall not prevent any Owner from accepting any amendment as to the particular Certificates owned by such Owner, provided that due notation thereof is made on such Certificates.

## ARTICLE X

### DEFEASANCE

**Section 10.01. Discharge of Certificates and Trust Agreement.** (a) If the Trustee shall pay or cause to be paid or there shall otherwise be paid (i) to the Owners of all Outstanding Certificates the interest and principal evidenced thereby at the times and in the manner stipulated herein and therein, and (ii) all other amounts due hereunder and under the Installment Purchase Agreement, then such Owners shall cease to be entitled to the pledge of and lien on the amounts on deposit in the funds and accounts established hereunder, as provided herein, and all agreements and covenants of the Corporation, the District, and the Trustee to such Owners hereunder shall thereupon cease, terminate and become void and shall be discharged and satisfied.

(b) Any Outstanding Certificate shall be deemed to have been paid within the meaning and with the effect expressed in this Section when the whole amount of the principal, premium, if any, and interest evidenced by such Certificate shall have been paid or when (i) in case said Certificate or portion thereof has been selected for prepayment in accordance with Section 4.04 hereof prior to its stated Principal Payment Date, the District shall have given to the Trustee irrevocable instructions to give, in accordance with the provisions of Section 4.05 hereof, notice of prepayment of such Certificate, or portion thereof, (ii) there shall be on deposit with the Trustee, moneys, or Government Obligations, or any combination thereof, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which shall be sufficient to pay when due the principal, premium, if any, and interest evidenced by such Certificate and due and to become due on or prior to the prepayment date or its stated Principal Payment Date, as the case may be, and (iii) in the event the stated Principal Payment Date of such Certificate will not occur, and said Certificate is not to be prepaid, within the next succeeding 90 days, the District shall have given the Trustee irrevocable instructions to give notice, as soon as practicable in the same manner as a notice of prepayment given pursuant to Section 4.05 hereof, to the Owner of such Certificate, or portion thereof, stating that the deposit of moneys or Government Obligations required by clause (ii) of this subsection has been made with the Trustee and that said Certificate, or portion thereof, is deemed to have been paid in accordance with this Section and stating such Principal Payment Date or prepayment date upon which moneys are to be available for the payment of the principal, premium, if any, and interest evidenced by said Certificate, or portion thereof.

Neither the moneys nor the Government Obligations deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Government Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for and pledged to, the payment of the principal, premium, if any, and interest evidenced by said Certificate, or portions thereof. If payment of less than all of the Certificates is to be provided for in the manner and with the effect expressed in this Section, the Trustee or the District, as applicable, shall select such Certificates, or portions thereof, in the manner specified in Section 4.04 hereof for selection for prepayment of less than all of the Certificates, in the principal amounts designated to the Trustee by the District.

(c) After the payment of all the interest, prepayment premium, if any, and principal evidenced by all Outstanding Certificates and all other amounts due hereunder and under the Installment Purchase Agreement as provided in this Section, the Trustee shall execute and deliver to the Corporation and the District all such instruments as may be necessary or desirable to evidence the discharge and satisfaction of this Trust Agreement, the Trustee shall pay over or deliver to the District all moneys or securities held by it pursuant hereto which are not required for the payment of the interest, prepayment premium, if any, and principal evidenced by such Certificates and all other amounts due hereunder and under the Installment Purchase Agreement.

(d) Prior to any defeasance becoming effective under this Article, the District shall cause to be delivered (i) in the event of a deposit of Government Obligations or cash to be invested, or an advance refunding, the District shall cause to be delivered a verification report or a report of an independent nationally recognized certified public accountant, addressed to the Trustee and the District, in form and in substance acceptable to the District, verifying that the Government Obligations and cash, if any, satisfy the requirements of clause (ii) of subsection (b) of this Section (a "Verification"), (ii) if such moneys to be deposited with the Trustee will be invested, a copy of the escrow deposit agreement entered into in connection with such defeasance, which escrow deposit agreement shall provide that no substitution of Government Obligations shall be permitted except with other Government Obligations and upon delivery of a new Verification and no reinvestment of Government Obligations shall be permitted except as contemplated by the original Verification or upon delivery of a new Verification, and (iii) a copy of an Opinion of Counsel, dated the date of such defeasance and addressed to the Trustee and the District, in form and in substance acceptable to the District, to the effect that such Certificates have been paid within the meaning and with the effect expressed in this Trust Agreement, and all agreements and covenants of the Corporation, the District and the Trustee to the Owners of such Certificates under this Trust Agreement have ceased, terminated and become void and have been discharged and satisfied.

**Section 10.02. Unclaimed Moneys.** Any moneys held by the Trustee in trust for the payment and discharge of the interest or principal evidenced by any of the Certificates which remain unclaimed for two years after the date when such interest or principal evidenced by such Certificates have become payable, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after the date when the interest and principal evidenced by such Certificates have become payable, shall be repaid by the Trustee (without liability for interest) to the District as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the District for the payment of the interest and principal evidenced by such

Certificates. Any money held by the Trustee pursuant to this paragraph shall be held uninvested and without any liability for interest.

## ARTICLE XI

### MISCELLANEOUS

**Section 11.01. Benefits of Trust Agreement.** Nothing contained herein, expressed or implied, is intended to give to any Person other than the Corporation, the District, the Trustee and the Owners any claim, remedy or right under or pursuant hereto, and any agreement, condition, covenant or term required herein to be observed or performed by or on behalf of the Corporation or the District shall be for the sole and exclusive benefit of the Trustee and the Owners.

**Section 11.02. Successor Deemed Included in all References to Predecessor.** Whenever the Corporation, the District or the Trustee, or any officer thereof, 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 Corporation, the District or the Trustee, or such officer, and all agreements, conditions, covenants and terms required hereby to be observed or performed by or on behalf of the Corporation, the District or the Trustee, or any officer thereof, shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

**Section 11.03. Execution of Documents by Owners.** Any declaration, request or other instrument which is permitted or required herein to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or his attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the Person signing such declaration, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee may accept which it may deem sufficient. The ownership of any Certificates and the amount, payment date, number and date of owning the same may be proved by the registration books maintained by the Trustee pursuant to the provisions of Section 2.07 hereof. Any declaration, request or other instrument in writing of the Owner of any Certificate shall bind all future Owners of such Certificate with respect to anything done or suffered to be done by the Corporation, the District or the Trustee in good faith and in accordance therewith.

**Section 11.04. Waiver of Personal Liability.** Notwithstanding anything contained herein to the contrary, no member, officer or employee of the District or the Corporation shall be individually or personally liable for the payment of any moneys, including without limitation, the interest or principal evidenced by the Certificates, but nothing contained herein shall relieve any member, officer or employee of the District or the Corporation from the performance of any official duty provided by any applicable provisions of law, by the Installment Purchase Agreement or hereby.

**Section 11.05. Acquisition of Certificates by District.** All Certificates acquired by the District, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

**Section 11.06. Content of Certificates.** Every Written Certificate of the District and every Written Certificate of the Corporation with respect to compliance with any agreement, condition, covenant or term contained herein shall include (a) a statement that the Person making or giving such certificate has read such agreement, condition, covenant or term and the definitions herein relating thereto, (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements contained in such certificate are based, (c) a statement that, in the opinion of the signer, the signer has made or caused to be made such examination or investigation as is necessary to enable the signer to express an informed opinion as to whether or not such agreement, condition, covenant or term has been complied with, and (d) a statement as to whether, in the opinion of the signer, such agreement, condition, covenant or term has been complied with.

Any Written Certificate of the District and any Written Certificate of the Corporation may be based, insofar as it relates to legal matters, upon an Opinion of Counsel, unless the Person making or giving such certificate knows that the Opinion of Counsel with respect to the matters upon which each Person's certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters, upon information which is in the possession of the District or the Corporation upon a representation by an officer or officers of the District or the Corporation, as the case may be, unless the counsel executing such Opinion of Counsel knows that the representation with respect to the matters upon which such counsel's opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

**Section 11.07. Funds and Accounts.** Any fund or account required to be established and maintained herein by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund, but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Certificates and the rights of the Owners. The Trustee may establish such funds and accounts as it deems necessary to perform its obligations hereunder.

Trustee may commingle any of the moneys held by it hereunder for investment purposes only; provided, however, that the Trustee shall account separately for the moneys in each fund or account established pursuant to this Trust Agreement.

**Section 11.08. Article and Section Headings, Gender and References.** The singular form of any word used herein, including the terms defined in Section 1.01 hereof, shall include the plural, and vice versa, unless the context otherwise requires. The use herein of a pronoun of any gender shall include correlative words of the other genders. 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. All

references herein to “Articles,” “Sections,” subsections or clauses are to the corresponding Articles, Sections, subsections or clauses hereof, and the words “hereby,” “herein,” “hereof,” “hereto,” “herewith,” “hereunder” and other words of similar import refer to this Trust Agreement as a whole and not to any particular Article, Section, subsection or clause thereof.

**Section 11.09. Partial Invalidity.** If any one or more of the agreements, conditions, covenants or terms required herein to be observed or performed by or on the part of the Corporation, the District or the Trustee shall be contrary to law, then such agreement or agreements, such condition or conditions, such covenant or covenants or such term or terms shall be null and void to the extent contrary to law and shall be deemed separable from the remaining agreements, conditions, covenants and terms hereof and shall in no way affect the validity hereof or of the Certificates, and the Owners shall retain all the benefit, protection and security afforded to them under any applicable provisions of law. The Corporation, the District and the Trustee hereby declare that they would have executed this Trust Agreement, and each and every Article, Section, paragraph, subsection, sentence, clause and phrase hereof and would have authorized the execution and delivery of the Certificates pursuant hereto irrespective of the fact that any one or more Articles, Sections, paragraphs, subsections, sentences, clauses or phrases hereof or the application thereof to any Person or circumstance may be held to be unconstitutional, unenforceable or invalid.

**Section 11.10. California Law.** This Trust Agreement shall be governed by and construed in accordance with the laws of the State.

**Section 11.11. Notices.** Any written notice, statement, demand, consent, approval, authorization, offer, designation, request or other communication to be given hereunder shall be given to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

If to the District: Nipomo Community Services District  
148 South Wilson Street  
Nipomo, CA 93444  
Attention: General Manager

If to the Corporation: Nipomo Community Services District Public Facilities Corporation  
c/o Nipomo Community Services District  
148 South Wilson Street  
Nipomo, CA 93444  
Attention: Executive Director

If to the Trustee: The Bank of New York Mellon Trust Company, N.A.  
333 S. Hope St., Suite 2525  
Los Angeles, California 90071  
Attention: Corporate Trust

Each such notice, statement, demand, consent, approval, authorization, offer, designation, request or other communication hereunder shall be deemed delivered to the party to whom it is addressed (a) if personally served or delivered, upon delivery, (b) if given by electronic



communication, e.g. e-mail (with a PDF attachment, if applicable), upon the sender's receipt of an appropriate written acknowledgment, (c) if given by registered or certified mail, return receipt requested, deposited with the United States mail postage prepaid, 72 hours after such notice is deposited with the United States mail, (d) if given by overnight courier, with courier charges prepaid, 24 hours after delivery to said overnight courier, or (e) if given by any other means, upon delivery at the address specified in this Section.

**Section 11.12. Effective Date.** This Trust Agreement shall become effective upon its execution and delivery.

**Section 11.13. Execution in Counterparts.** This Trust Agreement may be simultaneously executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

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

**NIPOMO COMMUNITY SERVICES  
DISTRICT PUBLIC FACILITIES  
CORPORATION**

By: \_\_\_\_\_  
Executive Director

**NIPOMO COMMUNITY SERVICES  
DISTRICT**

By: \_\_\_\_\_  
President

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

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT A**

**FORM OF CERTIFICATE**

No. R—\_\_

\*\*\*\$\*\*\*

Unless this Certificate is presented by an authorized representative of The Depository Trust Company to the Trustee for registration of transfer, exchange or payment, and any Certificate executed and delivered is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the Registered Owner hereof, Cede & Co., has an interest herein.

UNITED STATES OF AMERICA  
STATE OF CALIFORNIA  
COUNTY OF SAN LUIS OBISPO

**NIPOMO COMMUNITY SERVICES DISTRICT  
WATER REVENUE CERTIFICATE OF PARTICIPATION  
SERIES 2024**

**Evidencing the Direct, Undivided Fractional  
Interest of the Owners Thereof in  
Installment Payments to Be Made by the  
NIPOMO COMMUNITY SERVICES DISTRICT  
as the Purchase Price for Certain Property Pursuant to an  
Installment Purchase Agreement with the  
NIPOMO COMMUNITY SERVICES DISTRICT PUBLIC  
FACILITIES CORPORATION**

**PRINCIPAL  
PAYMENT DATE      INTEREST RATE      DATED DATE      CUSIP**

September 1, 20\_\_

October \_\_, 2024

**REGISTERED OWNER:**                      Cede & Co.

**PRINCIPAL AMOUNT:**                      \_\_\_\_\_ DOLLARS

**THIS IS TO CERTIFY** that the Registered Owner of this Certificate of Participation (this “Certificate”), as identified above, is the owner of a direct, fractional undivided interest in certain installment payments (“Installment Payments”), and the interest thereon, payable under and pursuant to the Installment Purchase Agreement, dated as of October 1, 2024 (the “Installment Purchase Agreement”), by and between the Nipomo Community Services District (the “District”), a community services district organized and existing under the laws of the State of California, and

the Nipomo Community Services District Public Facilities Corporation (the “Corporation”), a nonprofit public benefit corporation organized and existing under the laws of the State of California. Certain of the rights of the Corporation under the Installment Purchase Agreement, including the right to receive the Installment Payments, and the interest thereon, have been assigned without recourse by the Corporation to The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under the laws of the United States of America, as trustee (the “Trustee”) under the Trust Agreement, dated as of October 1, 2024 (the “Trust Agreement”), by and among the Trustee, the District and the Corporation. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Trust Agreement.

This Certificate is one of the duly authorized Nipomo Community Services District Water Revenue Certificates of Participation, Series 2024 (the “Certificates”) evidencing principal in the aggregate amount of \$[PAR AMOUNT], executed pursuant to the terms of the Trust Agreement. The Certificates evidence direct, fractional undivided interests in the Installment Payments, and the interest thereon, payable under the Installment Purchase Agreement. The Certificates are executed and delivered to finance and refinance certain improvements to the water collection, treatment and disposal facilities of the District (the “Water System”) and to pay the costs of issuance incurred in connection therewith and to pay certain other related costs.

The Installment Payments, and the interest thereon, are to be paid by the District pursuant to the Installment Purchase Agreement in consideration for the purchase of certain improvements to the Water System and for the other agreements and obligations undertaken by the Corporation under the Installment Purchase Agreement and the Trust Agreement.

The income and revenue received by the District from the operation of the Water System remaining after the payment of maintenance and operation or ownership costs of the Water System and Ad Valorem Tax Revenues (the “Net Revenues”) are, pursuant to the Installment Purchase Agreement, pledged to the payment of the Installment Payments, any Parity Obligations and Repayment Obligations with respect to Parity Obligations (as such terms are defined in the Trust Agreement). Such pledge constitutes a lien on Net Revenues and, subject to application of Gross Revenues and all amounts on deposit in the Water Fund as permitted in the Installment Sale Agreement, the Water Fund and other funds and amounts created under the Installment Sale Agreement for the payment of the Installment Payment and all Parity Obligations in accordance with the terms of the Installment Sale Agreement and the Trust Agreement.

The District may at any time incur Parity Obligations in addition to the Installment Purchase Agreement payable from Net Revenues as provided in the Installment Purchase Agreement on a parity with the Installment Payments, but only subject to the conditions and upon compliance with the procedures set forth in the Installment Purchase Agreement.

The District is not required to advance any moneys derived from any source of income other than Net Revenues and the other funds provided in the Installment Purchase Agreement for the payment of the Installment Payments, and the interest thereon, and other payments required to be made by it under the Installment Purchase Agreement, or for the performance of any agreements or covenants required to be performed by it contained therein. The obligation of the District to pay the Installment Payments, and the interest thereon, and other payments required to be made

by it under the Installment Purchase Agreement is a special obligation of the District payable, in the manner provided in the Installment Purchase Agreement, solely from such Net Revenues and other funds provided for therein, and does not constitute a debt of the District or of the State of California, or of any political subdivision thereof, in contravention of any constitutional or statutory debt limitation or restriction.

Reference is hereby made to the Installment Purchase Agreement and to the Trust Agreement and any and all amendments thereof and supplements thereto for a description of the terms under which the District's obligation to pay the Installment Payments, and the interest thereon, is incurred, the Certificates are executed and delivered, the provisions with regard to the nature and extent of the Net Revenues, and the rights of the Owners of the Certificates. All of the terms of the Installment Purchase Agreement and the Trust Agreement are hereby incorporated herein. The Trust Agreement constitutes a contract among the District, the Corporation and the Trustee for the benefit of the Owners of the Certificates, to all the provisions of which the Owner of this Certificate, by acceptance hereof, agrees and consents.

The Registered Owner of this Certificate is entitled to receive, subject to the terms of the Trust Agreement and any right of prepayment as provided herein or therein, on the Principal Payment Date set forth above, upon presentation and surrender of this Certificate at the principal corporate trust office of the Trustee in Los Angeles, California (the "Principal Office"), the Principal Amount specified above, evidencing the Owner's interest in the principal evidenced by the principal component of the Installment Payments coming due on the Principal Payment Date, and to receive on March 1 and September 1 of each year, commencing on March 1, 2025 (each an "Interest Payment Date"), interest accrued thereon at the Interest Rate specified above, computed on the basis of a 360-day year consisting of twelve 30-day months, until said Principal Amount is paid in full, evidencing the Registered Owner's interest in the interest evidenced by the interest component of the Installment Payments coming due on each of said dates.

This Certificate shall evidence interest from the Interest Payment Date next preceding its date of execution to which interest has been paid in full, unless such date of execution shall be after the 15th day of the month next preceding an Interest Payment Date, whether or not such day is a business day (each such date, a "Record Date"), and on or prior to the following Interest Payment Date, in which case this Certificate shall evidence interest from such Interest Payment Date, or unless such date of execution shall be on or prior to the first Record Date, in which case this Certificate shall evidence interest from the Dated Date specified above. Notwithstanding the foregoing, if, as shown by the records of the Trustee, interest evidenced by the Certificates shall be in default, this Certificate shall evidence interest from the last Interest Payment Date to which interest has been paid in full or duly provided for.

Payments of interest evidenced by the Certificates shall be made to the Owners thereof (as determined at the close of business on the Record Date next preceding the related Interest Payment Date) by check or draft of the Trustee mailed to the address of each such Owner as it appears on the registration books maintained by the Trustee pursuant to the Trust Agreement, or to such other address as may be furnished in writing to the Trustee by such Owner. Payment of principal and prepayment premium, if any, evidenced by the Certificates, on their stated principal payment dates or on prepayment in whole or in part prior thereto, shall be made only upon presentation and

surrender of the Certificates at the Principal Office. All such amounts are payable in lawful money of the United States of America.

The Certificates are authorized to be executed and delivered in the form of fully registered certificates in denominations of \$5,000 or any integral multiple thereof ("Authorized Denominations").

This Certificate may be transferred or exchanged by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Principal Office, but only in the manner, subject to the limitations and upon payment of the charges provided in the Trust Agreement.

The Trustee shall not be required to transfer or exchange any Certificate during the period commencing on the date five days before the date of selection of Certificates for prepayment and ending on the date of mailing of notice of such prepayment, nor shall the Trustee be required to transfer or exchange any Certificate or portion thereof selected for prepayment from and after the date of mailing the notice of prepayment thereof.

The Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, whether or not the principal or interest evidenced by this Certificate shall be overdue, and the Trustee shall not be affected by any knowledge or notice to the contrary; and payment of the principal and interest evidenced by this Certificate shall be made only to such Registered Owner, which payments shall be valid and effectual to satisfy and discharge the liability evidenced by this Certificate to the extent of the sum or sums so paid.

The Certificates are subject to prepayment prior to their stated Principal Payment Dates in accordance with the Trust Agreement.

To the extent and in the manner permitted by the terms of the Trust Agreement, the Trust Agreement and the rights and obligations of the Corporation, the District, the Owners and the Trustee under the Trust Agreement may be amended or supplemented at any time by an amendment or supplement thereto which shall become binding when the prior written consents of the Owners of a majority of the aggregate principal evidenced by the Certificates then outstanding, exclusive of Certificates disqualified as provided under the Trust Agreement, are filed with the Trustee. No such supplement or amendment shall (a) extend the stated Principal Payment Date of any Certificate or reduce the rate of interest evidenced thereby or extend the time of payment of such interest or reduce the amount of principal evidenced thereby or change the prepayment terms and provisions or the provisions regarding delivery of notice of prepayment without the prior written consent of the Owner of each Certificate so affected, (b) reduce the percentage of Owners whose consent is required for the execution of any amendment of or supplement to the Trust Agreement without the prior written consent of the Owners of all Certificates then outstanding, (c) modify any of the rights or obligations of the Trustee without the prior written consent of the Trustee, or (d) amend the amendment provisions of the Trust Agreement without the prior written consent of the Owners of all Certificates then outstanding.

To the extent and in the manner permitted by the terms of the Trust Agreement, the Trust Agreement and the rights and obligations of the Corporation, the District, the Owners and the Trustee under the Trust Agreement may also be amended or supplemented at any time by an

amendment or supplement thereto which shall become binding upon execution, without the written consents of any Owners, but only to the extent permitted by law and only (a) to add to the agreements, conditions, covenants and terms required by the Corporation or the District to be observed or performed under the Trust Agreement other agreements, conditions, covenants and terms thereafter to be observed or performed by the Corporation or the District, or to surrender any right or power reserved therein to or conferred therein on the Corporation or the District, and which in either case shall not adversely affect the rights or interests of the Owners, (b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Trust Agreement or in regard to questions arising thereunder which the Corporation or the District may deem desirable or necessary and not inconsistent therewith or (c) for any other reason, provided such amendment or supplement does not adversely affect the rights or interests of the Owners.

THE DISTRICT HAS CERTIFIED that all acts, conditions and things required by the statutes of the State of California and by the Trust Agreement to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Certificate do exist, have happened and have been performed in regular and due time, form and manner as required by law, and that the Trustee is duly authorized to execute and deliver this Certificate.

**IN WITNESS WHEREOF**, this Certificate of Participation has been executed by the manual signature of an authorized signatory of the Trustee as of the date set forth below.

Date: \_\_\_\_\_, 20\_\_

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

By: \_\_\_\_\_  
Authorized Officer

**ASSIGNMENT**

For value received, the undersigned do(es) hereby sell, assign and transfer unto \_\_\_\_\_ the within-mentioned Certificate and hereby irrevocably constitute(s) and \_\_\_\_\_ appoint(s) \_\_\_\_\_ attorney, to transfer the same on the books of the Trustee with full power of substitution in the premises.

Dated: \_\_\_\_\_

\_\_\_\_\_

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

Tax I.D. #: \_\_\_\_\_

Signature Guaranteed: \_\_\_\_\_

\_\_\_\_\_  
Note: Signature must be a Participant in a Recognized Signature Guaranty Medallion Program.

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



**EXHIBIT B**

**FORM OF CONSTRUCTION FUND REQUISITION**

REQUISITION NO. \_\_ (to be numbered sequentially)

with reference to

\$(PAR AMOUNT)

Nipomo Community Services District  
Water Revenue Certificates of Participation  
Series 2024

I. The Nipomo Community Services District (the "District") hereby requests The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), pursuant to that certain Trust Agreement, dated as of October 1, 2024 (the "Trust Agreement"), by and among the District, the Nipomo Community Services District Public Facilities Corporation (the "Corporation") and the Trustee, under the terms of which the Nipomo Community Services District Water Revenue Certificates of Participation (the "Certificates") have been executed and delivered, to pay from the moneys in the Construction Fund established pursuant to the Trust Agreement, the amounts shown on Schedule I attached hereto to the parties indicated in Schedule I.

II. The payees, the purposes for which the costs have been incurred, and the amount of the disbursements requested are itemized on Schedule I hereto.

III. Each obligation mentioned in Schedule I hereto has been properly incurred and is a proper charge against the Construction Fund. None of the items for which payment is requested has been reimbursed previously from the Construction Fund.

IV. There has not been filed with or served upon the District or the Corporation a stop notice or any other notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the money payable to the person[s] named on Schedule I hereto which has not been released or will not be released simultaneously with the payment of such obligation, other than liens accruing by mere operation of law.

DATED: \_\_\_\_\_

NIPOMO COMMUNITY SERVICES DISTRICT

By \_\_\_\_\_  
Title: \_\_\_\_\_

**SEPTEMBER 11, 2024**

**ITEM E-1**

**ATTACHMENT D**

INSTALLMENT PURCHASE AGREEMENT

by and between

NIPOMO COMMUNITY SERVICES DISTRICT

and the

NIPOMO COMMUNITY SERVICES DISTRICT PUBLIC FACILITIES CORPORATION

Dated as of October 1, 2024

relating to

[\$[PAR AMOUNT]

NIPOMO COMMUNITY SERVICES DISTRICT  
WATER REVENUE CERTIFICATES OF PARTICIPATION,  
SERIES 2024

---

TABLE OF CONTENTS

Page

ARTICLE I

DEFINITIONS

Section 1.1. Definitions ..... 2  
Section 1.2. Definitions in Trust Agreement ..... 10

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations by the District ..... 11  
Section 2.2. Representations and Warranties by the Corporation ..... 11

ARTICLE III

PURCHASE AND SALE OF PROJECT; APPOINTMENT OF AGENT

Section 3.1. Purchase and Sale of the Project ..... 12  
Section 3.2. Appointment of District as Agent of the Corporation ..... 12  
Section 3.3. Title ..... 12

ARTICLE IV

PURCHASE PRICE OF PROJECT; INSTALLMENT PAYMENTS

Section 4.1. Purchase Price ..... 12  
Section 4.2. Installment Payments ..... 12  
Section 4.3. Additional Payments ..... 13

ARTICLE V

SECURITY

Section 5.1. Pledge of Net Revenues; Parity Pledge ..... 14  
Section 5.2. Allocation of Gross Revenues ..... 14  
Section 5.3. Execution or Incurrence of Parity Obligations ..... 15  
Section 5.4. Rate Stabilization Fund ..... 16

ARTICLE VI

COVENANTS OF THE DISTRICT

Section 6.1. Punctual Payment of Installment Payments and Compliance with this Agreement.....	16
Section 6.2. Legal Existence.....	17
Section 6.3. Protection of Security and Rights.....	17
Section 6.4. Against Encumbrances.....	17
Section 6.5. Against Sale or Other Disposition of the Enterprise.....	17
Section 6.6. Maintenance and Operation of Enterprise.....	17
Section 6.7. Insurance.....	17
Section 6.8. Eminent Domain Proceeds.....	18
Section 6.9. Amounts of Rates, Fees and Charges.....	19
Section 6.10. Enforcement of and Performance Under Contracts.....	20
Section 6.11. Collection of Charges, Fees and Rates.....	20
Section 6.12. No Free Service.....	20
Section 6.13. Payment of Claims.....	20
Section 6.14. Books of Record and Accounts; Financial Statements.....	20
Section 6.15. Payment of Taxes and Other Charges and Compliance with Governmental Regulations.....	21
Section 6.16. Tax Covenants and Matters.....	21
Section 6.17. Continuing Disclosure.....	22
Section 6.18. Preservation of Corporation.....	22
Section 6.19. Further Assurances.....	22

ARTICLE VII

PREPAYMENT OF INSTALLMENT PAYMENTS

Section 7.1. Prepayment.....	23
Section 7.2. Method of Payment.....	23

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF THE DISTRICT

Section 8.1. Events of Default and Acceleration of Maturities.....	23
Section 8.2. Application of Funds Upon Acceleration.....	25
Section 8.3. Other Remedies of the Corporation.....	25
Section 8.4. Non Waiver.....	26
Section 8.5. Remedies Not Exclusive.....	26

ARTICLE IX

DISCHARGE OF OBLIGATIONS

Section 9.1. Discharge of Installment Payments ..... 26  
 Section 9.2. Credit for Amounts on Deposit..... 27

ARTICLE X

MISCELLANEOUS

Section 10.1. Liability of District Limited to Net Revenues ..... 27  
 Section 10.2. Successor Is Deemed Included in all References to Predecessor ..... 27  
 Section 10.3. Waiver of Personal Liability..... 27  
 Section 10.4. Article and Section Headings, Gender and References ..... 27  
 Section 10.5. Partial Invalidity ..... 28  
 Section 10.6. Assignment; Third-Party Beneficiary ..... 28  
 Section 10.7. California Law ..... 28  
 Section 10.8. Effective Date ..... 28  
 Section 10.9. Execution in Counterparts; Electronic Signatures ..... 28  
 Section 10.10. Indemnification of Corporation and Trustee ..... 28  
 Section 10.11. Amendments ..... 29

EXHIBIT A – DESCRIPTION OF THE PROJECT..... A-1  
 EXHIBIT B – PRINCIPAL COMPONENTS OF INSTALLMENT PAYMENTS ..... B-1  
 EXHIBIT C – SCHEDULE OF INSTALLMENT PAYMENTS AS OF CLOSING  
 DATE..... C-1

## INSTALLMENT PURCHASE AGREEMENT

This INSTALLMENT PURCHASE AGREEMENT, made and entered into as of October 1, 2024 (this “Agreement”), by and between the NIPOMO COMMUNITY SERVICES DISTRICT (the “District”), a special district organized and existing under the laws of the State of California, and the NIPOMO COMMUNITY SERVICES DISTRICT PUBLIC FACILITIES CORPORATION (the “Corporation”), a nonprofit public benefit corporation, organized and existing under the laws of the State of California.

### WITNESSETH:

WHEREAS, the District owns a water system (the “Enterprise”); and

WHEREAS, in 2003, to finance the acquisition, construction and installation of certain additional improvements to the Enterprise (the “2003 Project”), the District has heretofore purchased the 2003 Project from the Corporation for the installment payments (the “2003 Installment Payments”) made by the District pursuant to the Installment Purchase Agreement, dated as of May 1, 2003, by and between the District and the Corporation; and

WHEREAS, to provide the funds necessary to finance the 2003 Project, the District caused the execution and delivery of the \$4,000,000 Nipomo Community Services District Revenue Certificates of Participation (Pipeline and Storage Facility Project) Series 2003 (the “2003 COPs”), evidencing direct, undivided fractional interests in the 2003 Installment Payments; and

WHEREAS, in June 2013, the District refinanced the 2003 Project by prepaying all of the principal portion of the remaining 2003 Installment Payments, and the interest thereon to the date of prepayment, through the issuance by the District of its \$2,845,000 Water Revenue Refunding Bonds, Series 2013A (the “2013A Bonds”); and

WHEREAS, to finance the acquisition, construction and installation of certain improvements to the Enterprise (the “2013 Project,” and together with the 2003 Project, collectively, the “Prior Project”), the District has heretofore purchased the 2013 Project from the Corporation, and the Corporation has heretofore sold the 2013 Project to the District, for the installment payments (the “2013 Installment Payments”) made by the District pursuant to the Installment Sale Agreement, dated as of June 1, 2013, by and between the District and the Corporation;

WHEREAS, to provide the funds necessary to the Prior Project, the District caused the execution and delivery of the \$9,660,000 Nipomo Community Services District Revenue Certificates of Participation (Supplemental Water Project) Series 2013 (the “2013 COPs”), evidencing direct, undivided fractional interests in the 2013 Installment Payments;

WHEREAS, the District has determined to refinance the Prior Project by (a) refunding the outstanding 2013A Bonds, in the aggregate principal amount of \$1,505,000, and (b) prepaying all of the remaining principal components of the 2013 Installment Payments and the interest components thereof to the date of prepayment, thereby causing to be prepaid all of the currently outstanding 2013 COPs, in the aggregate principal amount of \$8,035,000; and

WHEREAS, the District has determined to finance the acquisition, construction and installation of certain additional improvements to the Enterprise, including the construction of a one million gallon potable water storage tank (the “2024 Project”); and

WHEREAS, to provide the funds necessary to refund the 2013A Bonds, prepay all of the 2013 Installment Payments and to finance the 2024 Project, the District and the Corporation desire that the Corporation purchase the Prior Project from the District and the District sell the Prior Project to the Corporation, and that the District then purchase the Project (as defined herein) from the Corporation and the Corporation sell the Project to the District, pursuant to this Agreement under which the District will agree to make installment payments (the “Installment Payments”) to the Corporation, payable from net revenues of the Enterprise; and

WHEREAS, the Corporation proposes to assign without recourse certain of its rights under and pursuant to this Installment Purchase Agreement to The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”);

WHEREAS, in consideration of such assignment and the execution and delivery of the Trust Agreement, dated as of the date hereof, by and among the Trustee, the Corporation and the District, the Trustee has agreed to execute and deliver the Nipomo Community Services District Water Revenue Certificates of Participation, Series 2024 (the “Certificates”), evidencing direct, undivided fractional interests in the Installment Payments, and the interest thereon, payable hereunder; and

WHEREAS, a portion of the proceeds of the Certificates will be used to prepay the Refunded Installment Payments; and

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 Installment Purchase Agreement do 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 Installment Purchase Agreement;

NOW, THEREFOR, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN, AND FOR OTHER GOOD AND VALUABLE CONSIDERATION, THE PARTIES AGREE AS FOLLOWS:

## ARTICLE I

### DEFINITIONS

Section 1.1. Definitions. Except as provided in Section 1.2 hereof or 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, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

**“Ad Valorem Tax Revenues”** means, for any period, the ad valorem property taxes received by the District during such period pursuant to Article XIII A of the California Constitution



and Section 95 et seq. of the California Revenue and Taxation Code, excluding any such taxes levied to pay any voter approved general obligation indebtedness of the District.

“**Additional Payments**” has the meaning ascribed thereto in Section 4.3 of this Agreement.

“**Annual Debt Service**” means, for any Fiscal Year, the sum of (1) the interest component of the Installment Payments and the interest payable on all Parity Obligations during such Fiscal Year, assuming that all such Installment Payments are paid as scheduled and all such Parity Obligations are retired as scheduled, plus (2) the principal component of the Installment Payments and the principal amount allocable to all Parity Obligations in such Fiscal Year, provided that the following adjustments shall be made to the foregoing amounts in the calculation of Annual Debt Service:

(a) with respect to any Parity Obligations bearing or comprising interest at other than a fixed interest rate, the rate of interest used to calculate Annual Debt Service shall be (i) with respect to such Parity Obligations then outstanding, 110% of the greater of (A) the daily average interest rate on such Parity Obligations during the 12 calendar months next preceding the date of such calculation (or the portion of such 12 calendar months that such Parity Obligations have borne interest), or (B) the most recent effective interest rate on such Parity Obligations prior to the date of such calculation, or (ii) with respect to Parity Obligations then proposed to be issued, the then current The Bond Buyer Revenue Bond Index for a maturity comparable to the maturity of the applicable Parity Obligations (or if such index is no longer published, such other published similar index as shall be selected by the District);

(b) with respect to any issue or series of Parity Obligations having 25% or more of the aggregate principal amount thereof due in any one Fiscal Year, Annual Debt Service shall be calculated as if the interest on and principal of the Parity Obligations of such issue or series were being paid in substantially equal annual amounts over the term of such Parity Obligations; provided, however that the full amount of scheduled payments of interest and principal of such Parity Obligations shall be included in Annual Debt Service if the date of calculation is within 24 months of the date on which such 25% or more of aggregate principal amount becomes due;

(c) with respect to any Parity Obligations or portions thereof bearing no interest but which are sold at a discount and which discount accretes with respect to such Parity Obligations or portions thereof, such accreted discount shall be treated as due when scheduled to be paid;

(d) Annual Debt Service shall not include interest on any Parity Obligations which is to be paid from amounts constituting capitalized interest;

(e) if an interest rate swap agreement is in effect with respect to, and is payable on a parity with, any Parity Obligations, no amounts payable under such interest rate swap agreement in addition to debt service payable with respect to such Parity Obligations shall be included in the calculation of Annual Debt Service unless, in the applicable Fiscal Year,

the sum of (i) the interest payable on such Parity Obligations, plus (ii) the amounts payable by the District under such interest rate swap agreement, less (iii) the amounts receivable by the District under such interest rate swap agreement, is greater than the interest payable on such Parity Obligations, in which case the net amount of payments to be made by the District under such interest rate swap agreement that exceed the interest to be paid on such Parity Obligations shall be included in such calculation, and for this purpose, the variable amount under any such interest rate swap agreement shall be determined in accordance with the procedure set forth in subparagraph (a) of this definition; and

(f) Repayment Obligations payable on a parity with the Installment Payments or any Parity Obligations shall be deemed to be payable at the scheduled amount due under such Repayment Obligation, and, for this purpose, the variable interest amount included in any such Repayment Obligation shall be determined in accordance with the procedure set forth in subparagraph (a) of this definition.

**“Authorized Corporation Representative”** means the President, the Executive Director, the Chief Financial Officer and the Secretary of the Corporation, and any other Person authorized by the Executive Director of the Corporation to act on behalf of the Corporation under or with respect to this Agreement.

**“Authorized District Representative”** means the President of the Board, General Manager of the District, Finance Director of the District, the Treasurer of the District and any other Person authorized by the General Manager of the District to act on behalf of the District under or with respect to this Agreement.

**“Beneficial Owners”** means those individuals, partnerships, corporations or other entities for which the Participants have caused the Depository to hold Book-Entry Certificates.

**“Board”** means the Board of Directors of the District.

**“Book-Entry Certificates”** means the Certificates registered in the name of the nominee of DTC, or any successor securities depository for the Certificates, as the Owner thereof pursuant to the terms and provisions of Section 2.10 of the Trust Agreement.

**“Business Day”** means any day of the year, other than (a) Saturday or Sunday, (b) a day on which banking institutions in the city in which the Principal Office is located are authorized or required by law to be closed, or (c) a day on which the New York Stock Exchange or the payment system of the Federal Reserve System is authorized or obligated by law or executive order to be closed.

**“Certificate of an Independent Consultant”** means an instrument in writing signed by an Independent Consultant.

**“Certificates”** means the Nipomo Community Services District Water Revenue Certificates of Participation, Series 2024, executed and delivered by the Trustee pursuant hereto, which are certificates of participation, evidencing direct, undivided fractional interests in the Installment Purchase Agreement and the related Installment Payments, and the interest thereon.

**“Closing Date”** means October \_\_\_, 2024.

**“Code”** means the Internal Revenue Code of 1986.

**“Continuing Disclosure Certificate”** means the Continuing Disclosure Certificate, dated as of the Closing Date, by the District, as originally executed and as it may from time to time be amended in accordance with the terms thereof.

**“Corporation”** means the Nipomo Community Services District Public Facilities Corporation, a nonprofit public benefit corporation organized and existing under the laws of the State, and any successor thereto.

**“Depository”** means the securities depository acting as Depository pursuant to Section 2.10 of the Trust Agreement.

**“District”** means the Nipomo Community Services District, a special district organized and existing under the laws of the State, and any successor thereto.

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

**“Enterprise”** means all facilities for obtaining, storing and delivering water and related facilities for the disposition of drainage water now owned or operated by the District, and all other properties, structures or works hereafter acquired and constructed by the District and determined to be a part of the Enterprise, whether located within or without the District, together with all improvements to such facilities, properties, structures or works or any part thereof hereafter acquired or constructed.

**“Event of Default”** shall have the meaning set forth in Section 8.1 hereof.

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

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

**“Government Obligations”** means any of the following which are noncallable by the issuer thereof except to the extent not permitted by the laws of the State as an investment for the moneys to be invested therein at the time of investment:

- (i) (a) direct general obligations of the United States of America,
- (b) obligations the payment of the principal of and interest on which are unconditionally guaranteed as to the full and timely payment by the United States of America, or (c) any fund or other pooling arrangement whose assets consist exclusively of the obligations listed

in clause (a) or (b) of this clause (i) and which is rated at least "P-1" by Moody's; provided that, such obligations shall not include unit investment trusts or mutual fund obligations;

(ii) advance refunded tax-exempt obligations that (a) are rated by Moody's and S&P, (b) are secured by obligations specified in clause (i), (c) are tax-exempt because they are secured by obligations specified in clause (i), and (d) have the same ratings as the obligations specified in clause (i);

(iii) bonds, debentures or notes issued by any of the following federal agencies: Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation or Fannie Mae; provided, that such bonds, debentures or notes shall be the senior obligations of such agencies (including participation certificates) and have the same ratings by Moody's and S&P as the obligations specified in clause (i); and

(iv) bonds, debentures or notes issued by any Federal agency hereafter created by an act of Congress, the payment of the principal of and interest on which are unconditionally guaranteed by the United States of America as to the full and timely payment; provided, that, such obligations shall not include unit investment trusts or mutual fund obligations.

**"Gross Revenues"** means all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Enterprise, including, without limiting the generality of the foregoing:

- (1) the Ad Valorem Tax Revenues,
- (2) all income, rents, rates, fees, charges 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 Enterprise, and certain administrative and maintenance costs related thereto,
- (3) the proceeds of any stand-by or water availability charges, development fees and connection charges collected by the District,
- (4) all moneys received by the District from other public or private entities whose inhabitants are served pursuant to contracts with the District,
- (5) moneys deposited in the Installment Payment Fund, the Water Fund or other fund to secure the Certificates or Parity Obligations or to provide for the payment of the principal of or interest with respect to the Certificates or Parity Obligations,
- (6) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of a part of the Enterprise as permitted hereunder, and
- (7) the earnings on and income derived from the investment of amounts described in clauses (1) through (6) above and from funds held by the District or the Trustee under the Trust Agreement and receipts from the Rate Stabilization Fund,

but excluding

(w) grant, loan or bond proceeds restricted in use to specific capital improvements not consisting of the Project, (x) that portion of the annexation fees collected as deposits on behalf of and payable to other governmental agencies as required by law, (y) customers' deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District, and (z) any proceeds of taxes or assessments restricted by law to be used by the District to pay bonds or other obligations theretofore or thereafter issued.

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

**“Independent Consultant”** means any registered engineer or firm of registered engineers of national reputation generally recognized to be well qualified in engineering matters relating to water systems, or any other financial consultant or firm of financial consultants (including an Independent Certified Public Accountant) generally recognized to be well qualified in matter relating to water systems, appointed and paid by the District, and who or each of whom –

(a) is in fact independent and not under the domination of the District;

(b) does not have a substantial financial interest, direct or indirect, in the operations of the District; and

(c) 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.

**“Installment Payment Date”** means five (5) days prior to each Interest Payment Date, or if such day is not a Business Day, then the preceding Business Day.

**“Installment Payment Fund”** means the fund by that name established in accordance with Section 5.02 of the Trust Agreement.

**“Installment Payments”** means the Installment Payments required to be made by the District pursuant to Section 4.2 of this Installment Purchase Agreement.

**“Installment Purchase Agreement”** or **“Agreement”** means this Installment Purchase Agreement, dated as of the date hereof, by and between the District and the Corporation, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

**“Interest Account”** means the account by that name within the Installment Payment Fund established in accordance with Section 5.02 of the Trust Agreement.

**“Interest Payment Date”** means March 1 and September 1 of each year, commencing March 1, 2025.

**“Maximum Annual Debt Service”** means, as of any date of calculation, the largest Annual Debt Service becoming due and payable in the Fiscal Year in which the calculation is made or in any subsequent Fiscal Year.

**“Moody’s”** means Moody’s Investors Service, its successors and assigns, except that if such corporation shall no longer perform the function of a securities rating agency for any reason, the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

**“Net Proceeds”** means, when used with respect to any casualty insurance or condemnation award, the proceeds from such insurance or condemnation award remaining after payment of all expenses (including attorneys’ fees) incurred in the collection of such proceeds.

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

**“Operation and Maintenance Costs”** means the costs and expenses reasonable and necessary to operate and maintain the Enterprise, including but not limited to all costs of water purchased or otherwise acquired for the Enterprise, the costs and expenses to preserve the Enterprise in good repair and working order, including reasonable expenditures for repair and replacement incident to or arising from the Enterprise, the reasonable administrative and management costs and expenses of the District that are charged directly or apportioned to the operation and maintenance of the Enterprise, such as salaries and wages of employees, payments to the Public Employees Retirement System, overhead, taxes (if any) and insurance premiums, together with all other necessary and reasonable costs of the District or charges (other than debt service payments) required to be paid by it to comply with the terms hereof or any Parity Obligation, such as compensation, reimbursement and indemnification of the trustee for such Parity Obligation and fees and expenses of Independent Accountants and Independent Engineers, and transfers made to other funds of the District for the purpose of paying or reimbursing the payment of Operation and Maintenance Costs, as determined by Generally Accepted Accounting Principles, but excluding (1) any transfers out to the Administration Fund of the District, (2) noncash items of depreciation, replacement and obsolescence charges or reserves therefore, (3) amortization of intangibles, premiums and discounts, (4) interest expense, (5) amounts paid from other than Gross Revenues of the Enterprise (including but not limited to amounts paid from the proceeds of excluded property taxes and assessments), (6) non-cash expenses attributable to pension plans, other retirement accounts and other post-employment benefits.

**“Outstanding,”** when used as of any particular time with reference to Certificates, means (subject to the provisions of Section 9.02 of the Trust Agreement) all Certificates except (a) Certificates previously canceled by the Trustee or delivered to the Trustee for cancellation, (b) Certificates paid or deemed to have been paid within the meaning of Section 10.01 of the Trust Agreement, and (c) Certificates in lieu of or in substitution for which other Certificates shall have been executed and delivered by the Trustee pursuant to Section 2.09 of the Trust Agreement.

**“Owner”** means any Person who shall be the registered owner of any Outstanding Certificate as indicated in the registration books of the Trustee required to be maintained pursuant to Section 2.07 of the Trust Agreement.

**“Parity Obligation Payments”** means the payments scheduled to be paid by the District under and pursuant to Parity Obligations, which payments are secured by a pledge of Net Revenues on a parity with the Installment Payments as provided in this Agreement.

**“Parity Obligations”** means all revenue bonds, certificates of participation or notes (including bond anticipation notes and commercial paper) of the District authorized, executed, issued and delivered under and pursuant to applicable law, and all other contracts (including financial contracts) or leases of the District authorized and executed by the District under and pursuant to applicable law, the installment, lease or other payments which are, in accordance with the provisions of the Installment Purchase Agreement, payable from Net Revenues on a parity with the Installment Payments under the Installment Purchase Agreement pursuant to and in accordance with the provisions of Section 5.3 of the Installment Purchase Agreement.

**“Participants”** means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Book-Entry Certificates as securities depository.

**“Participating Underwriter”** has the meaning ascribed thereto in the Continuing Disclosure Certificate.

**“Person”** means an individual, corporation, limited liability company, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

**“Prepayment Account”** means the account by that name within the Installment Payment Fund established in accordance with Section 5.02 of the Trust Agreement.

**“Prepayment Price”** means, with respect to any Certificate (or portion thereof), the principal amount with respect to such Certificate (or portion thereof) plus the applicable premium, if any, payable upon prepayment thereof pursuant to the provisions of such Certificate and this Trust Agreement.

**“Principal Office”** means the Trustee’s principal corporate trust office in Los Angeles, California, except that with respect to presentation of Certificates for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

**“Prior Project”** has the meaning ascribed thereto in the recitals hereto.

**“Project”** means, collectively, the Prior Project and the 2024 Project.

**“Purchase Price”** means the principal components of the Installment Payments plus interest on the unpaid portion of such principal components owed by the District to the Corporation under the terms of the Installment Purchase Agreement as provided in Section 4.1 of this Agreement.

**“Rate Stabilization Fund”** means the fund by that name referred to in Section 5.4 of this Agreement.

**“Repayment Obligation”** means the reimbursement obligation or any other payment obligation of the District under a written agreement between the District and a credit or liquidity provider to reimburse the credit or liquidity provider for amounts paid pursuant to a credit or liquidity facility for the payment of the principal amount or purchase price of and/or interest on any Parity Obligation.

**“S&P”** means S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, its successors and assigns, except that if such entity shall no longer perform the functions of a securities rating agency for any reason, the term “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

**“Subordinate Obligations”** means the obligations of the District that are secured by a pledge of and payable from Net Revenues on a basis that is junior and subordinate to the payment of the Installment Payments and Parity Obligations.

**“Tax Certificate”** means the tax certificate described in Section 6.07 of the Trust Agreement.

**“Treasury Regulations”** means those regulations issued by the United States Department of the Treasury under the Code.

**“Trust Agreement”** means the Trust Agreement, dated as of October 1, 2024, by and among the Trustee, the Corporation and the District, as originally executed and delivered and as it may from time to time be amended or supplemented in accordance with the provisions thereof.

**“Trustee”** means The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under the laws of the United States of America, or any other bank or trust company which may at any time be substituted in its place as provided in Section 8.02 of the Trust Agreement.

**“2024 Project”** has the meaning ascribed thereto in the recitals hereto.

**“Water Fund”** means the fund by that name referred to in Section 5.2 of this Agreement.

**“Written Certificate”** and **“Written Request”** mean (a) with respect to the Corporation, a written certificate or written request, respectively, signed in the name of the Corporation by an Authorized Corporation Representative, and (b) with respect to the District, a written certificate or written request, respectively, signed in the name of the District by an Authorized District Representative. Any such certificate or request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

Section 1.2. Definitions in Trust Agreement. Except as otherwise herein defined and unless the context otherwise requires, the terms defined in the Trust Agreement shall for all purposes hereof and of any amendment hereof or supplement hereto and of any report or other



document mentioned herein have the meanings defined therein, such definitions to be equally applicable to both the singular and plural forms of any of the terms defined therein. With respect to any defined term which is given a different meaning under this Installment Purchase Agreement than under the Trust Agreement, as used herein it shall have the meaning given herein.

## ARTICLE II

### REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations by the District. The District represents, warrants and certifies as follows:

(a) The District is a community facilities district organized and existing under the laws of the State. The District has full legal right, power and authority to enter into this Agreement and carry out its obligations hereunder, to carry out and consummate all transactions contemplated by this Agreement, and the District has complied with the provisions of all applicable law in all matters relating to such transactions. By proper action, the District has authorized the execution, delivery and due performance of this Agreement.

(b) The District will not take or permit any action to be taken which results in the interest component of the Installment Payments being included in the gross income for purposes of federal income taxation or not being exempt from personal income taxes of the State.

(c) The District has determined that it is necessary and proper for District uses and purposes within the terms of all applicable laws that the District refinance the Prior Project and finance the 2024 Project in the manner provided for in this Agreement.

(d) All acts, conditions and things required by the Constitution and statutes of the State to have been performed, to have happened and to exist precedent to and in connection with the execution and delivery of this Agreement, have been performed, have happened and do exist in regular and due time, form and manner as required by law.

Section 2.2. Representations and Warranties by the Corporation. The Corporation represents and warrants that the Corporation is a nonprofit public benefit corporation in good standing organized and existing under the laws of the State, has full legal right, power and authority to enter into this Agreement and to carry out and consummate all transactions contemplated by this Agreement, and by proper action has authorized the execution, delivery and due performance of this Agreement.

## ARTICLE III

### PURCHASE AND SALE OF PROJECT; APPOINTMENT OF AGENT

Section 3.1. Purchase and Sale of the Project. In consideration for the Corporation's assistance in refinancing the Prior Project and financing the 2024 Project through the execution and delivery of this Agreement and the Trust Agreement, the Corporation hereby agrees to purchase from the District, and the District agrees to sell to the Corporation, the Prior Project as described in Exhibit A hereto, and the District hereby agrees to purchase from the Corporation, and the Corporation agrees to sell to the District, the Prior Project and the 2024 Project as described in Exhibit A hereto (collectively, the "Project"), at the Purchase Price specified in Section 4.1, and otherwise in the manner and in accordance with the provisions of this Agreement.

Section 3.2. Appointment of District as Agent of the Corporation. The Corporation hereby appoints the District as its agent to carry out all phases of the construction of the 2024 Project pursuant to and in accordance with the provisions hereof and the Trust Agreement. The District hereby accepts such appointment and assumes all rights, liabilities, duties and responsibilities of the Corporation regarding the construction of the 2024 Project. The Corporation, or the District as agent of the Corporation hereunder, shall enter into, administer and enforce all purchase orders or other contracts relating to the construction of the 2024 Project. All contracts for, and all work relating to, the 2024 Project shall be subject to all applicable provisions of law relating to the acquisition, construction, improvement, and equipping of like facilities and property by the District.

Section 3.3. Title. All right, title and interest in each element and component of the Project shall vest in the District immediately upon execution and delivery of this Agreement or, if later, upon the acquisition, construction and acceptance of such element or component.

## ARTICLE IV

### PURCHASE PRICE OF PROJECT; INSTALLMENT PAYMENTS

#### Section 4.1. Purchase Price.

(a) The Purchase Price to be paid by the District to the Corporation for the purchase of the Project is the sum of the principal components of the Installment Payments set forth in Exhibit B plus the interest components of the Installment Payments which consist of the sum of the interest to accrue on the unpaid balance of each such principal component from the date hereof over the term hereof at the interest rate set forth in Exhibit B, subject to prepayment as provided in Article VII.

(b) The interest component of the Installment Payments shall be paid by the District as and constitute interest paid on the principal components of the Installment Payments. The interest component shall be computed on the basis of a 360-day year of twelve 30 day months.

Section 4.2. Installment Payments. The District shall, subject to the provisions of Section 10.1, and to any rights of prepayment provided in Article VII, pay the Corporation the Purchase Price in installments as follows: (i) each principal component of the Installment

Payments is payable on the Installment Payment Date preceding the due date for such principal component, set forth in Exhibit B in the amount specified for such due date in Exhibit B; and (ii) the interest components of the Installment Payments are payable on the Installment Payment Date preceding each Interest Payment Date in the amount of accrued interest on the unpaid balance of the principal components of the Installment Payments to the next succeeding Interest Payment Date, at the respective interest rates per annum set forth in Exhibit B. The schedule of the principal and interest components as of the Closing Date are set forth in Exhibit C. Amounts required to be paid by the District to the Corporation pursuant to this Section 4.2 on any Installment Payment Date shall be reduced to the extent of amounts on deposit on such date in the Interest Account of the Installment Payment Fund established under the Trust Agreement. The amounts shown in Exhibits B and C shall automatically be adjusted to account for any prepayment of Installment Payments made by the District pursuant to Article VII and any discharge of Installment Payments pursuant to Article IX.

Each Installment Payment shall be paid to the Corporation 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 highest rate of interest then applicable to the remaining unpaid principal components of the Installment Payments.

The obligation of the District to make the Installment Payments, solely from Net Revenues, is absolute and unconditional, and, until such time as the Purchase Price shall 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 Installment Payment required to be made by it under this Section, whether or not the Enterprise 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. This Agreement shall be deemed and construed to be a net contract, and the District shall pay absolutely net during the term hereof the Installment Payments and all other payments required hereunder, and such payments shall be net payments and shall not be subject to deduction, abatement reduction or diminution, 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. Additional Payments. In addition to the Installment Payments, the District shall also pay such amounts (“Additional Payments”) as shall be required for the payment of all fees and administrative costs of the Corporation and the Trustee under the Trust Agreement or otherwise relating to the Certificates, including, without limitation, payments required to satisfy the Rebate Amount, all expenses, compensation and indemnification of the Corporation and the Trustee payable by the District hereunder and under the Trust Agreement, fees of auditors, accountants, attorneys or engineers, and all other necessary administrative costs of the Corporation or charges required to be paid by it to comply with the terms hereof, of the Certificates or of the Trust Agreement. The rights of the Trustee and the obligations of the District under this Section 4.3 shall survive the termination of this Agreement and the resignation and removal of the Trustee.

## ARTICLE V

### SECURITY

Section 5.1. Pledge of Net Revenues; Parity Pledge. All Net Revenues are hereby irrevocably pledged to the payment of the Installment Payments as provided herein and shall not be used for any other purpose until all Installment Payments have been fully paid or provision has been made for such payment in accordance with Section 9.1. This pledge, together with the pledge of Net Revenues securing all other Parity Obligations, shall, subject to application as permitted herein, constitute a lien on Net Revenues. The Ad Valorem Tax Revenues are irrevocably pledged as the first source of repayment of the Installment Payments and shall not be used for any other purposes while any of the Installment Payments and Parity Obligations remain outstanding. In the event that the Ad Valorem Tax Revenues are not sufficient in amount to pay the Installment Payments and the Parity Obligations when due, any unpaid Installment Payments and Parity Obligations shall be paid from other Net Revenues. In furtherance of the foregoing, all Gross Revenues and all amounts on deposit in the Water Fund are hereby irrevocably pledged to the payment of the Installment Payments and Parity Obligations as provided herein and, except for the payment of the Operation and Maintenance Costs, the Gross Revenues shall not be used for any other purpose while any of the Installment Payments and Parity Obligations remain unpaid; provided that out of the Gross Revenues there may be apportioned such sums for such purposes as are expressly permitted herein. This pledge shall constitute a first and exclusive lien on the Ad Valorem Tax Revenues and other Net Revenues, the Water Fund and the other funds and accounts created hereunder for the payment of the Installment Payments and all other Parity Obligations in accordance with the terms hereof and of the Trust Agreement.

#### Section 5.2. Allocation of Gross Revenues.

In order to carry out and effectuate the pledge and lien contained herein, the District agrees and covenants that (i) all Gross Revenues (other than Ad Valorem Tax Revenues) shall be received by the District in trust hereunder and, except for Net Proceeds, shall be deposited when and as received in a special fund designated as the "Water Fund", and (ii) all Ad Valorem Tax Revenues shall be received by the District in trust hereunder and shall be deposited when and as received in a separate account established in the Water Fund named the "Ad Valorem Tax Account of the Water Fund," which fund and account the District agrees and covenants to maintain and to hold in trust separate and apart from other funds until all Installment Payments have been fully paid or provision has been made therefor in accordance with Section 9.1. The District may designate one or more existing funds to satisfy the foregoing requirements. The District may maintain separate accounts within the Water Fund. Moneys in the Water Fund shall be used and applied by the District as provided in this Agreement.

The District shall, from the moneys in the Water Fund other than the Ad Valorem Tax Account, 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 they become due and payable. Thereafter, all moneys in the Ad Valorem Tax Account and all remaining moneys in the Water Fund shall be set aside by the District at the following times for the transfer to the following respective special funds in the following order of priority; and all moneys in each of such funds shall be held in trust and shall be applied,

used and withdrawn only for the purposes set forth in this Section and, as to funds held under the Trust Agreement, the Trust Agreement, provided, that pending the use by the District of the money in the Water Fund for the foregoing purposes, such money may be invested by the District in Permitted Investments or other lawful investments.

(a) Installment Payments. Not later than each Installment Payment Date, the District shall, first from moneys in the Ad Valorem Tax Account and second from other remaining moneys in the Water Fund, transfer to the Trustee the Installment Payment due and payable on that Installment Payment Date. The District shall also, from the moneys in the Water Fund, transfer when due to the applicable trustee for deposit in the respective payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any Parity Obligation Payments in accordance with the provisions of the applicable Parity Obligations.

(b) Parity Obligation Reserve Funds. Moneys on deposit in the Water Fund not necessary to make any of the payments required above in (a) for a Fiscal Year may, subject to the limitations herein, be expended by the District to restore any debt service reserve funds for any Parity Obligations to an amount equal to the amount required to be maintained therein.

(c) Surplus. Moneys on deposit in the Water Fund not necessary to make any of the payments required above in a Fiscal Year may, subject to the limitations herein, be expended by the District at any time for any purpose permitted by law, including but not limited to payments with respect to any Subordinate Obligations and deposits to the Rate Stabilization Fund.

Section 5.3. Execution or Incurrence of Parity Obligations. The District may at any time enter into or otherwise incur Parity Obligations in addition to the obligations under this Agreement; provided:

(a) The District is in compliance with all agreements, conditions, covenants and terms contained in this Agreement required to be observed or performed by it, and a Written Certificate of the District to that effect has been filed with the Trustee.

(b) The Net Revenues (excluding capacity charges) for any 12 consecutive months within the last 18 months preceding the date of entry into or incurrence of such Parity Obligations, as shown by a Certificate of an Independent Consultant on file with the Trustee, are equal to at least 125% of the Maximum Annual Debt Service as calculated after the entry into or incurrence of such Parity Obligations; provided that, in the event that all or a portion of such Parity Obligations are to be issued for the purpose of refunding and retiring any Parity Obligations then outstanding, interest and principal payments on the Parity Obligations to be so refunded and retired from the proceeds of such Parity Obligations being issued shall be excluded from the foregoing computation of Maximum Annual Debt Service; and provided further that, the District may at any time enter into or incur Parity Obligations without compliance with the foregoing conditions, if the aggregate Annual Debt Service, during the years which such Parity Obligations are outstanding, will not be increased by reason of the entry into or incurrence of such Parity Obligations.

(i) The District may adjust the foregoing Net Revenues to reflect:

(A) An allowance for increased or decreased Net Revenues arising from any increase or decrease in the rates, fees and charges of the Enterprise which was duly adopted by the Board of the District prior to the date of the entry into or incurrence of such Parity Obligations but which, during all or any part of such Fiscal Year or 12-month period, was not in effect, in an amount equal to the amount by which the Net Revenues would have been increased or decreased if such increase or decrease in rates, fees and charges had been in effect during the whole of such 12-month period;

(B) An allowance for Net Revenues that would have been derived from each new use or user of the Enterprise that, during any part of such Fiscal Year or 12-month period, was not in existence, in an amount equal to 70% of the estimated additional Net Revenues that would have been derived from each such new use or user if it had been in existence for the entire 12-month period.

Nothing contained in this Section shall limit the issuance of any revenue bonds, certificates of participation, notes or other evidences of indebtedness or the entry into of any installment purchase agreement by the District payable from the Net Revenues and secured by a lien and charge on the Net Revenues if, upon the issuance of such revenue bonds or entry into such installment purchase agreement, all of the Installment Payments shall have been fully paid or provision has been made therefor in accordance with Section 9.1.

Nothing contained in this Section shall limit the issuance or incurrence of any Subordinate Obligations.

Section 5.4. Rate Stabilization Fund. The District may, at any time, determine to deposit in a Rate Stabilization Fund, which it may establish in conjunction with the Enterprise, any Net Revenues and any other money received and available to be used for such purpose. The District may at any time withdraw any or all of the money from the Rate Stabilization Fund for inclusion in Net Revenues; provided that any such withdrawal from the Rate Stabilization Fund shall be made not later than 180 days after the end of the Fiscal Year for which the withdrawal from the Rate Stabilization Fund will be included as Net Revenues.

## ARTICLE VI

### COVENANTS OF THE DISTRICT

Section 6.1. Punctual Payment of Installment Payments and Compliance with this Agreement. The District will punctually pay the Installment Payments, and interest thereon, and other payments required to be made by it hereunder 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, will not cause, suffer or permit any default to occur hereunder and will not terminate this 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 Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of the Corporation 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 Corporation 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.

Section 6.2. Legal Existence. The District will use all means legally available to maintain its existence.

Section 6.3. Protection of Security and Rights. The District will preserve and protect the security hereof and the rights of the Trustee, as assignee of the Corporation, to the Installment Payments, and interest thereon, and other payments required to be made by the District hereunder and will warrant and defend such rights against all claims and demands of all persons.

Section 6.4. Against Encumbrances. The District will not hereafter mortgage or otherwise encumber, pledge or place any charge or lien upon Gross Revenues except as provided herein. The District will not hereafter mortgage or otherwise encumber, pledge or place any lien or charge upon any of the Net Revenues on a parity with the pledge securing the payment of the Installment Payments, except for Parity Obligations as provided herein. The District may at any time issue Subordinate Obligations.

Section 6.5. Against Sale or Other Disposition of the Enterprise. The District will not sell or otherwise dispose of the Enterprise or any part thereof essential to the proper operation of the Enterprise or to the maintenance of the Net Revenues, unless the Installment Payments have been fully paid or provision has been made therefor in accordance with Section 9.1. The District will not enter into any lease or agreement which impairs the operation of the Enterprise or any part thereof necessary to secure adequate Net Revenues for the payment of the Installment Payments and all Parity Obligations, or which would otherwise impair the rights of the Owners with respect to the Net Revenues or the operation of the Enterprise.

Any real or personal property that has become nonoperative or that is not needed for the efficient and proper operation of the Enterprise, or any material or equipment that has become worn out, may be sold if such sale will not impair the ability of the District to pay the Installment Payments and if the proceeds of such sale are deposited in the Water Fund. Nothing herein shall restrict the ability of the District to sell any portion of the Enterprise 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 Enterprise exercising any remedy that would deprive the District of or otherwise interfere with its right to own and operate such portion of the Enterprise.

Section 6.6. Maintenance and Operation of Enterprise. The District will maintain and preserve the Enterprise in good repair and working order at all times and will operate the Enterprise in an efficient and economical manner.

Section 6.7. Insurance.

(a) To the extent such insurance is available for reasonable premiums from a reputable insurance company, the District will procure and maintain at all times insurance on the Enterprise against such risks (including accident to or destruction of the Enterprise) and in such

amounts as are usually insured in connection with operations in California similar to the Enterprise; provided, that such insurance coverage may be satisfied under a self-insurance program.

(b) The District shall procure and maintain or cause to be procured and maintained public liability insurance covering claims against the District (including its city council, officers and employees) for bodily injury or death, or damage to property occasioned by reason of the District's operations, including any use of the Enterprise, and such insurance shall afford protection in such amounts as are usually covered in connection with operations in California similar to the Enterprise. Such insurance coverage may also be satisfied under a self-insurance program.

(c) If all or any part of the Enterprise shall be damaged or destroyed, the Net Proceeds realized by the District as a result thereof shall be deposited by the District with the Trustee in a special fund which the Trustee shall establish as needed in trust and applied by the District to the cost of acquiring and constructing repairs, replacements, or improvements to the Enterprise if (i) the District first secures and files with the Trustee a Written Certificate of the District showing (A) the loss in annual Gross Revenues, if any, suffered, or to be suffered by the District by reason of such damage or destruction, (B) a general description of the repairs, replacements, or improvements to the Enterprise then proposed to be acquired and constructed by the District from such proceeds, and (C) an estimate of the Gross Revenues to be derived after the completions of such repairs, replacements, or improvements; and (ii) the Trustee has been furnished a Written Certificate of the District, certifying that the Gross Revenues after such repair, replacement, or improvement of the Enterprise will sufficiently offset on a timely basis the loss of Gross Revenues resulting from such damage or destruction so that the ability of the District to pay all Installment Payments and all Parity Obligations when due will not be substantially impaired, and such Written Certificate of the District shall be final and conclusive, and any balance of such proceeds not required by the District for such purpose shall be deposited in the Water Fund and applied as provided in Section 5.2; provided that, if the foregoing conditions are not met, then such proceeds shall be deposited with the Trustee and applied to make Installment Payments and Parity Obligation Payments as they become due ratably without any discrimination or preference; and provided further that the foregoing procedures for the application of Net Proceeds consisting of insurance payments shall be subject to any similar provisions for Parity Obligations on a pro rata basis.

If such damage or destruction has had no effect, or at most an immaterial effect, upon the Gross Revenues and the security of the Installment Payment and all Parity Obligations, and a Written Certificate of the District to such effect has been filed with the Trustee, then the District shall deposit such proceeds in the Water Fund, to be applied as provided in Section 5.2.

**Section 6.8. Eminent Domain Proceeds.** If all or any part of the Enterprise shall be taken by eminent domain proceedings, the Net Proceeds realized by the District therefrom shall be deposited by the District with the Trustee in a special fund which the Trustee shall establish as needed in trust and applied by the District to the cost of acquiring and constructing improvements to the Enterprise if (a) the District first secures and files with the Trustee a Written Certificate of the District showing (i) the loss in annual Gross Revenues, if any, suffered, or to be suffered, by the District by reason of such eminent domain proceedings, (ii) a general description of the



improvements to the Enterprise then proposed to be acquired and constructed by the District from such proceeds, and (iii) an estimate of the additional Gross Revenues to be derived from such improvements; and (b) the Trustee has been furnished a Written Certificate of the District, certifying that such additional Gross Revenues will sufficiently offset on a timely basis the loss of Gross Revenues resulting from such eminent domain proceedings so that the ability of the District to pay the Installment Payments and all Parity Obligations when due will not be substantially impaired, and such Written Certificate of the District shall be final and conclusive, and any balance of such proceeds not required by the District for such purpose shall be deposited in the Water Fund and applied as provided in Section 5.2, provided that, if the foregoing conditions are not met, then such proceeds shall be deposited with the Trustee and applied to make Installment Payments and Parity Obligation Payments, as they become due, ratably without any discrimination or preference; and provided further that the foregoing procedures for the application of Net Proceeds consisting of awards under eminent domain proceedings shall be subject to any similar provisions for Parity Obligations on a pro rata basis.

If such eminent domain proceedings have had no effect, or at most an immaterial effect, upon the Gross Revenues and the security of the Installment Payments and all Parity Obligations, and a Written Certificate of the District to such effect has been filed with the Trustee, then the District shall deposit such proceeds in the Water Fund, to be applied as provided in Section 5.2.

#### Section 6.9. Amounts of Rates, Fees and Charges.

(a) The District will, at all times until all Installment Payments have been fully paid or provision has been made therefor in accordance with Section 9.1, fix, prescribe and collect rates, fees and charges for the services and facilities of the Enterprise during each Fiscal Year so as to yield Gross Revenues at least sufficient, after making reasonable allowances for contingencies and errors in the estimates, to pay the following amounts in the following order of priority:

(i) All anticipated expenses for the Operation and Maintenance Costs of the Enterprise for such Fiscal Year;

(ii) The Installment Payments, all other Parity Obligation Payments, and all Subordinate Obligation Payments as they become due and payable;

(iii) All payments required for compliance with the terms of any Parity Obligations requiring restoration of a debt service reserve fund to the amount required to be maintained therein;

(iv) All payments required for compliance with the terms of any Subordinate Obligations requiring restoration of a debt service reserve fund to the amount required to be maintained therein; and

(v) All payments to meet any other obligations of the District which are charges, liens or encumbrances upon the Gross Revenues.

(b) In addition to the requirements of the foregoing subsection (a) of this Section, the District will, at all times until all Installment Payments have been fully paid or

provision has been made therefor in accordance with Section 9.1, fix, prescribe and collect rates, fees and charges and manage the operation of the Enterprise for each Fiscal Year so as to yield during such Fiscal Year (i) Net Revenues (excluding capacity charges), equal to at least 125% of the Annual Debt Service in such Fiscal Year, and (ii) Net Revenues equal to at least 100% in such Fiscal Year of (A) Annual Debt Service plus (B) annual debt service for any other Obligations.

The District may make or permit to be made adjustments from time to time in such rates, fees and charges and may make or permit to be made such classification thereof as it deems necessary, but shall not reduce or permit to be reduced such rates, fees and charges below those then in effect unless the Gross Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the requirements of this Section.

Section 6.10. Enforcement of and Performance Under Contracts. The District shall enforce all material provisions of any contracts to which it is a party, an assignee, successor in interest to a party or third-party beneficiary, in any case where such contracts provide for material payments or services to be rendered to the Enterprise. Further, the District will comply with, keep, observe and perform all material agreements, conditions, covenants and terms, express or implied, required to be performed by it, contained in all contracts affecting or involving the Enterprise, to the extent that the District is a party thereto. The District hereby approves the Trust Agreement and shall comply with the provisions thereunder applicable to it.

Section 6.11. Collection of Charges, Fees and Rates. The District will have in effect at all times rules and regulations requiring each user of the Enterprise to pay the applicable charges, fees and rates and providing for the billing thereof and for a due date and a delinquency date for each bill. In each case where such bill remains unpaid in whole or in part after it becomes delinquent, the District will enforce the collection procedures contained in such rules and regulations.

Section 6.12. No Free Service. The District will not permit any part of the Enterprise or any facility thereof to be used or taken advantage of free of charge by any corporation, firm or person, or by any public agency (including the United States of America, the State, and any city, county, public agency, political subdivision, public corporation or agency of any thereof), unless otherwise required by law or existing written agreements.

Section 6.13. 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 or charge upon the Enterprise or upon the Gross Revenues or any part thereof, or upon any funds held by the Trustee, or which might impair the security of the Installment Payments; except that nothing herein contained shall require the District to make any such payments so long as the District in good faith shall contest the validity of any such claims and such nonpayment will not materially adversely affect the District's ability to perform its obligations hereunder.

Section 6.14. Books of Record and Accounts; Financial Statements. The District will keep proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the Enterprise, the Water Fund and all other accounts or funds established pursuant hereto, and upon request will provide information concerning such books of record and accounts to the Trustee (who has no duty or obligation to make such request).

The District will annually cause to be prepared by an Independent Certified Public Accountant, not later than 270 days after the close of each Fiscal Year, until all Installment Payments have been fully paid, or provision has been made therefor in accordance with Section 9.1, audited financial statements of the District containing schedules relating to the Water Fund. The District shall maintain accurate books and records for each Fiscal Year of all accounts or funds established pursuant hereto for the preceding Fiscal Year, showing the balances in each such account or fund as of the beginning of such Fiscal Year, all deposits in and withdrawals from each such account or fund during such Fiscal Year, and the balances in each such account or fund as of the end of such Fiscal Year.

Section 6.15. Payment of Taxes and Other Charges and Compliance with Governmental Regulations. The District will pay and discharge all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Enterprise or any properties owned by the District, or upon the Gross Revenues, when the same shall become due; provided, that nothing herein contained shall require the District to make any such payments so long as the District in good faith shall contest the validity of any such taxes, service charges, assessments or other governmental charges and such nonpayment will not materially adversely affect the District's ability to perform its obligations hereunder.

The District will duly comply with all applicable state, federal and local statutes and all valid regulations and requirements of any governmental authority relative to the operation of the Enterprise 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 and such noncompliance will not materially adversely affect the District's ability to perform its obligations hereunder.

Section 6.16. Tax Covenants and Matters.

(a) General. The District and the Corporation acknowledge that this Agreement is intended to be treated for federal income tax purposes as an obligation the debt service on which comprises the mandatory rental or installment payments, respectively, that undivided interests in the form of certificates of participation were or are to be sold in respect of that obligation. The District hereby covenants, for the benefit of the Corporation and the Owners and Beneficial Owners of the Certificates that, notwithstanding any other provisions of this Agreement, it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest component of the Installment Payments under Section 103 of the Code. The District shall not, directly or indirectly, use or permit the use of proceeds of the Certificates or any of the property financed or refinanced with proceeds of the Certificates, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code and applicable Treasury Regulations) in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of the interest component of the Installment Payments.

(b) Use of Proceeds. The District shall not take any action, or fail to take any action, if any such action or failure to take action would cause this Agreement to be "private activity bonds" within the meaning of Section 141 of the Code and applicable Treasury Regulations, and in furtherance thereof, shall not make any use of the proceeds of the Certificates

or any of the property financed or refinanced with proceeds of the Certificates, or any portion thereof, or any other funds of the District, that would cause this Agreement to be “private activity bonds” within the meaning of Section 141 of the Code. To that end, so long as any Certificates are Outstanding, the District, with respect to such proceeds and property and such other funds, will comply with applicable requirements of the Code and applicable Treasury Regulations, to the extent such requirements are, at the time, applicable and in effect. The District shall establish reasonable procedures necessary to ensure continued compliance with Section 141 of the Code and the continued qualification of this Agreement as “governmental bonds.”

(c) Arbitrage. The District shall not, directly or indirectly, use or permit the use of any proceeds of any Certificates, or of any property financed or refinanced thereby, or other funds of the District, or take or omit to take any action, that would cause this Agreement to be “arbitrage bonds” within the meaning of Section 148 of the Code and applicable Treasury Regulations, and shall not otherwise take any action, or fail to take action, if such action or failure to take action would cause this Agreement to be “arbitrage bonds” with the meaning of Section 148 of the Code and applicable Treasury Regulations. To that end, the District shall comply with all requirements of Section 148 of the Code and applicable Treasury Regulations to the extent such requirements are, at the time, in effect and applicable to this Agreement and the Certificates.

(d) Federal Guarantee. The District shall not make any use of the proceeds of the Certificates or any other funds of the District, or take or omit to take any other action, that would cause this Agreement to be “federally guaranteed” within the meaning of Section 149(b) of the Code, and shall not otherwise take any action, or fail to take action, when such action or failure to take action would cause this Agreement to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(e) Compliance with Tax Certificate. In furtherance of the foregoing tax covenants of this Section 6.16, the District covenants that it will comply with the provisions of the Tax Certificate, which is incorporated herein as if fully set forth herein. These covenants shall survive payment in full of the Purchase Price or defeasance of the Certificates.

Section 6.17. Continuing Disclosure. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Agreement, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, any Participating Underwriter or any Owner or Beneficial Owner of the Bonds may take such actions as described under the Continuing Disclosure Certificate to cause the District to comply with its obligations under this Section.

Section 6.18. Preservation of Corporation. The District covenants to take whatever action is necessary to preserve the existence of the Corporation until payment in full of the Purchase Price or defeasance of the Certificates.

Section 6.19. Further Assurances. The District will adopt, make, execute and deliver any and all such further documents, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof.

## ARTICLE VII

### PREPAYMENT OF INSTALLMENT PAYMENTS

#### Section 7.1. Prepayment.

(a) *Prepayment from Net Proceeds.* The District may or shall, as the case may be, prepay from the Net Proceeds as provided in Sections 6.7 and 6.8 herein, the Installment Payments as a whole or in part in the order of payment date as directed by the District (or in the event the District has not directed the order of payment date, in inverse order of maturity) at a Prepayment Price equal to the sum of the principal amount prepaid plus accrued interest thereon to the date of prepayment as provided in Section 4.03 of the Trust Agreement.

(b) *Optional Prepayment.* The District may, from any available funds, prepay the Installment Payments, as a whole or in part, on any date on or after September 1, 2034, on a pro rata basis, or as otherwise directed by the District; provided that any prepayment of a principal component of the Installment Payments shall be an amount sufficient to provide for the prepayment or defeasance of Certificates in accordance with the provisions of the Trust Agreement. The prepayment of the principal component of the Installment Payments shall be at a Prepayment Price equal to the sum of the principal amount prepaid plus accrued interest thereon to the date of prepayment as provided in Section 4.01 of the Trust Agreement.

(c) *Deposit.* The Corporation shall accept such prepayments when the same are tendered by the District. All prepayments of Installment Payments made by the District pursuant to this Section shall, upon receipt, be transferred to the Trustee for deposit in the Installment Payment Fund and subsequent deposit into the Prepayment Account of the Installment Payments Fund under the Trust Agreement pursuant to Section 5.02(b)(iii) thereof, or deposited as provided under Article X of the Trust Agreement to discharge the Certificates.

Section 7.2. Method of Payment. With respect to prepayments of Installment Payments pursuant to Section 7.1, the District shall determine which Installment Payments are to be prepaid, including the principal component of the Installment Payment due on each Installment Payment Date to be paid or prepaid with such prepayments, and, subject to the provisions of Section 7.1, the date on which each such prepayment is to be made. Before making any prepayment pursuant to Section 7.1, the District shall give written notice to the Corporation and the Trustee specifying the date on which the prepayment will be paid, which date shall be not less than 45 days from the date such notice is given; except that, notwithstanding any such prepayment, the District shall not be relieved of its obligations hereunder, including specifically its obligations under Article IV, until all Installment Payments shall have been fully paid, or provision for payment thereof shall have been made pursuant to Section 9.1.

## ARTICLE VIII

### EVENTS OF DEFAULT AND REMEDIES OF THE DISTRICT

Section 8.1. Events of Default and Acceleration of Maturities. There shall be an Event of Default if one or more of the following shall happen:

(a) if default is made by the District in the due and punctual payment of any Installment Payment or any other Parity Obligations when and as the same shall become due and payable;

(b) if default is made by the District in the performance of any of the other agreements or covenants required herein to be performed by it, and such default has continued for a period of 30 days after the District has been given notice in writing of such default by the Corporation or the Trustee; except that such default will not constitute an Event of Default hereunder if the District commences to cure such default within such 30-day period and thereafter diligently and in good faith proceeds to cure such default within a reasonable period of time;

(c) 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; or

(d) if payment of the principal of any Parity Obligations is accelerated in accordance with its terms;

then, and in each and every such case during the continuance of an Event of Default specified in clauses (c) and (d) above, the Corporation shall, and for any other Event of Default the Corporation may, by notice in writing to the District, declare all unpaid principal components of the 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. This subsection however, is subject to the condition that if, at any time after all unpaid principal components of the Installment Payments and the accrued interest thereon shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the District shall deposit with the Corporation a sum sufficient to pay the unpaid principal components and interest components of the Installment Payments then due and payable (other than the principal components of the Installment Payments and the accrued interest thereon due and payable solely by reason of such declaration), with interest on such overdue Installment Payments at the highest rate applicable to the remaining unpaid principal component of the Installment Payments, and the reasonable expenses of the Corporation and the Trustee shall have been paid or provision deemed by the Corporation or the Trustee, as applicable, to be adequate shall have been made therefor, and any and all other Events of Default shall have been made good or cured to the satisfaction of the Corporation or provision deemed by the Corporation to be adequate shall have been made therefor, then and in every such case the Corporation, by written notice to the District, may rescind and annul such declaration and its consequences; 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 acceleration as provided in Section 8.1, all Gross Revenues thereafter received shall be applied in the following order:

First, to the payment, without preference or priority, and in the event of any insufficiency of such Gross Revenues ratably without any discrimination or preference, of the fees, costs and expenses of the Trustee and the trustee for any other Parity Obligations, then the Corporation, including the costs, if any, in carrying out the provisions of this Article, including reasonable compensation to accountants and counsel and similar costs with respect to this Agreement and Parity Obligations;

Second, to the payment of Operation and Maintenance Costs;

Third, to the payment of all unpaid principal components of the Installment Payments and the accrued interest thereon and the unpaid principal amount of all other Parity Obligations and the accrued interest thereon, with interest on the overdue Installment Payments at the highest rate of interest applicable to the unpaid principal components of the Installment Payments and, with respect to such other Parity Obligations, as required by the terms of such other Parity Obligations; and

Fourth, to amounts due to any provider of credit enhancement for other Parity Obligations.

Section 8.3. Other Remedies of the Corporation. In addition to remedies elsewhere provided in this Agreement, upon the continuance of an Event of Default, the Corporation shall have the right:

(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 their duties under applicable law and the agreements and covenants required to be performed by it or them contained herein;

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

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

(d) by mandamus or other action or proceeding or suit at law or in equity, to pursue any other remedy now or hereafter existing in law or in equity or by statute or otherwise to enforce the performance of the District's obligations hereunder and to otherwise protect the Corporation's rights and interests in connection with this Agreement.

Notwithstanding anything contained herein, the Corporation shall have no security interest in or mortgage on the Project, the Enterprise or other facilities of the District, or any other real property of the District, and no default hereunder shall result in the loss of the Project, the Enterprise or other facilities of the District or any other real property of the District.

Section 8.4. 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 Installment Payments to the Corporation at the respective due dates from the Net Revenues, the Water Fund and the other funds pledged for such payment, or shall affect or impair the right of the Corporation, 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 Corporation 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 Corporation 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 Corporation by applicable law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Corporation. If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to the Corporation, the District and the Corporation shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Section 8.5. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Corporation 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 any other law.

## ARTICLE IX

### DISCHARGE OF OBLIGATIONS

Section 9.1. Discharge of Installment Payments. Notwithstanding any other provision of this Agreement, the District may on any date secure the payment of Installment Payments in whole or in part by irrevocably depositing with the Trustee, an escrow agent or other fiduciary, an amount of cash which is either (a) sufficient to pay all such Installment Payments in accordance with the Installment Payment schedule set forth in Exhibit C, or (b) invested in whole or in part in non-callable Government Obligations in such amount as will, together with interest to accrue thereon and together with any cash which is so deposited, in the written opinion of an Independent Certified Public Accountant, be fully sufficient to pay all such Installment Payments when due pursuant to Article IV, or when due on any optional prepayment date pursuant to Article VII, as the District shall instruct at the time of the deposit. In the event of a security deposit pursuant to this Section 9.1 with respect to all of the Installment Payments, all obligations of the District under this Agreement, and all security provided by this Agreement for such obligations, shall cease and terminate, excepting only the obligation of the District to make, or cause to be made, all of such Installment Payments from such security deposit, and the obligation of the District to pay all required Additional Payments pursuant to Section 4.3. The security deposit shall be deemed to be and shall constitute a special fund for the payment of Installment Payments in accordance with the provisions of this Agreement.



In the event that Certificates are discharged under Article X of the Trust Agreement from amounts other than prepayments of Installment Payments, the principal component of each succeeding Installment Payment will be reduced (with the interest component of each remaining Installment Payment reduced correspondingly) by the aggregate corresponding amount which would otherwise be payable with respect to the Certificates thereby discharged pursuant to the applicable provisions of the Trust Agreement.

Section 9.2. Credit for Amounts on Deposit. In the event of prepayment of the principal components of the Installment Payments in full under this Article IX, such that the Trust Agreement shall be discharged by its terms as a result of such prepayment, and upon payment in full of all Additional Payments and other amounts then due and payable hereunder, all available amounts then on deposit in the funds and accounts established under the Trust Agreement shall be credited towards the amounts then required to be so prepaid or upon the Written Request of the District.

## ARTICLE X

### MISCELLANEOUS

Section 10.1. Liability of District Limited to Net Revenues. Notwithstanding anything contained herein, the District shall not be required to advance any moneys derived from any source of income other than Net Revenues for the payment of the 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 Installment Payments and any other payments hereunder is a special obligation of the District payable solely from the Net Revenues, and does not constitute a debt of the District or of the State or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Section 10.2. Successor Is Deemed Included in all References to Predecessor. Whenever either the District or the Corporation 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 or the Corporation, and all assignees of the District or the Corporation permitted hereunder. All agreements and covenants required hereby to be performed by or on behalf of the District or the Corporation shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 10.3. Waiver of Personal Liability. No director, officer or employee of the District shall be individually or personally liable for the payment of the Installment Payments or be subject to any personal liability by reason of the execution of this Agreement or the execution and delivery of the Certificates.

Section 10.4. 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 Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

Section 10.5. 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 Corporation 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 Corporation hereby declare that they would have executed this 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 10.6. Assignment; Third-Party Beneficiary. The District acknowledges and agrees that the Installment Payments, and certain of the Corporation's rights under this Agreement will be assigned to the Trustee. The District consents to such assignment. In addition to the rights and remedies assigned by the Corporation to the Trustee, to the extent that the Trust Agreement and this Agreement confer upon or gives or grants to the Trustee any right, remedy or claim under or by reason of the Trust Agreement or this Agreement, the Trustee is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred given or granted.

Section 10.7. California Law. This Agreement shall be construed and governed in accordance with the laws of the State with respect to contracts entered into and to be performed in the State.

Section 10.8. Effective Date. This Agreement shall become effective upon its execution and delivery, and shall terminate when the provisions of Article IX have been satisfied.

Section 10.9. Execution in Counterparts; Electronic Signatures. This 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. Each of the parties hereto agrees that the transaction consisting of this Agreement may be conducted by electronic means. Each party agrees and acknowledges that it is such party's intent that if such party signs this Agreement using an electronic signature it is signing, adopting, and accepting this Agreement and that signing this Agreement using an electronic signature is the legal equivalent of having placed its handwritten signature on this Agreement in usable format.

Section 10.10. Indemnification of Corporation and Trustee. To the fullest extent permitted by law, the District agrees to indemnify and save the Corporation and the Trustee and their respective officers, agents, directors, employees, successors and assigns harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (a) the use,

maintenance, condition or management of, or from any work or thing done on the Enterprise by the District, (b) any breach or default on the part of the District in the performance of any of its obligations under this Agreement, (c) any negligence or willful misconduct of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Enterprise, (d) any act or negligence of any sublessee of the

District with respect to the Enterprise, (e) the performance by the Trustee of its duties and obligations under the Trust Agreement, and in connection with this Installment Purchase Agreement and any document executed herewith or therewith, (f) the presence on, under or about, or release from, the Enterprise of any substance, material or waste which is, or which becomes, regulated or classified as hazardous or toxic under State, federal or local law, or (g) the offer, sale, execution and delivery of the Certificates. No indemnification is made under this Section 10.10 or elsewhere in this Agreement for the negligence, willful misconduct, or breach of duty under the Trust Agreement by the Trustee, or its officers, employees, successors or assigns. The rights of the Trustee and the obligations of the District under this Section 10.10 shall survive the termination of this Agreement or the resignation or removal of the Trustee.

Section 10.11. Amendments. This Agreement may only be amended in accordance with the terms applicable to the Corporation in Section 6.02 of the Trust Agreement and any other limitations to amendment of this Agreement with respect to any Parity Obligations.

[Signatures follow on next page]

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

NIPOMO COMMUNITY SERVICES DISTRICT

By: \_\_\_\_\_  
President

NIPOMO COMMUNITY SERVICES DISTRICT  
PUBLIC FACILITIES CORPORATION

By: \_\_\_\_\_  
Executive Director

EXHIBIT A  
DESCRIPTION OF THE PROJECT

Prior Project

*2003 Project.*

The construction capital improvements to the Enterprise relating to the 2003 COPs, , including two water transmission mains and a one-million gallon water storage facility, including any change orders or additions.

*2013 Project.*

The capital improvements to the Enterprise described in Exhibit B to the Installment Sale Agreement, dated June 1, 2013, between the Corporation and the District, relating to the 2013 COPs, including:

Phase 1 of the Supplemental Water Project, including but not limited to approximately 4,800 lineal feet of 18 inch diameter ductile iron pipe (DIP) waterline, 2,600 lineal feet of 24 inch nominal inside diameter high-density polyethylene (HDPE) pipe under the Santa Maria River, 2,726 lineal feet of 24 inch diameter DIP waterline, a flow meter and flow control station, a 400-gallon per minute (gpm) pump station with two (2) pumps, a chloramination system, and related power, back-up power, controls and instrumentation systems, a pressure reducing station, and chloramination systems at four (4) existing District production wells, including any change orders or additions; provided that improvements may be added or substituted to the extent directed by the District so long as such improvements constitute public capital improvements relating to the Enterprise.

2024 Project

Capital improvements to the Enterprise, including, but not limited to, primarily the following improvements:

Construction of a one million gallon potable water storage tank at the Foothill tank site at Tefft Street and Foothill Road.

EXHIBIT B

PRINCIPAL COMPONENTS OF INSTALLMENT PAYMENTS

The principal components of the Installment Payments shall consist of the sum of the following amounts, with each such principal component being payable five (5) days prior to the due date for such principal component set forth below, or if such day is not a Business Day, then the preceding Business Day, and with each such principal component bearing interest at the interest rate per annum set forth below:

<u>Due Date (September 1)</u>	<u>Principal Component</u>	<u>Interest Rate</u>
2025		
2026		
2027		
2028		
2029		
2030		
2031		
2032		
2033		
2034		
2035		
2036		
2037		
2038		
2039		
2040		
2041		
2042		
2043		
2044		
2045		
2046		
2047		
2048		
2049		
<b>Total</b>	<u>\$[PAR AMOUNT]</u>	

EXHIBIT C

SCHEDULE OF INSTALLMENT PAYMENTS AS OF CLOSING DATE

As of the Closing Date, the Installment Payments consist of the following amounts of principal and interest and are payable on Installment Payment Dates which are five (5) days prior to each of the dates set forth below (or if such day is not a Business Day, then the preceding Business Day):

<u>Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Payment Total</u>	<u>Annual Total</u>
09/01/24				
03/01/25				
09/01/25				
03/01/26				
09/01/26				
03/01/27				
09/01/27				
03/01/28				
09/01/28				
03/01/29				
09/01/29				
03/01/30				
09/01/30				
03/01/31				
09/01/31				
03/01/32				
09/01/32				
03/01/33				
09/01/33				
03/01/34				
09/01/34				
03/01/35				
09/01/35				
03/01/36				
09/01/36				
03/01/37				
09/01/37				
03/01/38				
09/01/38				
03/01/39				
09/01/39				
03/01/40				
09/01/40				
03/01/41				
09/01/41				
03/01/42				
09/01/42				
03/01/43				
09/01/43				
03/01/44				
09/01/44				
03/01/45				
09/01/45				
03/01/46				

<u>Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Payment Total</u>	<u>Annual Total</u>
09/01/46				
03/01/47				
09/01/47				
03/01/48				
09/01/48				
Total	\$[PAR AMOUNT].00			



SEPTEMBER 11, 2024

ITEM E-1

ATTACHMENT E

---

---

**2013 COPs ESCROW AGREEMENT**

**by and between**

**NIPOMO COMMUNITY SERVICES DISTRICT**

**and**

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,  
as Escrow Agent and 2013 Trustee**

**Dated as of October 1, 2024**

**Nipomo Community Services District  
Revenue Certificates of Participation  
(Supplemental Water Project)  
Series 2013**

---

---

## 2013 COPS ESCROW AGREEMENT

**THIS 2013 COPS ESCROW AGREEMENT** (this “Escrow Agreement”), dated as of October 1, 2024, is by and between the NIPOMO COMMUNITY SERVICES DISTRICT, a special district organized and existing under the laws of the State of California (the “District”), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association organized and existing under the laws of the United States of America, as escrow agent (the “Escrow Agent”) and as trustee (the “2013 Trustee”) to under the 2013 Trust Agreement referenced below.

### WITNESSETH:

**WHEREAS**, to finance the acquisition, construction and installation of certain additional improvements to the water system owned and operated by the District (the “2013 Project”), the District has heretofore purchased the 2013 Project from the Nipomo Community Services District Public Facilities Corporation (the “Corporation”), and the Corporation has heretofore sold the 2013 Project to the District, for the installment payments (the “2013 Installment Payments”) to be made by the District pursuant to the Installment Sale Agreement, dated as of June 1, 2013 (the “2013 Installment Sale Agreement”), by and between the District and the Corporation;

**WHEREAS**, to provide the funds necessary to finance the 2013 Project, the District caused the execution and delivery of the Nipomo Community Services District Revenue Certificates of Participation (Supplemental Water Project) Series 2013 (the “2013 COPS”), evidencing direct, undivided fractional interests in the related 2013 Installment Payments, pursuant to the Trust Agreement, dated as of June 1, 2013 (the “2013 Trust Agreement”), by and among the 2013 Trustee, the Corporation and the District;

**WHEREAS**, the District has determined to refinance the 2013 Project by paying and prepaying the remaining principal components of the 2013 Installment Payments (the “Refunded Installment Payments”), and the interest components thereof to the date of prepayment, thereby causing to be defeased and prepaid all of the currently outstanding 2013 COPS, being more particularly identified in **Exhibit A**, in the aggregate principal amount of \$8,035,000;

**WHEREAS**, to provide the funds necessary to defease, pay and prepay the Refunded Installment Payments and for certain other purposes, the District has caused to be executed and delivered the Nipomo Community Services District Water Revenue Certificates of Participation, Series 2024 (the “Certificates”), evidencing principal in the aggregate amount of \$[par amount], pursuant to the Trust Agreement, dated as of October 1, 2024 (the “Trust Agreement”), by and among The Bank of New York Mellon Trust Company, N.A., as trustee, the Corporation and the District;

**WHEREAS**, in accordance with the 2013 Trust Agreement, the prepayment of the Refunded Installment Payments will be applied to the prepayment of the outstanding 2013 COPS on [January 27, 2025] (the “Prepayment Date”) at a prepayment price equal to the principal components thereof plus accrued interest component, without premium (the “Prepayment Price”), pursuant to this Escrow Agreement as set forth on **Exhibit A**;

**WHEREAS**, pursuant to the Trust Agreement, the Trustee will transfer a portion of the proceeds of the Certificates to the Escrow Agent, along with certain other money, to enable the Escrow Agent to purchase securities in order to pay the 2013 COPs and discharge and satisfy the covenants, agreements and other obligations of the District to the holders of the 2013 COPs under the 2013 Trust Agreement; and

**WHEREAS**, the purchase and deposit of Escrow Securities (as defined below) and the deposit of the Cash Amount (as defined below) with the Trustee will accomplish the discharge and satisfaction of the covenants, agreements and other obligations of the District to the holders of the 2013 COPs under the 2013 Trust Agreement;

**NOW THEREFORE**, in consideration of the foregoing and of the mutual covenants hereinafter set forth, the parties hereto agree as follows:

**Section 1. Definitions.** All capitalized terms used herein and not otherwise defined herein shall have the same meanings in this Escrow Agreement as such terms are given in the 2013 Trust Agreement. Reference herein to or citation herein of any provisions of the 2013 Trust Agreement shall be deemed to incorporate the same as a part hereof in the same manner and with the same effect as if the same were fully set forth herein.

**Section 2. Escrow Agent.** The Bank of New York Mellon Trust Company, N.A., is hereby appointed as Escrow Agent by the District and, by its execution and delivery hereof, The Bank of New York Mellon Trust Company, N.A., accepts appointment as Escrow Agent hereunder.

**Section 3. The 2013 COPs Escrow Fund.** (a) There is hereby established a fund (the "2013 COPs Escrow Fund") to be held as an irrevocably pledged escrow by the Escrow Agent, which the Escrow Agent shall keep separate and apart from all other funds of the District and the Escrow Agent and to be applied solely as provided in this Escrow Agreement. Pending application as provided in this Escrow Agreement, amounts on deposit in the 2013 COPs Escrow Fund are hereby pledged solely to the payment of the interest evidenced by the 2013 COPs to and including the Prepayment Date and the payment of the Prepayment Price on the Prepayment Date, which amounts shall be held in trust by the Escrow Agent for the Owners of the 2013 COPs.

(b) The 2013 Trustee is hereby instructed to liquidate any investments held in the funds and accounts established under the 2013 Trust Agreement. [The 2013 Trustee has informed the District that there is no less than \$ \_\_\_\_\_ on deposit in such funds and accounts and is hereby instructed to transfer \$ \_\_\_\_\_ (the "District Funds") for deposit in the 2013 COPs Escrow Fund.] Upon the execution and delivery of the Certificates, there shall be deposited in the 2013 COPs Escrow Fund \$ \_\_\_\_\_ received from the proceeds of the sale of the Certificates [and \$ \_\_\_\_\_ from the District Funds, for a total of \$ \_\_\_\_\_] (the "2013 COPs Escrow Deposit").

(c) The District directs the Escrow Agent, and the Escrow Agent agrees, to deposit the 2013 COPs Escrow Deposit in the 2013 COPs Escrow Fund and to apply amounts credited to the 2013 COPs Escrow Fund to the purchase of the Defeasance Obligations listed in **Exhibit B** (such Defeasance Obligations together with any Defeasance Obligations substituted therefor and any

Defeasance Obligations purchased pursuant to Section 4 or Section 5 hereof are collectively referred to herein as the "Escrow Securities"), which, as provided in Section 6 hereof, are intended to mature at times and in amounts sufficient (excluding reinvestment earnings) to pay principal or prepayment price of and interest when due with respect to the 2013 COPs, as applicable. Except as otherwise provided below under paragraph (b) of Section 4 with respect to the Escrow Securities, the Escrow Agent shall have no power or duty to invest any money held hereunder or to make substitutions of the Escrow Securities held hereunder or to sell, transfer, or otherwise dispose of the Escrow Securities or money acquired hereunder except in accordance with written instructions of the District. Any amounts derived from Escrow Securities not required to be applied to the payment of the principal or prepayment price of and interest when due with respect to the 2013 COPs shall, to the extent practicable, be reinvested at the written direction of the District.

**Section 4. Investment of 2013 COPs Escrow Fund.** (a) Other than as hereinafter provided in this Section 4, or in Section 5 below, with respect to any amounts received from principal or interest payments on such Escrow Securities (as defined above) remaining in the 2013 COPs Escrow Fund, and principal or prepayment price of and interest due or to become due with respect to the 2013 COPs, the Escrow Agent shall leave such amounts received from the maturing principal of and interest on the Escrow Securities to the extent not then used to pay the principal or prepayment price of or interest with respect to 2013 COPs uninvested in the Escrow Fund.

(b) The District hereby directs the Escrow Agent to enter into this Escrow Agreement, and to invest and reinvest the amount held in the Escrow Fund pursuant to the terms hereof. The Escrow Agent hereby agrees that it will take all of the actions required to be taken by it in its capacity as Trustee under the Trust Agreement and as Escrow Agent hereunder in order to effectuate this Escrow Agreement. The liability of the Escrow Agent for the payment of the 2013 COPs, pursuant to this paragraph and the 2013 Trust Agreement shall be limited to the application thereto of the Escrow Securities and the interest earnings thereon available for such purposes in the 2013 COPs Escrow Fund. The Escrow Agent shall have no responsibility for any investment losses resulting from the investment, reinvestment, liquidation or substitution of Escrow Securities in accordance with the written direction of the District or the failure of the District to provide timely written investment direction, if it shall become necessary. The Escrow Agent shall invest amounts held in the Escrow Fund in accordance with the terms of this Escrow Agreement, but in the absence of reinvestment instructions from the District (if the same become necessary), the Escrow Agent shall hold the money held by it hereunder uninvested, and shall not be liable for the payment of any interest on such uninvested funds. The Escrow Agent, at the written direction of the District and upon receipt of the opinions and certificates described below, shall invest and reinvest in Defeasance Obligations any money remaining from time to time in the 2013 COPs Escrow Fund until needed to provide for the payment of the principal or prepayment price of and interest with respect to the 2013 COPs, except as provided by Section 5 below. Such money shall be reinvested at the direction of the District in Defeasance Obligations maturing no later than when required to meet an interest or principal payment with respect to the 2013 COPs, and at such interest rates or yields and for such periods that the District shall direct, provided that the Escrow Agent shall have received (i) a written opinion of a lawyer or a firm of lawyers nationally recognized in the field of municipal finance and satisfactory to the Escrow Agent (an "Opinion of Counsel") to the effect that such reinvestment of such money and the interest rates or yields on such money and substitute Defeasance Obligations will not adversely affect the exclusion of

interest on the Certificates and the 2013 COPs from gross income for federal income tax purposes and (ii) a certification from a nationally recognized verification agent that, immediately following such transaction, the principal of and interest on the Defeasance Obligations in the 2013 COPs Escrow Fund when due and paid will, without reinvestment, together with any other money or securities held in the 2013 COPs Escrow Fund for such purpose, be sufficient to pay the principal of, prepayment premium, if any, and interest with respect to the 2013 COPs when due.

**Section 5. Withdrawals.** The District may withdraw from the 2013 COPs Escrow Fund at any time money or Defeasance Obligations not then or thereafter needed to pay the principal or prepayment price of and interest due or to become due with respect to the 2013 COPs resulting from any activity described in Sections 3 or 4 above or any other action of the District permitted by the Trust Agreement (including that certain of the 2013 COPs have ceased to be Outstanding by virtue of the fact that such 2013 COPs have been acquired by the Escrow Agent or the Trustee at the direction of the District) or this Escrow Agreement; the District shall provide to the Trustee a certification from a nationally recognized verification agent that after any such withdrawal the principal of and interest on the money and securities on deposit in the 2013 COPs Escrow Fund, together with other money or securities held in the 2013 COPs Escrow Fund for such purpose, shall be sufficient to pay without reinvestment, when due, the principal or prepayment price of and interest with respect to the 2013 COPs.

**Section 6. Verification.** The District hereby represents, warrants and certifies to the Escrow Agent that the Escrow Securities deposited in the 2013 COPs Escrow Fund are and shall be Defeasance Obligations and that the Escrow Securities mature at such times and in such amounts such that, based solely upon calculations and certifications made to it by \_\_\_\_\_, verification agent, the maturing principal of and the interest on the Escrow Securities and the cash in the amount of \$ \_\_\_\_\_ not applied to the purchase of the Escrow Securities (the "Cash Amount"), collectively, will be sufficient to pay when due the principal or prepayment price, if applicable, of and interest due and to become due with respect to the 2013 COPs, on and prior to the Prepayment Date or maturity date thereof, as the case may be, provided that amounts received from the Escrow Securities and not needed to pay amounts due with respect to the 2013 COPs, on the date received shall be held uninvested until applied to pay amounts due with respect to the 2013 COPs, or reinvested as provided in Section 4, all in accordance with and in satisfaction of the provisions of the 2013 Trust Agreement and this Escrow Agreement.

**Section 7. Notices of Prepayment and Defeasance.** The District hereby irrevocably designates the 2013 COPs for prepayment on the Prepayment Date. The form of the notice of defeasance required to be mailed pursuant to the requirements of the 2013 Trust Agreement is attached hereto as **Appendix A**, and the District hereby irrevocably instructs the Trustee to deliver such notice at the time and in the manner required by the Trust Agreement. The District directs the Escrow Agent, and the Escrow Agent agrees, to cause the notice of defeasance to be sent to The Electronic Municipal Market Access system administered by the Municipal Securities Rulemaking Board ("EMMA") within five (5) days after the execution and delivery of the Certificates, such notice to be substantially in the form set forth in **Appendix A**. The form of the notice of prepayment required to be mailed pursuant to the requirements of the 2013 Trust Agreement is attached hereto as **Appendix B**, and the District hereby irrevocably instructs the Trustee to deliver such notice at the time and in the manner required by the 2013 Trust Agreement.

**Section 8. Necessary Action.** The District irrevocably covenants that it will take, or cause to be taken, all actions necessary to cause the 2013 COPs to be prepaid on the Prepayment Date, and the Escrow Agent shall have no obligation or liability with respect thereto, except as set forth in this Escrow Agreement.

**Section 9. Irrevocable Deposit.** The deposit of the Escrow Securities and money in the Escrow Fund shall constitute an irrevocable deposit in trust solely for the payment of the 2013 COPs, and the principal of and interest earnings on such Escrow Securities and money shall be used solely for such purposes, as necessary, subject to Sections 4 and 5 hereof.

**Section 10. Transferability.** Neither the District nor the Escrow Agent shall sell, transfer or otherwise dispose of the Escrow Securities or the funds held uninvested under this Escrow Agreement, except as otherwise provided in Sections 4 and 5 hereof and except that the Escrow Agent may effect the transfer of such Escrow Securities or funds to a successor escrow agent in accordance with the 2013 Trust Agreement relating to the transfer of rights and property to successor trustees.

**Section 11. Lien.** Subject to the provisions of Sections 4 and 5 hereof, the lien and pledge hereby created shall be irrevocable and the holders of the 2013 COPs shall have an express lien on all money and Escrow Securities deposited in the 2013 COPs Escrow Fund pursuant to Sections 3, 4 and 5 hereof and the interest earnings thereon until paid out, used and applied in accordance with this Escrow Agreement. Nothing in this Escrow Agreement shall be deemed to imply that the 2013 COPs have been paid or deemed paid by reason of the execution of this Escrow Agreement.

**Section 12. Compensation and Indemnification.** In consideration of the services rendered by the Escrow Agent under this Escrow Agreement, the District agrees to and shall pay to the Escrow Agent such fees and expenses as the District and the Escrow Agent shall agree in writing, including all reasonable expenses, charges, counsel fees and other disbursements incurred by the Escrow Agent or by its attorneys, agents and employees in and about the performance of their powers and duties hereunder, from any money of the District lawfully available therefor, and the Escrow Agent shall have no lien, claim, or right of setoff whatsoever upon or against any of the Escrow Securities, Defeasance Obligations, or the funds held uninvested in said Escrow Fund for the payment of such fees and expenses. The District further agrees, to the extent permitted by law, to indemnify and save the Escrow Agent, any successor escrow agent, and its officers, directors, agents, and employees harmless against any extraordinary expenses, services or liabilities that it may incur as a result of entering into this Escrow Agreement or that it may incur in the exercise and performance of its powers and duties hereunder and which are not due to the Escrow Agent's willful misconduct or bad faith. If the Escrow Agent shall be subsequently called upon by the District to exercise any discretionary rights or powers that are vested in the Escrow Agent by this Escrow Agreement but not expressly mandated by this Escrow Agreement, then the Escrow Agent shall be under no obligation to exercise such rights or powers unless such the District shall have offered to the Escrow Agent security or indemnity satisfactory to the Escrow Agent against the costs, expenses and liabilities that might be incurred by it in compliance with such request or direction. The provisions of this Section 12 shall survive the discharge of this Escrow Agreement or the earlier resignation or removal of the Escrow Agent.

**Section 13. 2013 Trust Agreement.** The District hereby acknowledges that the rights, duties, immunities and indemnities of the Trustee set out in Article IX of the 2013 Trust Agreement, and the obligations of the District in respect thereof shall be applicable to the Trustee in its capacity as Escrow Agent hereunder.

**Section 14. Responsibilities of Escrow Agent.** The Escrow Agent makes no representation as to the sufficiency of the funds deposited in accordance with Section 3(b) to accomplish the prepayment of the 2013 COPs pursuant to the 2013 Trust Agreement or to the validity of this Escrow Agreement as to the District and, except as otherwise provided herein, the Escrow Agent shall incur no liability in respect thereof. The Escrow Agent shall not be liable in connection with the performance of its duties under this Escrow Agreement except for its own negligence, willful misconduct or default, and the duties and obligations of the Escrow Agent shall be determined by the express provisions of this Escrow Agreement. The Escrow Agent may consult with counsel, who may or may not be counsel to the District, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established 2013 to taking, suffering, or omitting any action under this Escrow Agreement, such matter (except the matters set forth herein as specifically requiring a certificate of a nationally recognized firm of independent certified public accountants or an opinion of counsel of recognized standing in the field of law relating to municipal bonds) may be deemed to be conclusively established by a written certification of the District.

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

The Escrow Agent undertakes to perform only such duties as are expressly set forth in this Agreement and no implied duties, covenants or obligations shall be read into this Agreement against the Escrow Agent.

No provision of this Escrow Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers.

The Escrow Agent may resign by giving written notice to the District, and upon receipt of such notice the District shall promptly appoint a successor Escrow Agent. If the District does not appoint a successor Escrow Agent within thirty (30) days of receipt of such notice, the resigning Escrow Agent may petition a court of competent jurisdiction for the appointment of a successor Escrow Agent, which court may thereupon, upon such notice as it shall deem proper, appoint a successor Escrow Agent. Upon acceptance of appointment by a successor Escrow Agent, the



resigning Escrow Agent shall transfer all amounts held by it in the 2013 COPs Escrow Fund to such successor Escrow Agent and be discharged of any further obligation or responsibility hereunder.

**Section 15. Notices.** (a) All notices and communications to the District shall be addressed in writing to:

Nipomo Community Services District  
148 South Wilson Street  
Nipomo, CA 93444  
Attention: General Manager

or at such other address as is furnished from time to time by the District.

All notices and communications to the Escrow Agent shall be addressed in writing to:

The Bank of New York Mellon Trust Company, N.A.  
333 S. Hope St., Suite 2525  
Los Angeles, California 90071  
Attention: Corporate Trust

or at such other address as is furnished from time to time by the Escrow Agent.

(b) The Escrow Agent shall have the right to accept and act upon instructions, including funds transfer instructions (“Instructions”) given pursuant to this Agreement and delivered using Electronic Means (as defined below); provided, however, that the District shall provide to the Escrow Agent an incumbency certificate listing officers with the authority to provide such Instructions (“Authorized Officers”) and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the District whenever a person is to be added or deleted from the listing. If the District elects to give the Escrow Agent Instructions using Electronic Means and the Escrow Agent in its discretion elects to act upon such Instructions, the Escrow Agent’s understanding of such Instructions shall be deemed controlling. The District understands and agrees that the Escrow Agent cannot determine the identity of the actual sender of such Instructions and that the Escrow Agent shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Escrow Agent have been sent by such Authorized Officer. The District shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Escrow Agent and that the District and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and authentication keys upon receipt by the District. The Escrow Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Agent’s reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The District agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Escrow Agent, including without limitation the risk of the Escrow Agent acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Escrow Agent and that there may be more secure methods of

transmitting Instructions than the method(s) selected by the District; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Escrow Agent immediately upon learning of any compromise or unauthorized use of the security procedures.

“Electronic Means” shall mean the following communications methods: e-mail, secure electronic transmission containing applicable authorization codes, passwords or authentication keys issued by the Escrow Agent, or another method or system specified by the Escrow Agent as available for use in connection with its services hereunder.

**Section 16. Term.** This Agreement shall terminate when the Escrow Agent shall have transferred all amounts to be transferred hereunder in accordance with **Exhibit C** hereto.

**Section 17. Amendments.** The District and the Escrow Agent may (but only with the consent of the Owners of all of the 2013 COPs) amend this Escrow Agreement or enter into agreements supplemental to this Escrow Agreement.

**Section 18. Severability.** If any one or more of the covenants or agreements provided in this Escrow Agreement on the part of the District or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void and shall be deemed separate from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Escrow Agreement.

**Section 19. Counterparts.** This Escrow Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as an original but all of which shall constitute and be but one and the same instrument.

**Section 20. Governing Law.** This Escrow Agreement shall be construed under the laws of the State of California.

[Remainder of page intentionally left blank]

**IN WITNESS WHEREOF**, the parties hereto have executed this Escrow Agreement as of the date first above written.

**THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A.,**  
as Escrow Agent and 2013 Trustee

By: \_\_\_\_\_  
Authorized Officer

**NIPOMO COMMUNITY SERVICES DISTRICT**

By: \_\_\_\_\_  
Raymond Dienzo, General Manager

PAYMENT REQUIREMENTS OF THE 2013 COPS

<b>Prepayment <u>Date</u></b>	<b><u>Interest</u></b>	<b>Principal <u>Prepaid</u></b>	<b><u>Total</u></b>
-----------------------------------	------------------------	-------------------------------------	---------------------

Defeasance Obligations

Maturity Date	Type	Interest Rate	Price	Par Amount	Principal Cost	Accrued Interest	Total Cost
		%	100%	\$	\$	\$	\$
Total				\$	\$	\$	\$

Cash Amount = \$\_\_\_\_\_.

Escrow Cash Flows

APPENDIX A

NOTICE OF DEFEASANCE

NIPOMO COMMUNITY SERVICES DISTRICT  
REVENUE CERTIFICATES OF PARTICIPATION  
(Supplemental Water Project)  
Series 2013

<b>Maturity Date (September 1)</b>	<b>Principal Amount Outstanding</b>	<b>CUSIP Number* ( )</b>
2025		
2026		
2027		
2028		
2029		
2030		
2031		
2032		

NOTICE IS HEREBY GIVEN that on October \_\_, 2024, the Nipomo Community Services District (the “District”) caused to be deposited with The Bank of New York Mellon Trust Company, N.A., as escrow agent (the “Escrow Agent”), pursuant to an 2013 COPs Escrow Agreement, dated as of October 1, 2024, by and between the District and the Escrow Agent, proceeds of its Water Revenue Certificates of Participation, Series 2024, together with other available monies, which will be sufficient to prepay on [January 27, 2025] (the “Prepayment Date”) all of the principal components of Installment Payments evidenced by the District’s outstanding Revenue Certificates of Participation (Supplemental Water Project) Series 2013 (the “2013 COPs”), plus accrued interest components evidenced thereby to the Prepayment Date, without premium (the “Prepayment Price”). The Escrow Agent is obligated to pay or cause to be paid to the Owners of the 2013 COPs all sums due thereon, but only from moneys deposited with the Escrow Agent as described in this paragraph. As a result of such deposit, the 2013 COPs are deemed to have been paid in accordance with the applicable provisions of the Trust Agreement, dated as of June 1, 2013, by and among The Bank of New York Mellon Trust Company, N.A., as successor Trustee, the Nipomo Community Services District Financing Corporation and the District, pursuant to which the 2013 COPs were executed and delivered.

Dated: \_\_\_\_\_, 2024

By: THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A., as Trustee and Escrow Agent on  
behalf of the Nipomo Community Services District

\* CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (CGS), managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Neither the District nor the Trustee/Escrow Agent shall have any responsibility for any defect in the CUSIP numbers that appear in this defeasance notice. The CUSIP numbers have been assigned by an independent service for convenience of reference, and neither the District nor the Trustee/Escrow Agent shall not be liable for any inaccuracy in such number.

**APPENDIX B**

**NOTICE OF OPTIONAL PREPAYMENT**

**NIPOMO COMMUNITY SERVICES DISTRICT  
REVENUE CERTIFICATES OF PARTICIPATION  
(SUPPLEMENTAL WATER PROJECT) SERIES 2013**

NOTICE IS HEREBY GIVEN to the owners of the above-captioned Certificates of Participation that the Certificates of Participation listed below (the "Certificates"), executed and delivered pursuant to the Trust Agreement, dated as of June 1, 2013 (the "Trust Agreement"), by and among the Nipomo Community Services District (the "District"), the Nipomo Community Services District Public Facilities Corporation (the "Corporation"), and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), have been called for prepayment on [January 27, 2025] (the "Prepayment Date"), pursuant to the provisions of the Trust Agreement.

The Certificates called for prepayment have the maturity date, principal amount, CUSIP Number and prepayment price as set forth below:

<b>Maturity Date (September 1)</b>	<b>Principal Amount</b>	<b>CUSIP<sup>†</sup> (Base No: _____)</b>	<b>Prepayment Price</b>
2025			100%
2026			100
2027			100
2028			100
2029			100
2030			100
2031			100
2032			100

Owners of the Certificates should surrender said Certificates on the Prepayment Date at the following address:

First Class/Registered/Certified/Express/Hand Deliver Only

BNY Mellon Corp Trust  
Attn: Transfers/Redemption  
2001 Bryan Street 10th Floor  
Dallas, TX 75201

Additional information regarding the foregoing actions may be obtained from The Bank of New York Mellon Trust Company, N.A., Corporate Trust Department, Bondholder Relations, telephone number (800) 254-2826.



IMPORTANT NOTICE. Under the Jobs and Growth Tax Relief Reconciliation Act of 2003, federal backup withholding tax will be withheld at the applicable backup withholding rate in effect at the time the payment is made if the tax identification number is not properly certified.

Neither the District or the Trustee shall be held responsible for the selection or use of the CUSIP number, nor is any representation made as to its corrections indicated in this Notice of Optional Prepayment. It is included solely for convenience of the owners of the Certificates.

Failure to receive this Notice of Optional Prepayment or any immaterial defect contained herein shall not affect the sufficiency of the prepayment proceedings as provided in the Trust Agreement.

DATED: \_\_\_\_\_

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

SEPTEMBER 11, 2024

ITEM E-1

ATTACHMENT F

---

---

**2013A BONDS ESCROW AGREEMENT**

**by and between**

**NIPOMO COMMUNITY SERVICES DISTRICT**

**and**

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,  
as Escrow Agent and 2013 Trustee**

**Dated as of October 1, 2024**

**Nipomo Community Services District  
Water Revenue Refunding Bonds, Series 2013A**

---

---

## 2013A BONDS ESCROW AGREEMENT

**THIS 2013A Bonds ESCROW AGREEMENT** (this “Escrow Agreement”), dated as of October 1, 2024, is by and between the NIPOMO COMMUNITY SERVICES DISTRICT, a special district organized and existing under the laws of the State of California (the “District”), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association organized and existing under the laws of the United States of America, as escrow agent (the “Escrow Agent”) and as trustee (the “2013 Trustee”) to under the 2013 Trust Agreement referenced below.

### WITNESSETH:

**WHEREAS**, to refinance the acquisition, construction and installation of certain additional improvements to the water system owned and operated by the District (the “2003 Project”), the District caused the issuance of the Nipomo Community Services District Water Revenue Refunding Bonds, Series 2013A (the “2013A Bonds”), pursuant to the Trust Agreement, dated as of June 1, 2013 (the “2013 Trust Agreement”), by and between the 2013 Trustee and the District;

**WHEREAS**, the District has determined to refinance the 2013 Project by redeeming all of the currently outstanding 2013A Bonds, being more particularly identified in **Exhibit A**, in the aggregate principal amount of \$1,505,000;

**WHEREAS**, to provide the funds necessary to defease and redeem the 2013A Bonds and for certain other purposes, the District has caused to be executed and delivered the Nipomo Community Services District Water Revenue Certificates of Participation, Series 2024 (the “Certificates”), evidencing principal in the aggregate amount of \$[par amount], pursuant to the Trust Agreement, dated as of October 1, 2024 (the “Trust Agreement”), by and among The Bank of New York Mellon Trust Company, N.A., as trustee, the Corporation and the District;

**WHEREAS**, in accordance with the 2013 Trust Agreement, the outstanding 2013A Bonds will be redeemed on [January 27, 2025] (the “Redemption Date”) at a redemption price equal to the principal thereof plus accrued interest thereon, without premium (the “Redemption Price”), pursuant to this Escrow Agreement as set forth on **Exhibit A**;

**WHEREAS**, pursuant to the Trust Agreement, the Trustee will transfer a portion of the proceeds of the Certificates to the Escrow Agent, along with certain other money, to enable the Escrow Agent to purchase securities in order to redeem the 2013A Bonds and discharge and satisfy the covenants, agreements and other obligations of the District to the holders of the 2013A Bonds under the 2013 Trust Agreement; and

**WHEREAS**, the purchase and deposit of Escrow Securities (as defined below) and the deposit of the Cash Amount (as defined below) with the Trustee will accomplish the discharge and satisfaction of the covenants, agreements and other obligations of the District to the holders of the 2013A Bonds under the 2013 Trust Agreement;

**NOW THEREFORE**, in consideration of the foregoing and of the mutual covenants hereinafter set forth, the parties hereto agree as follows:

**Section 1. Definitions.** All capitalized terms used herein and not otherwise defined herein shall have the same meanings in this Escrow Agreement as such terms are given in the 2013 Trust Agreement. Reference herein to or citation herein of any provisions of the 2013 Trust Agreement shall be deemed to incorporate the same as a part hereof in the same manner and with the same effect as if the same were fully set forth herein.

**Section 2. Escrow Agent.** The Bank of New York Mellon Trust Company, N.A., is hereby appointed as Escrow Agent by the District and, by its execution and delivery hereof, The Bank of New York Mellon Trust Company, N.A., accepts appointment as Escrow Agent hereunder.

**Section 3. The 2013A Bonds Escrow Fund.** (a) There is hereby established a fund (the "2013A Bonds Escrow Fund") to be held as an irrevocably pledged escrow by the Escrow Agent, which the Escrow Agent shall keep separate and apart from all other funds of the District and the Escrow Agent and to be applied solely as provided in this Escrow Agreement. Pending application as provided in this Escrow Agreement, amounts on deposit in the 2013A Bonds Escrow Fund are hereby pledged solely to the payment of the interest on the 2013A Bonds to and including the Redemption Date and the payment of the Redemption Price on the Redemption Date, which amounts shall be held in trust by the Escrow Agent for the Owners of the 2013A Bonds.

(b) The 2013 Trustee is hereby instructed to liquidate any investments held in the funds and accounts established under the 2013 Trust Agreement. [The 2013 Trustee has informed the District that there is no less than \$\_\_\_\_\_ on deposit in such funds and accounts and is hereby instructed to transfer \$\_\_\_\_\_ (the "District Funds") for deposit in the 2013A Bonds Escrow Fund.] Upon the execution and delivery of the Certificates, there shall be deposited in the 2013A Bonds Escrow Fund \$\_\_\_\_\_ received from the proceeds of the sale of the Certificates [and \$\_\_\_\_\_ from the District Funds, for a total of \$\_\_\_\_\_] (the "2013A Bonds Escrow Deposit").

(c) The District directs the Escrow Agent, and the Escrow Agent agrees, to deposit the 2013A Bonds Escrow Deposit in the 2013A Bonds Escrow Fund and to apply amounts credited to the 2013A Bonds Escrow Fund to the purchase of the Defeasance Obligations listed in **Exhibit B** (such Defeasance Obligations together with any Defeasance Obligations substituted therefor and any Defeasance Obligations purchased pursuant to Section 4 or Section 5 hereof are collectively referred to herein as the "Escrow Securities"), which, as provided in Section 6 hereof, are intended to mature at times and in amounts sufficient (excluding reinvestment earnings) to pay principal or Redemption Price of and interest when due on the 2013A Bonds, as applicable. Except as otherwise provided below under paragraph (b) of Section 4 with respect to the Escrow Securities, the Escrow Agent shall have no power or duty to invest any money held hereunder or to make substitutions of the Escrow Securities held hereunder or to sell, transfer, or otherwise dispose of the Escrow Securities or money acquired hereunder except in accordance with written instructions of the District. Any amounts derived from Escrow Securities not required to be applied to the payment of the principal or Redemption Price of and interest when due on the 2013A Bonds shall, to the extent practicable, be reinvested at the written direction of the District.

**Section 4. Investment of 2013A Bonds Escrow Fund.** (a) Other than as hereinafter provided in this Section 4, or in Section 5 below, with respect to any amounts received from

principal or interest payments on such Escrow Securities (as defined above) remaining in the 2013A Bonds Escrow Fund, and principal or Redemption Price of and interest due or to become due on the 2013A Bonds, the Escrow Agent shall leave such amounts received from the maturing principal of and interest on the Escrow Securities to the extent not then used to pay the principal or Redemption Price of or interest on the 2013A Bonds uninvested in the Escrow Fund.

(b) The District hereby directs the Escrow Agent to enter into this Escrow Agreement, and to invest and reinvest the amount held in the Escrow Fund pursuant to the terms hereof. The Escrow Agent hereby agrees that it will take all of the actions required to be taken by it in its capacity as Trustee under the Trust Agreement and as Escrow Agent hereunder in order to effectuate this Escrow Agreement. The liability of the Escrow Agent for the payment of the 2013A Bonds, pursuant to this paragraph and the 2013 Trust Agreement shall be limited to the application thereto of the Escrow Securities and the interest earnings thereon available for such purposes in the 2013A Bonds Escrow Fund. The Escrow Agent shall have no responsibility for any investment losses resulting from the investment, reinvestment, liquidation or substitution of Escrow Securities in accordance with the written direction of the District or the failure of the District to provide timely written investment direction, if it shall become necessary. The Escrow Agent shall invest amounts held in the Escrow Fund in accordance with the terms of this Escrow Agreement, but in the absence of reinvestment instructions from the District (if the same become necessary), the Escrow Agent shall hold the money held by it hereunder uninvested, and shall not be liable for the payment of any interest on such uninvested funds. The Escrow Agent, at the written direction of the District and upon receipt of the opinions and certificates described below, shall invest and reinvest in Defeasance Obligations any money remaining from time to time in the 2013A Bonds Escrow Fund until needed to provide for the payment of the principal or Redemption Price of and interest on the 2013A Bonds, except as provided by Section 5 below. Such money shall be reinvested at the direction of the District in Defeasance Obligations maturing no later than when required to meet an interest or principal payment with respect to the 2013A Bonds, and at such interest rates or yields and for such periods that the District shall direct, provided that the Escrow Agent shall have received (i) a written opinion of a lawyer or a firm of lawyers nationally recognized in the field of municipal finance and satisfactory to the Escrow Agent (an "Opinion of Counsel") to the effect that such reinvestment of such money and the interest rates or yields on such money and substitute Defeasance Obligations will not adversely affect the exclusion of interest on the Certificates and the 2013A Bonds from gross income for federal income tax purposes and (ii) a certification from a nationally recognized verification agent that, immediately following such transaction, the principal of and interest on the Defeasance Obligations in the 2013A Bonds Escrow Fund when due and paid will, without reinvestment, together with any other money or securities held in the 2013A Bonds Escrow Fund for such purpose, be sufficient to pay the principal of, redemption premium, if any, and interest on the 2013A Bonds when due.

**Section 5. Withdrawals.** The District may withdraw from the 2013A Bonds Escrow Fund at any time money or Defeasance Obligations not then or thereafter needed to pay the principal or Redemption Price of and interest due or to become due on the 2013A Bonds resulting from any activity described in Sections 3 or 4 above or any other action of the District permitted by the Trust Agreement (including that certain of the 2013A Bonds have ceased to be Outstanding by virtue of the fact that such 2013A Bonds have been acquired by the Escrow Agent or the Trustee at the direction of the District) or this Escrow Agreement; the District shall provide to the Trustee a certification from a nationally recognized verification agent that after any such withdrawal the

principal of and interest on the money and securities on deposit in the 2013A Bonds Escrow Fund, together with other money or securities held in the 2013A Bonds Escrow Fund for such purpose, shall be sufficient to pay without reinvestment, when due, the principal or Redemption Price of and interest on the 2013A Bonds.

**Section 6. Verification.** The District hereby represents, warrants and certifies to the Escrow Agent that the Escrow Securities deposited in the 2013A Bonds Escrow Fund are and shall be Defeasance Obligations and that the Escrow Securities mature at such times and in such amounts such that, based solely upon calculations and certifications made to it by \_\_\_\_\_, verification agent, the maturing principal of and the interest on the Escrow Securities and the cash in the amount of \$\_\_\_\_\_ not applied to the purchase of the Escrow Securities (the "Cash Amount"), collectively, will be sufficient to pay when due the principal or Redemption Price, if applicable, of and interest due and to become due on the 2013A Bonds, on and prior to the Redemption Date or maturity date thereof, as the case may be, provided that amounts received from the Escrow Securities and not needed to pay amounts due on the 2013A Bonds, on the date received shall be held uninvested until applied to pay amounts due on the 2013A Bonds, or reinvested as provided in Section 4, all in accordance with and in satisfaction of the provisions of the 2013 Trust Agreement and this Escrow Agreement.

**Section 7. Notices of Redemption and Defeasance.** The District hereby irrevocably designates the 2013A Bonds for redemption on the Redemption Date. The form of the notice of defeasance required to be mailed pursuant to the requirements of the 2013 Trust Agreement is attached hereto as **Appendix A**, and the District hereby irrevocably instructs the Trustee to deliver such notice at the time and in the manner required by the Trust Agreement. The District directs the Escrow Agent, and the Escrow Agent agrees, to cause the notice of defeasance to be sent to The Electronic Municipal Market Access system administered by the Municipal Securities Rulemaking Board ("EMMA") within five (5) days after the execution and delivery of the Certificates, such notice to be substantially in the form set forth in **Appendix A**. The form of the notice of redemption required to be mailed pursuant to the requirements of the 2013 Trust Agreement is attached hereto as **Appendix B**, and the District hereby irrevocably instructs the Trustee to deliver such notice at the time and in the manner required by the 2013 Trust Agreement.

**Section 8. Necessary Action.** The District irrevocably covenants that it will take, or cause to be taken, all actions necessary to cause the 2013A Bonds to be redeemed on the Redemption Date, and the Escrow Agent shall have no obligation or liability with respect thereto, except as set forth in this Escrow Agreement.

**Section 9. Irrevocable Deposit.** The deposit of the Escrow Securities and money in the Escrow Fund shall constitute an irrevocable deposit in trust solely for the payment of the 2013A Bonds, and the principal of and interest earnings on such Escrow Securities and money shall be used solely for such purposes, as necessary, subject to Sections 4 and 5 hereof.

**Section 10. Transferability.** Neither the District nor the Escrow Agent shall sell, transfer or otherwise dispose of the Escrow Securities or the funds held uninvested under this Escrow Agreement, except as otherwise provided in Sections 4 and 5 hereof and except that the Escrow Agent may effect the transfer of such Escrow Securities or funds to a successor escrow

agent in accordance with the 2013 Trust Agreement relating to the transfer of rights and property to successor trustees.

**Section 11. Lien.** Subject to the provisions of Sections 4 and 5 hereof, the lien and pledge hereby created shall be irrevocable and the holders of the 2013A Bonds shall have an express lien on all money and Escrow Securities deposited in the 2013A Bonds Escrow Fund pursuant to Sections 3, 4 and 5 hereof and the interest earnings thereon until paid out, used and applied in accordance with this Escrow Agreement. Nothing in this Escrow Agreement shall be deemed to imply that the 2013A Bonds have been paid or deemed paid by reason of the execution of this Escrow Agreement.

**Section 12. Compensation and Indemnification.** In consideration of the services rendered by the Escrow Agent under this Escrow Agreement, the District agrees to and shall pay to the Escrow Agent such fees and expenses as the District and the Escrow Agent shall agree in writing, including all reasonable expenses, charges, counsel fees and other disbursements incurred by the Escrow Agent or by its attorneys, agents and employees in and about the performance of their powers and duties hereunder, from any money of the District lawfully available therefor, and the Escrow Agent shall have no lien, claim, or right of setoff whatsoever upon or against any of the Escrow Securities, Defeasance Obligations, or the funds held uninvested in said Escrow Fund for the payment of such fees and expenses. The District further agrees, to the extent permitted by law, to indemnify and save the Escrow Agent, any successor escrow agent, and its officers, directors, agents, and employees harmless against any extraordinary expenses, services or liabilities that it may incur as a result of entering into this Escrow Agreement or that it may incur in the exercise and performance of its powers and duties hereunder and which are not due to the Escrow Agent's willful misconduct or bad faith. If the Escrow Agent shall be subsequently called upon by the District to exercise any discretionary rights or powers that are vested in the Escrow Agent by this Escrow Agreement but not expressly mandated by this Escrow Agreement, then the Escrow Agent shall be under no obligation to exercise such rights or powers unless such the District shall have offered to the Escrow Agent security or indemnity satisfactory to the Escrow Agent against the costs, expenses and liabilities that might be incurred by it in compliance with such request or direction. The provisions of this Section 12 shall survive the discharge of this Escrow Agreement or the earlier resignation or removal of the Escrow Agent.

**Section 13. 2013 Trust Agreement.** The District hereby acknowledges that the rights, duties, immunities and indemnities of the Trustee set out in Article IX of the 2013 Trust Agreement, and the obligations of the District in respect thereof shall be applicable to the Trustee in its capacity as Escrow Agent hereunder.

**Section 14. Responsibilities of Escrow Agent.** The Escrow Agent makes no representation as to the sufficiency of the funds deposited in accordance with Section 3(b) to accomplish the redemption of the 2013A Bonds pursuant to the 2013 Trust Agreement or to the validity of this Escrow Agreement as to the District and, except as otherwise provided herein, the Escrow Agent shall incur no liability in respect thereof. The Escrow Agent shall not be liable in connection with the performance of its duties under this Escrow Agreement except for its own negligence, willful misconduct or default, and the duties and obligations of the Escrow Agent shall be determined by the express provisions of this Escrow Agreement. The Escrow Agent may consult with counsel, who may or may not be counsel to the District, and in reliance upon the



written opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established 2013 to taking, suffering, or omitting any action under this Escrow Agreement, such matter (except the matters set forth herein as specifically requiring a certificate of a nationally recognized firm of independent certified public accountants or an opinion of counsel of recognized standing in the field of law relating to municipal bonds) may be deemed to be conclusively established by a written certification of the District.

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

The Escrow Agent undertakes to perform only such duties as are expressly set forth in this Agreement and no implied duties, covenants or obligations shall be read into this Agreement against the Escrow Agent.

No provision of this Escrow Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers.

The Escrow Agent may resign by giving written notice to the District, and upon receipt of such notice the District shall promptly appoint a successor Escrow Agent. If the District does not appoint a successor Escrow Agent within thirty (30) days of receipt of such notice, the resigning Escrow Agent may petition a court of competent jurisdiction for the appointment of a successor Escrow Agent, which court may thereupon, upon such notice as it shall deem proper, appoint a successor Escrow Agent. Upon acceptance of appointment by a successor Escrow Agent, the resigning Escrow Agent shall transfer all amounts held by it in the 2013A Bonds Escrow Fund to such successor Escrow Agent and be discharged of any further obligation or responsibility hereunder.

**Section 15. Notices.** (a) All notices and communications to the District shall be addressed in writing to:

Nipomo Community Services District  
148 South Wilson Street  
Nipomo, CA 93444  
Attention: General Manager

or at such other address as is furnished from time to time by the District.

All notices and communications to the Escrow Agent shall be addressed in writing to:

The Bank of New York Mellon Trust Company, N.A.  
333 S. Hope St., Suite 2525  
Los Angeles, California 90071  
Attention: Corporate Trust

or at such other address as is furnished from time to time by the Escrow Agent.

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

“Electronic Means” shall mean the following communications methods: e-mail, secure electronic transmission containing applicable authorization codes, passwords or authentication keys issued by the Escrow Agent, or another method or system specified by the Escrow Agent as available for use in connection with its services hereunder.

**Section 16. Term.** This Agreement shall terminate when the Escrow Agent shall have transferred all amounts to be transferred hereunder in accordance with **Exhibit C** hereto.

**Section 17. Amendments.** The District and the Escrow Agent may (but only with the consent of the Owners of all of the 2013A Bonds) amend this Escrow Agreement or enter into agreements supplemental to this Escrow Agreement.

**Section 18. Severability.** If any one or more of the covenants or agreements provided in this Escrow Agreement on the part of the District or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void and shall be deemed separate from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Escrow Agreement.

**Section 19. Counterparts.** This Escrow Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as an original but all of which shall constitute and be but one and the same instrument.

**Section 20. Governing Law.** This Escrow Agreement shall be construed under the laws of the State of California.

[Remainder of page intentionally left blank]

**IN WITNESS WHEREOF**, the parties hereto have executed this Escrow Agreement as of the date first above written.

**THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A.,**  
as Escrow Agent and 2013 Trustee

By: \_\_\_\_\_  
Authorized Officer

**NIPOMO COMMUNITY SERVICES DISTRICT**

By: \_\_\_\_\_  
Raymond Dienzo, General Manager

**PAYMENT REQUIREMENTS OF THE 2013A BONDS**

<b>Redemption Date</b>	<b><u>Interest</u></b>	<b><u>Principal Redeemed</u></b>	<b><u>Total</u></b>
----------------------------	------------------------	--------------------------------------	---------------------

**Defeasance Obligations**

<b>Maturity Date</b>	<b>Type</b>	<b>Interest Rate</b>	<b>Price</b>	<b>Par Amount</b>	<b>Principal Cost</b>	<b>Accrued Interest</b>	<b>Total Cost</b>
		%	100%	\$ _____	\$ _____	\$ _____	\$ _____
<b>Total</b>				\$ _____	\$ _____	\$ _____	\$ _____

Cash Amount = \$ \_\_\_\_\_.

**Escrow Cash Flows**

APPENDIX A

NOTICE OF DEFEASANCE

NIPOMO COMMUNITY SERVICES DISTRICT  
WATER REVENUE REFUNDING BONDS  
Series 2013A

<u>Maturity Date (September 1)</u>	<u>Principal Amount Outstanding</u>	<u>CUSIP Number* ( )</u>
2025		
2026		
2027		
2028		
2029		
2030		
2031		
2032		

NOTICE IS HEREBY GIVEN that on October \_\_, 2024, the Nipomo Community Services District (the "District") caused to be deposited with The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "Escrow Agent"), pursuant to an 2013A Bonds Escrow Agreement, dated as of October 1, 2024, by and between the District and the Escrow Agent, proceeds of its Water Revenue Certificates of Participation, Series 2024, together with other available monies, which will be sufficient to redeem on [January 27, 2025] (the "Redemption Date") all of the outstanding principal of the District's Water Revenue Refunding Bonds, Series 2013A (the "2013A Bonds"), plus accrued interest thereon to the Redemption Date, without premium (the "Redemption Price"). The Escrow Agent is obligated to pay or cause to be paid to the Owners of the 2013A Bonds all sums due thereon, but only from moneys deposited with the Escrow Agent as described in this paragraph. As a result of such deposit, the 2013A Bonds are deemed to have been paid in accordance with the applicable provisions of the Trust Agreement, dated as of June 1, 2013, by and between The Bank of New York Mellon Trust Company, N.A., as successor Trustee, and the District, pursuant to which the 2013A Bonds were issued.

Dated: \_\_\_\_\_, 2024

By: THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A., as Trustee and Escrow Agent on  
behalf of the Nipomo Community Services District

\* CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (CGS), managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Neither the District nor the Trustee/Escrow Agent shall have any responsibility for any defect in the CUSIP numbers that appear in this defeasance notice. The CUSIP numbers have been assigned by an independent service for convenience of reference, and neither the District nor the Trustee/Escrow Agent shall not be liable for any inaccuracy in such number.



**APPENDIX B**

**NOTICE OF OPTIONAL REDEMPTION**

**NIPOMO COMMUNITY SERVICES DISTRICT  
WATER REVENUE REFUNDING BONDS, SERIES 2013A**

NOTICE IS HEREBY GIVEN to the owners of the above-captioned Bonds that the Bonds listed below (the “Bonds”), issued pursuant to the Trust Agreement, dated as of June 1, 2013 (the “Trust Agreement”), by and between the Nipomo Community Services District (the “District”), and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), have been called for redemption on [January 27, 2025] (the “Redemption Date”), pursuant to the provisions of the Trust Agreement.

The Bonds called for redemption have the maturity date, principal amount, CUSIP Number and Redemption Price as set forth below:

<b>Maturity Date (September 1)</b>	<b>Principal Amount</b>	<b>CUSIP<sup>†</sup> (Base No: _____)</b>	<b>Redemption Price</b>
2025			100%
2026			100
2027			100
2028			100
2029			100
2030			100
2031			100
2032			100

Owners of the Bonds should surrender said Bonds on the Redemption Date at the following address:

First Class/Registered/Certified/Express/Hand Deliver Only

BNY Mellon Corp Trust  
Attn: Transfers/Redemption  
2001 Bryan Street 10th Floor  
Dallas, TX 75201

Additional information regarding the foregoing actions may be obtained from The Bank of New York Mellon Trust Company, N.A., Corporate Trust Department, Bondholder Relations, telephone number (800) 254-2826.

**IMPORTANT NOTICE.** Under the Jobs and Growth Tax Relief Reconciliation Act of 2003, federal backup withholding tax will be withheld at the applicable backup withholding rate in effect at the time the payment is made if the tax identification number is not properly certified.

Neither the District or the Trustee shall be held responsible for the selection or use of the CUSIP number, nor is any representation made as to its corrections indicated in this Notice of Optional Redemption. It is included solely for convenience of the owners of the Bonds.

Failure to receive this Notice of Optional Redemption or any immaterial defect contained herein shall not affect the sufficiency of the redemption proceedings as provided in the Trust Agreement.

DATED: \_\_\_\_\_

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

SEPTEMBER 11, 2024

ITEM E-1

ATTACHMENT G

**PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER \_\_, 2024**

**NEW ISSUE — BOOK-ENTRY ONLY**

**RATING: S&P “ ”**  
(See “RATING” herein)

*In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Special Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming compliance with certain covenants in the documents pertaining to the Certificates and requirements of the Internal Revenue Code of 1986, as described herein, the portion of each Installment Payment representing interest and distributed in respect of any Certificate is excluded from the gross income of the owners thereof for federal income tax purposes. In the further opinion of Special Counsel, the portion of each Installment Payment representing interest and distributed in respect of any Certificate is not an item of tax preference for purposes of the federal alternative minimum tax. Special Counsel is also of the opinion that, under existing law, the portion of each Installment Payment representing interest and distributed in respect of any Certificate is exempt from personal income taxes of the State of California. See “TAX MATTERS” herein.*



**[\$[PAR AMOUNT]\***  
**WATER REVENUE CERTIFICATES OF PARTICIPATION**  
**Series 2024**  
**Evidencing the Direct, Undivided Fractional**  
**Interest of the Owners Thereof in**  
**Installment Payments to Be Made by the**  
**NIPOMO COMMUNITY SERVICES DISTRICT**  
**as the Purchase Price for Certain Property Pursuant to an**  
**Installment Purchase Agreement with the**  
**NIPOMO COMMUNITY SERVICES DISTRICT PUBLIC**  
**FACILITIES CORPORATION**

**Dated: Date of Delivery**

**Due: September 1, as shown on inside cover page**

The Water Revenue Certificates of Participation, Series 2024 (the “Certificates”) are certificates of participation that evidence direct, fractional undivided interests of the Owners thereof in certain installment payments (the “Installment Payments”), and the interest thereon, to be made by the Nipomo Community Services District (the “District”) pursuant to the Installment Purchase Agreement, dated as of October 1, 2024 (the “Installment Purchase Agreement”), by and between the District and the Nipomo Community Services District Public Facilities Corporation (the “Corporation”). Pursuant to the Trust Agreement, dated as October 1, 2024 (the “Trust Agreement”), by and among the District, the Corporation, and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), the District has established conditions and terms upon which obligations such as the Installment Payments, and the interest thereon, will be incurred and secured and pursuant to which the Certificates are executed and delivered. Installment Payments under the Installment Purchase Agreement are payable solely from Net Revenues (as more fully described herein) as provided in the Installment Purchase Agreement, consisting first of Ad Valorem Tax Revenues (as defined herein) and second primarily from all other income and revenue received by the District from the operation or ownership of the Water System of the District (the “Enterprise”) remaining after payment of Operation and Maintenance Expenses, as further described in “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES” herein. The Installment Purchase Agreement provides that the obligation of the District to pay the Installment Payments, and payments of interest thereon, and certain other payments required to be made in accordance with the Installment Purchase Agreement, solely from Net Revenues, is absolute and unconditional. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES” herein.

Interest evidenced by the Certificates will be payable semiannually on March 1 and September 1 of each year, commencing on March 1, 2025. See “THE CERTIFICATES” herein. The Certificates initially will be delivered only in book-entry form and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Certificates. Individual purchases of the Certificates will be made in book-entry form only. Purchasers of Certificates will not receive physical certificates representing their ownership interests in the Certificates purchased. The Certificates will be delivered in denominations of \$5,000 and any integral multiple thereof. Payments of principal and interest evidenced by the Certificates are payable directly to DTC by the Trustee. Upon receipt of payments of such principal and interest, DTC will in turn distribute such payments to the beneficial owners of the Certificates. See APPENDIX F — “BOOK-ENTRY SYSTEM” herein.

**The Certificates are subject to prepayment prior to maturity, as more fully described herein.**

The proceeds of the Certificates will be used to (i) refund all of the District’s Water Revenue Refunding Bonds, Series 2013A currently outstanding in the amount of \$1,505,000 (the “2013A Bonds”), (ii) prepay all of the District’s Revenue Certificates of Participation (Supplemental Water Project), Series 2013, currently outstanding in the aggregate principal amount of \$8,035,000 (the “2013 COPs,” and together with the 2013A Bonds, the “Prior Obligations”), (iii) fund a portion of the costs of certain capital improvements to the Enterprise, and (iv) pay the costs of issuance relating to the execution and delivery of the Certificates. The right of the Corporation to receive Installment Payments from the District under the Installment Purchase Agreement will be assigned to the Trustee. The Certificates are payable solely from Installment Payments to be made by the District under the Installment Purchase Agreement. The Installment Payments are special limited obligations of the District payable solely from, and secured by a pledge of and first lien on the Net Revenues of the Enterprise.

The District may incur additional obligations that have a parity claim on Net Revenues as set forth in the Installment Purchase Agreement. See “SECURITY AND SOURCE OF REPAYMENT – Parity Obligations” herein.

**THE OBLIGATION OF THE DISTRICT TO PAY THE INSTALLMENT PAYMENTS AND OTHER PAYMENTS REQUIRED TO BE MADE BY IT UNDER THE INSTALLMENT PURCHASE AGREEMENT IS A SPECIAL OBLIGATION OF THE DISTRICT PAYABLE, IN THE MANNER PROVIDED IN THE INSTALLMENT PURCHASE AGREEMENT, SOLELY FROM NET REVENUES AND OTHER FUNDS PROVIDED FOR IN THE INSTALLMENT PURCHASE AGREEMENT, AND DOES NOT CONSTITUTE A DEBT OF THE DISTRICT OR OF THE STATE OF CALIFORNIA, OR OF ANY POLITICAL SUBDIVISION THEREOF, IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE**

\* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy, be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PAYMENT OF THE INSTALLMENT PAYMENTS, OR THE INTEREST THEREON, OR OTHER PAYMENTS REQUIRED TO BE MADE UNDER THE INSTALLMENT PURCHASE AGREEMENT. SEE "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES" HEREIN.

This cover page is not a summary of the issues. Investors should read the entire Official Statement to make an informed investment decision. See "RISK FACTORS" for a discussion of factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Certificates.

*The Certificates are offered when, as and if executed and delivered and received by the Underwriter, subject to the approval of Norton Rose Fulbright US LLP, Los Angeles, California, Special Counsel and Disclosure Counsel to the District, and certain other conditions. Certain legal matters will be passed upon for the District and the Corporation by Richards, Watson & Gershon, A Professional Corporation, San Luis Obispo, California, as General Counsel to the District, and for the Underwriter by Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, as counsel to the Underwriter. Columbia Capital Management, LLC, Carlsbad, California, has served as municipal advisor to the District in connection with the execution and delivery of the Certificates. It is anticipated that the Certificates in definitive form will be available for delivery through the book-entry facilities of DTC on or about October \_\_, 2024.*

**[RAYMOND JAMES LOGO]**

Dated: October \_\_, 2024

**[\$[PAR AMOUNT]]\***  
**WATER REVENUE CERTIFICATES OF PARTICIPATION**  
**SERIES 2024**

**MATURITY SCHEDULE**

**BASE CUSIP†: 654536**

\$ \_\_\_\_\_ Serial Certificates

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP<sup>(1)</sup></u>
--	-------------------------	----------------------	--------------	----------------------------

\$ _____	% Term Certificate due _____	1, 20__	Yield _____	%* CUSIP <sup>(1)</sup> _____
\$ _____	% Term Certificate due _____	1, 20__	Yield _____	%* CUSIP <sup>(1)</sup> _____

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (CGS), which is managed on behalf of The American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers have been assigned by an independent company not affiliated with the District or the Corporation and are included solely for the convenience of the registered owners of the applicable Certificates. Neither the District, the Corporation nor the Underwriter are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Certificates or as included herein. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Certificates as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Certificates.

\* Preliminary, subject to change.

***NIPOMO COMMUNITY SERVICES DISTRICT/  
NIPOMO COMMUNITY SERVICES DISTRICT PUBLIC FACILITIES  
CORPORATION***

**DISTRICT/CORPORATION BOARD**

Ed Eby, President  
Dan Allen Gaddis, Vice-President  
Gary Hansen, Director  
Phil Henry, Director  
Mario Iglesias, Director

**DISTRICT/CORPORATION**

Ray Dienzo, General Manager, Treasurer & Secretary/Executive Director,  
Chief Financial Officer & Secretary  
Jana Etteddgue, Finance Director/Assistant General Manager  
Peter Sevcik, District Director of Engineering and Operations  
Craig A. Steele, District Counsel

**SPECIAL SERVICES**

**Special Counsel and Disclosure Counsel**

Norton Rose Fulbright US LLP  
Los Angeles, California

**Municipal Advisor**

Columbia Capital Management, LLC  
Carlsbad, California

**Trustee**

The Bank of New York Mellon Trust Company, N.A.  
Los Angeles, California



**NIPOMO COMMUNITY SERVICES DISTRICT  
VICINITY MAP**





## **GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT**

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Certificates by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. The information set forth herein has been provided by the Nipomo Community Services District (the "District") and other sources that are believed by the District to be reliable. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the District, the Corporation or the Underwriter in connection with any reoffering.

This Official Statement is not to be construed as a contract with the purchasers of the Certificates. Statements contained in this Official Statement which involve estimates, projections, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or the Corporation since the date hereof. This Official Statement is submitted with respect to the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the District. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions. Preparation of this Official Statement and its distribution have been duly authorized and approved by the District and the Corporation.

The Underwriter in connection with any reoffering may offer and sell the Certificates to certain dealers, institutional investors and others at prices lower than the public offering prices stated on the inside cover page hereof and such public offering prices may be changed from time to time by the Underwriter.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Certain statements included or incorporated by reference in this Official Statement constitute forward-looking statements. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

**THIS PRELIMINARY OFFICIAL STATEMENT IS DEEMED TO BE FINAL (EXCEPT FOR PERMITTED OMISSIONS) BY THE DISTRICT FOR PURPOSES OF COMPLYING WITH RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION.**

## TABLE OF CONTENTS

**Page**

INTRODUCTION.....	1
General .....	1
The District .....	2
The Enterprise .....	2
Security and Sources of Payment for the Certificates; No Reserve Fund.....	2
Future Parity Obligations .....	3
Continuing Disclosure.....	3
Professionals Involved in the Financing .....	3
Miscellaneous.....	3
THE CERTIFICATES .....	4
Payment of Principal, Prepayment Price and Interest.....	4
Prepayment.....	4
Installment Payment Schedules.....	6
ESTIMATED SOURCES AND USES OF PROCEEDS .....	7
Sources and Uses of Proceeds.....	7
FINANCING PLAN .....	7
General .....	7
SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES .....	8
General .....	8
Pledge of Net Revenues; Water Fund .....	9
Special Obligations .....	11
Allocation of Net Revenues .....	11
Rate Covenants .....	12
No Reserve Fund.....	12
Parity Obligations .....	13
Rate Stabilization Fund.....	13
Insurance .....	14
Installment Payment Fund.....	14
NIPOMO COMMUNITY SERVICES DISTRICT .....	16
General .....	16
Governance and Management.....	16
Budget Process.....	17
Risk Management .....	18
Outstanding Indebtedness .....	18
Dana Reserve Project.....	18
Employees and Employee Benefits.....	19
THE ENTERPRISE .....	22
History and Management .....	22
Existing Facilities.....	23
Water Supply.....	23
Historical and Projected Water Supply and Deliveries .....	25
Historical and Projected Water Connections .....	26
Historical Water Sale Revenues.....	28
Largest Customers.....	29
Capacity Charges .....	31
Ad Valorem Property Taxes.....	33
Supplemental Water Sales.....	37

**TABLE OF CONTENTS**  
(continued)

	<b>Page</b>
Capital Improvement Program .....	39
Billing and Collection Procedures .....	39
Water Treatment.....	40
Water Quality .....	40
Conservation .....	40
Historical Financial Operations.....	41
Historical and Projected Operating Results and Debt Service Coverage.....	43
Delinquencies .....	46
Enterprise Accounting.....	46
Future Facilities.....	46
Regulation .....	47
<b>RISK FACTORS.....</b>	<b>47</b>
Enterprise Demand and Growth; Drought .....	47
Enterprise Operation and Maintenance Expenses and Net Revenues .....	47
Environmental Laws and Regulations .....	48
Natural Disasters .....	48
Risks Relating to the Drought .....	48
Cybersecurity .....	48
Future Suspensions and Moratoriums on Utility Shut-Offs.....	49
Limitations on Remedies; Bankruptcy .....	49
Article XIII A .....	50
Articles XIII C and XIII D .....	51
Proposition 1 A .....	52
Proposition 22 .....	52
Proposition 26 .....	52
Constitutional Limitations on Appropriations and Fees .....	53
Loss of Ad Valorem Property Taxes.....	53
Future Initiatives .....	53
Loss of Tax-Exemption.....	53
Secondary Market for the Certificates .....	54
Limited Obligations .....	54
Forecasts.....	54
<b>THE CORPORATION.....</b>	<b>54</b>
<b>FORWARD-LOOKING STATEMENTS .....</b>	<b>55</b>
<b>ABSENCE OF LITIGATION.....</b>	<b>55</b>
<b>TAX MATTERS.....</b>	<b>55</b>
Federal Tax Exemption.....	55
Tax Accounting Treatment of Bond Premium and Original Issue Discount .....	56
Information Reporting and Backup Withholding.....	57
State Tax Exemption .....	57
Future Developments .....	57
<b>UNDERWRITING.....</b>	<b>58</b>
<b>FINANCIAL INTERESTS .....</b>	<b>58</b>
<b>RATING.....</b>	<b>58</b>
<b>CONTINUING DISCLOSURE .....</b>	<b>58</b>

**TABLE OF CONTENTS**  
(continued)

	<b>Page</b>
LEGAL MATTERS .....	59
MUNICIPAL ADVISOR .....	59
FINANCIAL STATEMENTS .....	59
MISCELLANEOUS .....	59
APPENDIX A – COUNTY OF SAN LUIS OBISPO DEMOGRAPHIC AND ECONOMIC DATA .....	A-1
APPENDIX B – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023 ....	B-1
APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.....	C-1
APPENDIX D – PROPOSED FORM OF SPECIAL COUNSEL OPINION .....	D-1
APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE .....	E-1
APPENDIX F – BOOK-ENTRY SYSTEM .....	F-1

## OFFICIAL STATEMENT

### **[\$[PAR AMOUNT]]\*** **WATER REVENUE CERTIFICATES OF PARTICIPATION** **SERIES 2024**

#### **Evidencing the Direct, Undivided Fractional Interest of the Owners Thereof in Installment Payments to Be Made by the NIPOMO COMMUNITY SERVICES DISTRICT as the Purchase Price for Certain Property Pursuant to an Installment Purchase Agreement with the NIPOMO COMMUNITY SERVICES DISTRICT PUBLIC FACILITIES CORPORATION**

### INTRODUCTION

*This introduction contains only a brief summary of certain of the terms of the Certificates being offered and a brief description of the Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California (the "State") and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. All capitalized terms used in this Official Statement and not otherwise defined herein have the meanings set forth in the Trust Agreement and the Installment Purchase Agreement (each, as hereinafter defined). See APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Definitions" herein.*

#### **General**

This Official Statement, including its cover page and appendices, is provided in connection with the offering of \$[PAR AMOUNT]\* principal amount of Water Revenue Certificates of Participation, Series 2024 (the "Certificates"). The Certificates represent direct, undivided fractional interests of the registered owners thereof in the Installment Payments (the "Installment Payments") to be made by the Nipomo Community Services District (the "District") pursuant to an Installment Purchase Agreement, dated as of October 1, 2024 (the "Installment Purchase Agreement"), by and between the District and the Nipomo Community Services District Public Facilities Corporation (the "Corporation"), relating to the District's water system as described herein.

The District currently owns and operates its water system (the "Enterprise"). The proceeds of the Certificates will be used to (i) refund all of the District's Water Revenue Refunding Bonds, Series 2013A currently outstanding in the amount of \$1,505,000 (the "2013A Bonds"), (ii) prepay all of the District's Revenue Certificates of Participation (Supplemental Water Project), Series 2013, currently outstanding in the aggregate principal amount of \$8,035,000 (the "2013 COPs," and together with the 2013A Bonds, the "Prior Obligations"), (iii) fund a portion of the costs of certain capital improvements to the Enterprise, and (iv) pay the costs of issuance relating to the execution and delivery of the Certificates. See "FINANCING PLAN."

The Certificates are executed and delivered pursuant to a Trust Agreement, dated as of October 1, 2024 (the "Trust Agreement"), among the District, the Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Certificates will be executed and delivered in the form of fully registered certificates of participation, dated as of the date of initial delivery thereof and will mature on September 1 in each such year as set forth on the inside cover page hereof. Interest evidenced by the Certificates will be payable semiannually on March 1 and September 1 of each year, commencing on March 1, 2025. See "THE CERTIFICATES" herein. The Certificates initially will be delivered only in book-entry form and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York

---

\* Preliminary, subject to change.

("DTC"), which will act as securities depository for the Certificates. The Certificates will be delivered in denominations of \$5,000 and any integral multiple thereof. So long as the Certificates are in the DTC book-entry system, the interest, principal, purchase price and prepayment premiums, if any, due with respect to the Certificates will be payable by the Trustee, or its agent, to DTC or its nominee. DTC, in turn, will make payments pursuant to its procedures as described under APPENDIX F – "BOOK-ENTRY SYSTEM" herein.

### **The District**

The District was formed in 1965 as a community services district under the Community Services District Law, found in the Government Code of the State of California, for purposes of supplying water for domestic irrigation, sanitation, industrial, commercial, recreation and fire suppression use. The District currently provides sewer, water, solid waste, and some street lighting, drainage, and landscape maintenance services. The District is located off of Highway 101 on the central coast of California between San Francisco and Los Angeles, in the rural area of San Luis Obispo County (the "County"), south of the City of San Luis Obispo and north of the City of Santa Maria. The District includes approximately 4,650 acres of land comprising 7 square miles.

The District's service area includes portions of unincorporated area of San Luis Obispo County. Most of the customers reside in single-family homes, but service is also provided to multi-family residential homes and commercial and light industrial users.

The District currently has a population of approximately 15,080, and the Enterprise provides water service to approximately 4,513 residential, commercial and industrial connections.

### **The Enterprise**

See APPENDIX A – COUNTY OF SAN LUIS OBISPO DEMOGRAPHIC AND ECONOMIC DATA. See also "THE ENTERPRISE," and "APPENDIX B — AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023."

[Discussion of Dana Reserve]

### **Security and Sources of Payment for the Certificates; No Reserve Fund**

The Certificates, which are certificates of participation, evidence direct, fractional undivided interests in the Installment Payments, and the interest thereon, paid by the District pursuant to the Installment Purchase Agreement. The obligation of the District to pay the Installment Payments and the interest thereon and other payments required to be made by it under the Installment Purchase Agreement is a special obligation of the District payable, in the manner provided under the Installment Purchase Agreement, solely from Net Revenues, and other funds as provided in the Installment Purchase Agreement. Net Revenues generally consist of all income and revenue received by the District from the operation or ownership of the Enterprise remaining after payment of Maintenance and Operation Costs, all as further provided in the Installment Purchase Agreement. See "ESTIMATED SOURCES AND USES OF FUNDS," "FINANCIAL OBLIGATIONS – Existing Indebtedness" and "THE DISTRICT" herein and APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Installment Purchase Agreement" attached hereto. Upon the execution and delivery of the Certificates, the District will have no Parity Obligations, Repayment Obligations or Subordinate Obligations (as defined herein – see APPENDIX C) currently outstanding secured by a pledge of and payable from Net Revenues.

Pursuant to the Installment Purchase Agreement, the District will fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Enterprise which will be at least sufficient to yield during each Fiscal Year (a) Net Revenues (excluding capacity charges) equal to at least 125% of the annual Installment Payments due and any Parity Obligations in such Fiscal Year, and (b) Net Revenues equal to 100% of annual Installment Payments due, and any Parity Obligations and any other Obligations in such Fiscal Year. The District may make adjustments from time to time in such fees and charges and may make such classification thereof as it deems necessary, but shall not reduce the fees and charges then in effect unless the Gross Revenues

and Net Revenues from such reduced fees and charges will at all times be sufficient to meet the requirements of the Installment Purchase Agreement, including the rate covenant described above. See “SECURITY AND SOURCE OF PAYMENT FOR THE CERTIFICATES – Rate Covenant” herein.

**The obligation of the District to pay the Installment Payments and other payments required to be made by it under the Installment Purchase Agreement is a special obligation of the District payable, in the manner provided in the Installment Purchase Agreement, solely from Net Revenues and other funds provided for in the Installment Purchase Agreement, and does not constitute a debt of the District or of the State, or of any political subdivision thereof, in contravention of any constitutional or statutory debt limitation or restriction. Neither the faith and credit nor the taxing power of the District or the State or any political subdivision thereof, is pledged to the payment of the Installment Payments, or the interest thereon, or other payments required to be made under the Installment Purchase Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES” herein.**

The District is not providing for a debt service reserve fund for the Certificates. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES.”

### **Future Parity Obligations**

The District may issue additional or other obligations secured by Net Revenues on parity with the Installment Payments (the “Parity Obligations,” as defined herein), provided that the conditions set forth in the Installment Purchase Agreement are met. The District is not obligated to fund a debt service reserve fund in connection with, or upon the execution and delivery of, Parity Obligations. See “CERTAIN RISK FACTORS” and “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Parity Obligations.”

### **Continuing Disclosure**

The District has covenanted for the benefit of holders and beneficial owners of the Certificates (a) to provide certain financial information and operating data (the “Annual Report”) relating to the District and the property in the District not later than February 1 after the end of the District’s Fiscal Year ending June 30, commencing February 1, 2025, and (b) to provide notices of the occurrence of certain enumerated events. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in the Continuing Disclosure Certificate. See “CONTINUING DISCLOSURE” herein and APPENDIX E – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

### **Professionals Involved in the Financing**

All proceedings in connection with the execution and delivery of the Certificates are subject to the approval of Norton Rose Fulbright US LLP, Los Angeles, California, as special counsel and as disclosure counsel. Certain matters will be passed upon for the District and the Corporation by Richards Watson & Gershon, A Professional Corporation, San Luis Obispo, California, as General Counsel to the District, and for the Underwriter by Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, as counsel to the Underwriter. Columbia Capital Management LLC, is acting as municipal advisor to the District. Payment of the fees and expenses of the underwriter is contingent upon the execution, delivery and sale of the Certificates.

### **Miscellaneous**

The descriptions herein of the Trust Agreement, the Installment Purchase Agreement, the Continuing Disclosure Certificate and any other agreements relating to the Certificate are qualified in their entirety by reference to such documents. Copies of the Trust Agreement and the Installment Purchase Agreement are on file and available for inspection at the corporate trust office of The Bank of New York Mellon Trust Company, N.A., Los Angeles, California Attention: Corporate Trust.

## THE CERTIFICATES

The Certificates are to be executed and delivered, solely as fully registered Certificates in the denomination of \$5,000 or integral multiples thereof, and are dated, mature and bear interest as described on the front and inside cover page hereof.

### **Payment of Principal, Prepayment Price and Interest**

While the Certificates remain in book-entry only form, payments to Beneficial Owners are governed by the rules of DTC as described in “APPENDIX F — BOOK-ENTRY SYSTEM.” In the event that DTC ceases to act as securities depository for the Certificates, payment may be made as described below.

The payments of principal and prepayment price with respect to all Certificates is to be made upon presentation and surrender thereof at the corporate trust office of the Trustee. Interest is payable semiannually each March 1 and September 1, commencing March 1, 2025. Interest on any Certificate is to be paid to the owner of such Certificate as shown on the registration books kept by the Trustee, as Paying Agent, as of the close of business on the “Record Date,” which is the fifteenth (15<sup>th</sup>) day of the calendar month preceding each Interest Payment Date, or, upon the request of an owner of at least \$1,000,000 in aggregate principal amount of Certificates, by wire transfer in immediately available funds to an account in the United States designated by such owner in writing to the Trustee prior to the Record Date. If and to the extent that there is a default in the payment of the interest due on an Interest Payment Date, and such defaulted interest is subsequently received by the Trustee, such defaulted interest is to be paid to the owners in whose names any such Certificates are registered at the close of business on a special record date as determined by the Trustee.

The Corporation and the Trustee may treat each owner of a Certificate appearing on the registration books maintained by the Trustee as the absolute owner of such Certificate for all purposes and will not be affected by any notice to the contrary.

Any Certificate delivered in transfer or exchange therefor bears interest (a) from the date of execution, if executed on an Interest Payment Date to which interest has been paid, or (b) from the last preceding Interest Payment Date to which interest has been paid (or from the date of their original delivery if no interest thereon has been paid) in all other cases.

### **Prepayment**

The Certificates are subject to prepayment, in whole or in part, in integral multiples of \$5,000, prior to their stated maturity only as set forth below:

*Optional Prepayment.* The Certificates maturing on or after September 1, 2035 are subject to optional prepayment prior to their stated Principal Payment Dates, on any date on or after September 1, 2034, in whole or in part, in authorized denominations, from and to the extent of prepaid Installment Payments paid pursuant to the Installment Purchase Agreement or from any other source of available funds, any such prepayment to be at a Prepayment Price equal to the principal evidenced by the Certificates to be prepaid, plus accrued interest evidenced thereby to the date fixed for prepayment, without premium.

*Mandatory Prepayment from Net Proceeds.* The Certificates are subject to prepayment prior to their respective stated maturities, as a whole on any date or in part on any Interest Payment Date, in the order of stated maturity as directed by the District, or (in the event the District has not directed the order of stated maturity, in inverse order of stated maturity), and by lot within each stated maturity in integral multiples of \$5,000, from prepaid Installment Payments made by the District from Net Proceeds which are, in either case deposited in the Prepayment Account of the Installment Payment Fund and credited towards prepayment made by the District, upon the terms and conditions of, as provided for in the Trust Agreement, and the Installment Purchase Agreement, at a Prepayment Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for prepayment, without premium.



*Mandatory Prepayment.* The Certificates bearing stated maturities of September 1, 20\_\_, and September 1, 20\_\_, respectively, are subject to mandatory prepayment, in part (by lot) on the respective prepayment dates, in integral multiples of \$5,000 at a Prepayment Price of the principal amount thereof plus accrued interest evidenced and represented thereby to the date fixed for prepayment, without premium. Such Certificates shall be prepaid in the amounts and upon the dates as follows:

Mandatory Prepayment Dates (September 1)	<u>Principal Amount</u>
---	-------------------------

Mandatory Prepayment Dates (September 1)	<u>Principal Amount</u>
---	-------------------------

*Selection of Certificates for Prepayment.* Except as provided for Mandatory Prepayment, whenever less than all outstanding Certificates are to be redeemed pursuant to the provisions of the Trust Agreement, the Certificates to be prepaid are to be selected by the Trustee as described above, provided, however, that the portion of any Certificate is to be in the principal amount of \$5,000 or any integral multiple thereof.

*Notice of Prepayment.* The Trustee is to give notice of prepayment by first class mail at least 20 days but not more than 60 days prior to the date fixed for prepayment to the owners of the Certificates designated for prepayment at their addresses appearing on the registration books. So long as the book-entry system is used for the Certificates, the Trustee will give any notice of prepayment or any other notices required to be given to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify the Beneficial Owner, of any such notice and its content or effect will not affect the validity of the prepayment of the Certificates called for prepayment. Beneficial Owners may desire to make arrangements with a DTC Participant so that all notices of prepayment or other communications to DTC which affect such Beneficial Owners, including notification of all interest payments, will be forwarded in writing by such DTC Participant. See "APPENDIX F — BOOK-ENTRY SYSTEM."

*Effect of Prepayment.* Notice having been given and the money for the prepayment (including the interest to the applicable prepayment date) having been set with the Trustee, the Certificates or portions thereof to be redeemed will cease to be entitled to any benefit or security under the Trust Agreement, and the owners of such Certificates will no longer have rights in respect thereof except to receive payment of the stated prepayment price.

## Installment Payment Schedules

The table below shows the annualized Installment Payment schedule (with payment dates being five (5) days prior to each Interest Payment Date, or if such day is not a Business Day, then the preceding Business Day) under the Installment Purchase Agreement with respect to the Certificates.

<b>Certificate Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
<b>Total</b>			

## ESTIMATED SOURCES AND USES OF PROCEEDS

### Sources and Uses of Proceeds

Proceeds from the sale of the Certificates and funds from the Prior Obligations are estimated to be applied as follows:

#### Estimated Sources of Proceeds

Principal Amount of Certificates	
Plus/Less: Net Original Issue Premium/Discount	
Total	_____

#### Estimated Uses of Proceeds

Deposit to 2013A Bonds Escrow Fund	
Deposit to 2013 COPs Escrow Fund	
Deposit to Construction Fund	
Deposit to Costs of Issuance Fund <sup>(1)</sup>	
Total	_____

<sup>(1)</sup> Includes fees and expenses of special and disclosure counsel, municipal advisor, underwriter's discount, trustee fees and expenses, costs of printing the preliminary and final official statement and rating agency fees.

## FINANCING PLAN

### General

The proceeds of the Certificates will be used to (i) refund all of the 2013A Bonds, currently outstanding in the amount of \$1,505,000, (ii) prepay all of the 2013 COPs, currently outstanding in the aggregate principal amount of \$8,035,000, (iii) fund a portion of the costs of certain capital improvements to the Enterprise (the "2024 Project"), and (iv) pay the costs of issuance relating to the execution and delivery of the Certificates. See "FINANCING PLAN."

*2013A Bonds.* Under the terms of the Trust Agreement, dated as of June 1, 2013 (the "2013A Bonds Trust Agreement"), by and between the District and the Trustee, the District issued the 2013A Bonds to refund and defease the District's Series 2003 Certificates of Participation (the "2003 COPs"). The 2003 COPs were executed and delivered to make improvements to the Enterprise including the construction of two water transmission mains and the construction of a one million gallon water storage facility (the "2003 Project"). A portion of the Certificates, together with funds deposited by the District and funds held by the Trustee, will be used to establish an irrevocable escrow (the "2013A Bonds Escrow Fund") to be held by The Bank of New York Mellon Trust Company, N.A. (the "Escrow Bank") under an Escrow Agreement, dated as of October 1, 2024 (the "2013A Bonds Escrow Agreement"). Moneys on deposit in the 2013A Bonds Escrow Fund will be held in cash for the benefit of the owners of the 2013A Bonds and applied to redeem the outstanding 2013A Bonds in full on or about [January 27, 2025], at a redemption price equal to 100% of the principal amount thereof, plus accrued interest. The amounts deposited in the 2013A Bonds Escrow Fund will be held in trust solely for the 2013A Bonds and will not be available to pay the principal and interest evidenced by the Certificates or any obligations other than the 2013A Bonds.

*2013 COPs.* Under the terms of the Trust Agreement, dated as of June 1, 2013 (the "2013 COPs Trust Agreement"), by and among the District, the Corporation and the Trustee, the District executed and delivered the 2013 COPs to fund a portion of improvements to the Enterprise consisting of Phase 1 of the District's Supplemental Water Project (the "2013 Project, and together with the 2003 Project, the "Prior Projects"). The Phase 1 Improvements interconnected the District's water distribution system with the water distribution system

of the City of Santa Maria (the “City”). A portion of the Certificates, together with funds deposited by the District and funds held by the Trustee, will be used to establish an irrevocable escrow (the “2013 COPs Escrow Fund”) to be held by the Escrow Bank under an Escrow Agreement, dated as of October 1, 2024 (the “2013 COPs Escrow Agreement”). Moneys on deposit in the 2013 COPs Escrow Fund will be held in cash for the benefit of the owners of the 2013 COPs and applied to prepay the installment payments related to the 2013 COPs, and in turn, the 2013 COPs, in full on or about [January 27, 2025], at a prepayment price equal to 100% of the principal amount thereof, plus accrued interest. The amounts deposited in the Escrow Fund will be held in trust solely for the 2013 COPs and will not be available to pay the principal and interest evidenced by the Certificates or any obligations other than the 2013 COPs.

*2024 Project.* The proposed 2024 Project involves the construction of a one million gallon potable water storage tank at the Foothill tank site at Tefft Street and Foothill Road. The proposed improvements were approved in connection with the District’s adoption of a Mitigated Negative Declaration for the project in September 2022, State Clearinghouse No. 2022080191. Design of the 2024 Project will be initiated in 2024 and completed in 2025. The District intends to pre-qualify general contractors and bid the project during the 3rd quarter of 2025 and complete the 2024 Project by the 4th quarter of 2026.

Below are the estimated costs of construction for the 2024 Project.

	<b>COST ESTIMATE</b>
Construction Costs	\$3,000,000
Construction Contingency	<u>600,000</u>
<b>Construction Total</b>	<b>\$3,600,000</b>
Engineering Design	\$ 600,000
Construction Management and Inspection	<u>600,000</u>
<b>Non-Construction Total</b>	<b>\$1,200,000</b>
<b>Foothill Water Storage Tank Improvements Estimated Total</b>	<b><u>\$4,800,000</u></b>

*Source: Nipomo Community Services District.*

The net proceeds of the Certificates in the amount of \$ \_\_\_\_\_, along with a \$ \_\_\_\_\_ grant from the California Department of Water Resources, \$ \_\_\_\_\_ in existing funds from the Property Tax Fund, \$ \_\_\_\_\_ in existing funds from the Water Capacity Fund, \$ \_\_\_\_\_ in existing funds from the Water Fund, and \$ \_\_\_\_\_ in existing funds from the Supplemental Water Capital Fee Fund for a total amount of \$ \_\_\_\_\_ from funds of the Enterprise, are allocated to complete the Foothill Water Storage Tank.

## **SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES**

### **General**

Each Certificate represents a direct, undivided fractional interest in the Installment Payments to be made by the District to the Corporation under the Installment Purchase Agreement. The Installment Payments are irrevocably pledged to, and shall be used for, the timely payments with respect to the Certificates. The Installment Payments are not to be used for any other purpose while any of the Certificates remain Outstanding. Payments of principal and interest due with respect to the Certificates will be made from the Installment Payments and interest or other income derived from the investment of the funds and accounts held by the Trustee for the District pursuant to the Trust Agreement.

Installment Payments, and any Parity Obligations, are absolute and unconditional obligations of the District payable solely from, and secured by a pledge of and a first lien on, the Net Revenues of the Enterprise. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES - Parity Obligations" below. Pursuant to the Installment Purchase Agreement, the District has established and declared the conditions and terms upon which the Installment Payments and any Parity Obligations will be incurred and secured.

Pursuant to the Installment Purchase Agreement, the Prior Projects will be reacquired by the District from the Corporation and the 2024 Project will be acquired by the District from the Corporation. The District has covenanted to, subject to any rights of prepayment under the Installment Purchase Agreement, pay to the Corporation, solely from Net Revenues and from no other sources, the Purchase Price in Installment Payments, with interest thereon, as provided in the Installment Purchase Agreement. The Installment Payments are not secured by, and the Certificate owners have no security interest in or mortgage on, the Enterprise.

Pursuant to the Trust Agreement, the Corporation has assigned to the Trustee for the benefit of the Owners of the Certificates substantially all of its rights, title and interest in and to the Installment Purchase Agreement, including its right to receive Installment Payments and the interest thereon.

### **Pledge of Net Revenues; Water Fund**

*Gross Revenues and Net Revenues.* The annual Ad Valorem Tax Revenues received by the District from the County of San Luis Obispo are irrevocably pledged as the first source of funds to pay the Installment Payments and will not be used for any other purpose while any of the Installment Payments remain unpaid except as described below. In the event that Ad Valorem Tax Revenues are not sufficient to pay the Installment Payments when due, any unpaid portion of the Installment Payments shall be paid from other Net Revenues.

Gross Revenues include the Ad Valorem Tax Revenues, all amounts derived by the District from the sale, furnishing and supplying of water or other services related to the Enterprise, all standby or water availability charges, development fees and connection charges collected by the District, and including investment earnings on all such amounts and the District's general reserves, all as more particularly described in the definition of Gross Revenues in APPENDIX C hereto. Net Revenues are defined as all Gross Revenues less Operation and Maintenance Costs.

Pursuant to the Installment Purchase Agreement, all Net Revenues are irrevocably pledged to the payment of the Installment Payments and together with the pledge of Net Revenues securing all other Parity Obligations will, subject to application as permitted in the Installment Purchase Agreement, constitute a lien on Net Revenues. Net Revenues will not be used for any other purpose until all Parity Obligations, including the Installment Payments coming due each Fiscal Year, have been fully paid or provision has been made for such payment in accordance with the documents related to such Parity Obligations or, in the case of the Installment Payments, in accordance with the Installment Purchase Agreement.

Under the Installment Purchase Agreement, the District covenants that (i) all Gross Revenues (other than Ad Valorem Tax Revenues) will be received by the District in trust and, except for the proceeds of any casualty insurance or condemnation award after the payment of all expenses (including attorneys' fees) incurred in the collection of such proceeds (the "Net Proceeds"), will be deposited when and as received in a special fund designated as the "Water Fund", and (ii) all Ad Valorem Tax Revenues shall be received by the District in trust and will be deposited when and as received in a separate account established in the Water Fund named the "Ad Valorem Tax Account of the Water Fund," which fund and account the District agrees and covenants to maintain and to hold in trust separate and apart from other funds until all Installment Payments have been fully paid or provision has been made therefor in accordance with Installment Purchase Agreement. The District may designate one or more existing funds to satisfy the foregoing requirements. See "THE ENTERPRISE - Water Fund." The District may maintain separate accounts within the Water Fund. Moneys in the Water Fund are required to be used and applied by the District in accordance with the Installment Purchase Agreement.

Certain Definitions. The terms “Ad Valorem Tax Revenues,” “Enterprise,” “Net Revenues,” “Gross Revenues,” “Operation and Maintenance Costs” and “Parity Obligations” are defined in the Installment Purchase Agreement as follows:

“Ad Valorem Tax Revenues” means, for any period, the ad valorem property taxes received by the District during such period pursuant to Article XIII A of the California Constitution and Section 95 et seq. of the California Revenue and Taxation Code, excluding any such taxes levied to pay any voter approved general obligation indebtedness of the District.

“Enterprise” means all facilities for obtaining, storing and delivering water and related facilities for the disposition of drainage water now owned or operated by the District, and all other properties, structures or works hereafter acquired and constructed by the District and determined to be a part of the Enterprise, whether located within or without the District, together with all improvements to such facilities, properties, structures or works or any part thereof hereafter acquired or constructed.

“Gross Revenues” means all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Enterprise, including, without limiting the generality of the foregoing, (1) the Ad Valorem Tax Revenues, (2) all income, rents, rates, fees, charges 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 Enterprise, and certain administrative and maintenance costs related thereto, (3) the proceeds of any stand-by or water availability charges, development fees and connection charges collected by the District, (4) all moneys received by the District from other public or private entities whose inhabitants are served pursuant to contracts with the District, (5) moneys deposited in the Installment Payment Fund, the Water Fund or other fund to secure the Certificates or Parity Obligations or to provide for the payment of the principal of or interest with respect to the Certificates or Parity Obligations, (6) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of a part of the Enterprise as permitted under the Installment Purchase Agreement, and (7) the earnings on and income derived from the investment of amounts described in clauses (1) through (6) above and from funds held by the District or the Trustee under Installment Purchase Agreement and receipts from the Rate Stabilization Fund, but excluding (w) grant, loan or bond proceeds restricted in use to specific capital improvements not consisting of the 2024 Project, (x) that portion of the annexation fees collected as deposits on behalf of and payable to other governmental agencies as required by law, (y) customers’ deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District, and (z) any proceeds of taxes or assessments restricted by law to be used by the District to pay bonds or other obligations theretofore or thereafter issued.

“Operation and Maintenance Costs” means the costs and expenses reasonable and necessary to operate and maintain the Enterprise, including but not limited to all costs of water purchased or otherwise acquired for the Enterprise, the costs and expenses to preserve the Enterprise in good repair and working order, including reasonable expenditures for repair and replacement incident to or arising from the Enterprise, the reasonable administrative and management costs and expenses of the District that are charged directly or apportioned to the operation and maintenance of the Enterprise, such as salaries and wages of employees, payments to the Public Employees Retirement System, overhead, taxes (if any) and insurance premiums, together with all other necessary and reasonable costs of the District or charges (other than debt service payments) required to be paid by it to comply with the terms hereof or any Parity Obligation, such as compensation, reimbursement and indemnification of the trustee for such Parity Obligation and fees and expenses of Independent Accountants and Independent Engineers, and transfers made to other funds of the District for the purpose of paying or reimbursing the payment of Operation and Maintenance Costs, as determined by Generally Accepted Accounting Principles, but excluding (1) any transfers out to the Administration Fund of the District, (2) noncash items of depreciation, replacement and obsolescence charges or reserves therefore, (3) amortization of intangibles, premiums and discounts, (4) interest expense, (5) amounts paid from other than Gross Revenues of the Enterprise (including but not limited to amounts paid from the proceeds of excluded property taxes and assessments), (6) non-cash expenses attributable to pension plans, other retirement accounts and other post-employment benefits. Amounts transferred

from the Rate Stabilization Fund may also be included in Gross Revenues as described under the heading “ - Rate Stabilization Fund.”

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

“Parity Obligations” means all revenue bonds, certificates of participation or notes (including bond anticipation notes and commercial paper) of the District authorized, executed, issued and delivered under and pursuant to applicable law, and all other contracts (including financial contracts) or leases of the District authorized and executed by the District under and pursuant to applicable law, the installment, lease or other payments which are, in accordance with the provisions of the Installment Purchase Agreement, payable from Net Revenues on a parity with the Installment Payments under the Installment Purchase Agreement. See “Parity Obligations” below.

### **Special Obligations**

The obligation of the District to pay the Installment Payments and other payments required to be made by it under the Installment Purchase Agreement, is a special obligation of the District payable solely from Net Revenues and other funds provided for in the Installment Purchase Agreement, and does not constitute a debt of the District, the State or any political subdivision thereof, in contravention of any constitutional or statutory debt limitation or restriction. Neither the faith and credit nor the taxing power of the District, the State or any political subdivision thereof, is pledged to the payment of the Installment Payments, or the interest thereon, or other payments required to be made under the Installment Purchase Agreement.

### **Allocation of Net Revenues**

In order to carry out and effectuate the pledge and lien contained in the Installment Purchase Agreement, the District agrees that (i) all Gross Revenues (other than Ad Valorem Tax Revenues) shall be received by the District in trust and, except for Net Proceeds, shall be deposited when and as received in the Water Fund, and (ii) all Ad Valorem Tax Revenues shall be received by the District in trust and shall be deposited when and as received in the Ad Valorem Tax Account of the Water Fund, a separate account established in the Water Fund, which fund and account therein the District agrees to maintain and to hold and apart from other funds until all Installment Payments have been fully paid or provision has been made therefor in accordance with the Installment Purchase Agreement.

From the moneys in the Water Fund other than the Ad Valorem Tax Account, the District will 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 they become due and payable. Thereafter, all moneys in the Ad Valorem Tax Account and all remaining moneys in the Water Fund shall be set aside by the District at the following times for the transfer to the following respective special funds in the following order of priority:

(a) *Installment Payments.* Not later than each Installment Payment Date, the District will, first from moneys in the Ad Valorem Tax Account and second from other remaining moneys in the Water Fund, transfer to the Trustee the Installment Payment due and payable on that Installment Payment Date. The District will also, from the moneys in the Water Fund, transfer when due to the applicable trustee for deposit in the respective payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any Parity Obligation Payments in accordance with the provisions of the applicable Parity Obligations.

(b) *Parity Obligation Reserve Funds.* Moneys on deposit in the Water Fund not necessary to make any of the payments required above in (a) for a Fiscal Year may, subject to the limitations in the

Installment Purchase Agreement, be expended by the District to restore any debt service reserve funds for any Parity Obligations to an amount equal to the amount required to be maintained therein.

(c) *Surplus*. Moneys on deposit in the Water Fund not necessary to make any of the payments required above in a Fiscal Year may, subject to the limitations in the Installment Purchase Agreement, be expended by the District at any time for any purpose permitted by law, including but not limited to payments with respect to any Subordinate Obligations and deposits to the Rate Stabilization Fund.

### **Rate Covenants**

In the Installment Purchase Agreement, the District covenants to fix, prescribe and collect rates, fees and charges for the services and facilities furnished by the Enterprise during each Fiscal Year, which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Gross Revenues sufficient to pay the following amounts in the following order of priority:

- a) All anticipated expenses for the Operation and Maintenance Costs of the Enterprise for such Fiscal Year;
- b) The Installment Payments and all other Parity Obligation Payments, and all Subordinate Obligation Payments as they become due and payable;
- c) All payments required for compliance with the terms of any Parity Obligations requiring restoration of a debt service reserve fund to the amount required to be maintained therein;
- d) All payments required for compliance with the terms of any Subordinate Obligations requiring restoration of a debt service reserve fund to the amount required to be maintained therein; and
- e) All payments to meet any other obligations of the District which are charges, liens or encumbrances upon the Gross Revenues.

In addition, the District shall fix, prescribe and collect rates, fees and charges and manage the operation of the Enterprise for each Fiscal Year so as to yield during such Fiscal Year (i) Net Revenues (excluding capacity charges), equal to at least 125% of the Installment Payments and any Parity Obligations due in such Fiscal Year, and (ii) Net Revenues equal to at least 100% in such Fiscal Year of (A) Installment Payments and debt service for any Parity Obligations, plus (B) annual debt service for any Subordinate Obligations, due in such Fiscal Year.

The District may make or permit to be made adjustments from time to time in such rates, fees and charges and may make or permit to be made such classification thereof as it deems necessary, but shall not reduce or permit to be reduced such rates, fees and charges below those then in effect unless the Gross Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the rate requirements of the Installment Purchase Agreement.

In any Fiscal Year in which the Net Revenues of Enterprise are in excess of the aggregate annual principal and interest components of the Installment Payments and debt service of Parity Obligations in such Fiscal Year and other conditions of the Installment Purchase Agreement have been satisfied, such excess may be used by the District for any purpose permitted by law, all as further described in "APPENDIX C — SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — The Installment Purchase Agreement."

For information regarding the Enterprise, including financial information, see "NIPOMO COMMUNITY SERVICES DISTRICT" and "APPENDIX B — AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023."

### **No Reserve Fund**



No reserve fund is being established in connection with the Certificates and no reserve fund is required to be established in connection with the issuance of any Parity Obligations (see “–Parity Obligations” below).

### **Parity Obligations**

There are currently no Parity Obligations outstanding following execution and delivery of the Certificates, but the District may at any time incur Parity Obligations provided the following conditions are met:

(a) The District is in compliance with all agreements, conditions, covenants and terms contained in the Installment Purchase Agreement required to be observed or performed by it, and a Written Certificate of the District to that effect has been filed with the Trustee.

(b) The Net Revenues (excluding capacity charges) for any 12 consecutive months within the last 18 months preceding the date of entry into or incurrence of such Parity Obligations, as shown by a Certificate of an Independent Consultant on file with the Trustee, are equal to at least 125% of the Maximum Annual Debt Service as calculated after the entry into or incurrence of such Parity Obligations; provided that, in the event that all or a portion of such Parity Obligations are to be issued for the purpose of refunding and retiring any Parity Obligations then outstanding, interest and principal payments on the Parity Obligations to be so refunded and retired from the proceeds of such Parity Obligations being issued shall be excluded from the foregoing computation of Maximum Annual Debt Service; and provided further that, the District may at any time enter into or incur Parity Obligations without compliance with the foregoing conditions, if the aggregate Annual Debt Service, during the years which such Parity Obligations are outstanding, will not be increased by reason of the entry into or incurrence of such Parity Obligations.

The District may adjust the foregoing Net Revenues to reflect:

(a) An allowance for increased or decreased Net Revenues arising from any increase or decrease in the rates, fees and charges of the Enterprise which was duly adopted by the Board of the District prior to the date of the entry into or incurrence of such Parity Obligations but which, during all or any part of such Fiscal Year or 12-month period, was not in effect, in an amount equal to the amount by which the Net Revenues would have been increased or decreased if such increase or decrease in rates, fees and charges had been in effect during the whole of such 12-month period;

(b) An allowance for Net Revenues that would have been derived from each new use or user of the Enterprise that, during any part of such Fiscal Year or 12-month period, was not in existence, in an amount equal to 70% of the estimated additional Net Revenues that would have been derived from each such new use or user if it had been in existence for the entire 12-month period.

The District may incur obligations secured by a pledge of the Net Revenues that are junior and subordinate to the first lien and pledge of the Net Revenues with respect to the Installment Payments. There are currently no Subordinate Obligations outstanding secured by a pledge of and payable from Net Revenues.

### **Rate Stabilization Fund**

The District may, at any time, determine to deposit in a Rate Stabilization Fund, which it may establish in conjunction with the Enterprise, any Net Revenues and any other money received and available to be used for such purpose. The District may at any time withdraw any or all of the money from the Rate Stabilization Fund for inclusion in Net Revenues; provided that any such withdrawal from the Rate Stabilization Fund shall be made not later than 180 days after the end of the Fiscal Year for which the withdrawal from the Rate Stabilization Fund will be included as Net Revenues.

The Rate Stabilization Fund is currently funded in the amount of \$ \_\_\_\_\_ from funds of the Enterprise.

## **Insurance**

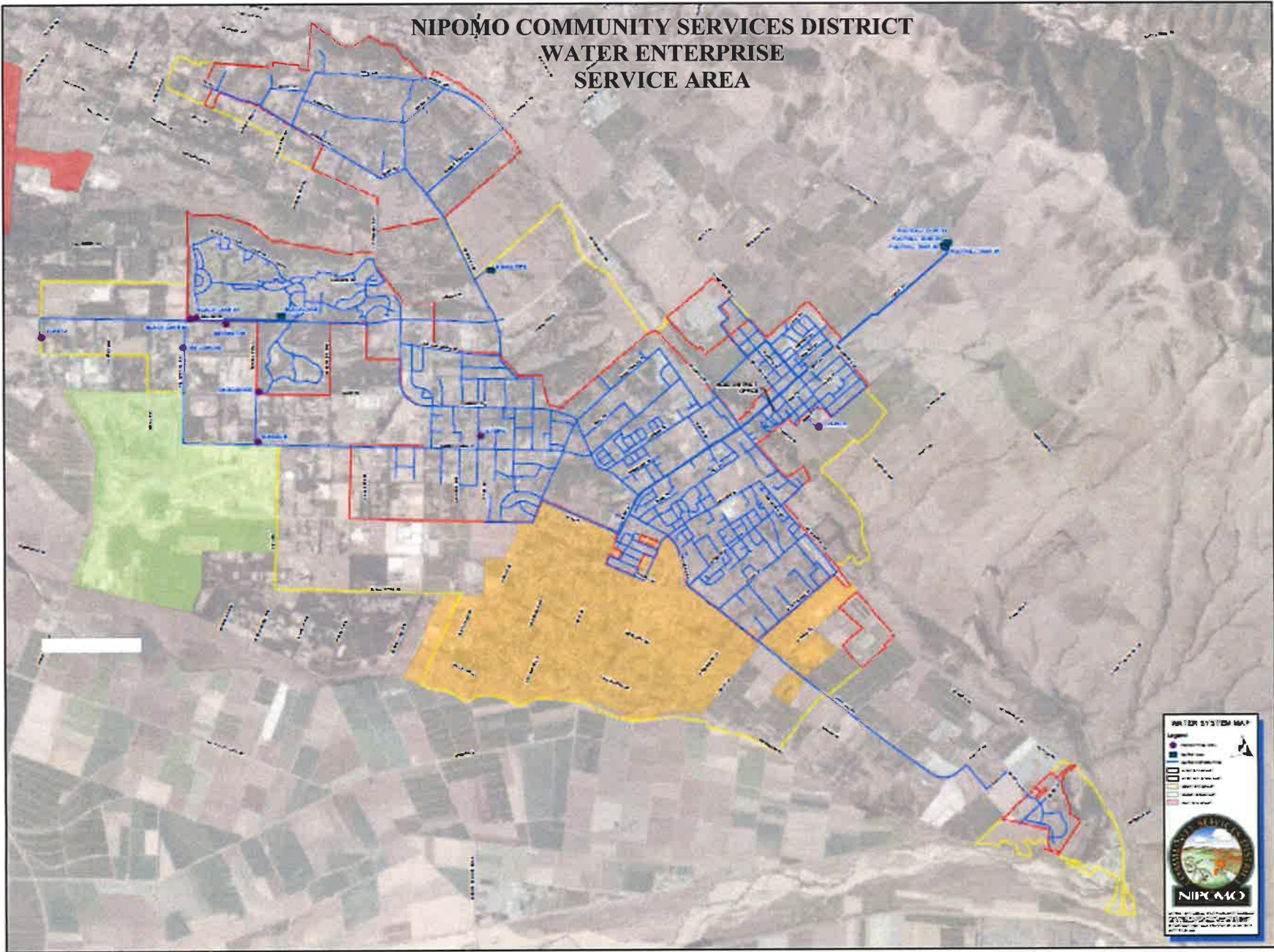
To the extent such insurance is available for reasonable premiums from a reputable insurance company, the District will procure and maintain at all times insurance on the Enterprise against such risks (including accident to or destruction of the Enterprise) and in such amounts as are usually insured in connection with operations in California similar to the Enterprise; provided, that such insurance coverage may be satisfied under a self-insurance program. The District will procure and maintain or cause to be procured and maintained public liability insurance covering claims against the District (including its city council, officers and employees) for bodily injury or death, or damage to property occasioned by reason of the District's operations, including any use of the Enterprise, and such insurance shall afford protection in such amounts as are usually covered in connection with operations in California similar to the Enterprise. Such insurance coverage may also be satisfied under a self-insurance program. The District will procure and maintain such other insurance which it will deem advisable or necessary to protect its interests and the interests of the Corporation. See "THE DISTRICT — Risk Management" and APPENDIX C — "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — Installment Purchase Agreement" herein.

## **Installment Payment Fund**

Installment Payments are required to be made by the District under the Installment Purchase Agreement five (5) days prior to each Interest Payment Date, or if such day is not a Business Day, then the preceding Business Day (each an "Installment Payment Date"). The Trust Agreement requires that Installment Payments be deposited in the Installment Payment Fund maintained by the Trustee. Pursuant to the Trust Agreement, the Trustee is to use the moneys in the Installment Payment Fund (i) on each Interest Payment Date, to deposit in the Interest Account that amount of moneys representing the interest on the Installment Payments coming due on such Interest Payment Date and used by the Trustee for the purpose of paying the interest evidenced by the Certificates when due and payable, (ii) on each Principal Payment Date, to deposit in the Principal Account that amount of moneys representing the Installment Payments coming due on such Principal Payment Date, and used by the Trustee for the purpose of paying the principal evidenced by the Certificates when due and payable, including mandatory sinking payments, and (iii) on the prepayment date specified in a Written Request of the District filed with the Trustee at the time that any prepaid Installment Payment is paid to the Trustee pursuant to the Installment Purchase Agreement, to deposit in the Prepayment Account that amount of moneys representing such prepaid Installment Payment, the accrued interest thereon to the prepayment date and any premium payable with respect thereto and used by the Trustee for the purpose of paying the interest, premium, if any, and principal evidenced by the Certificates to be prepaid. See "APPENDIX C — SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — Trust Agreement — *Installment Payment Fund.*"

*[Remainder of Page Intentionally Left Blank]*

# NIPOMO COMMUNITY SERVICES DISTRICT WATER ENTERPRISE SERVICE AREA



## NIPOMO COMMUNITY SERVICES DISTRICT

### General

The District was formed in 1965 and currently provides 15,080 residents of the Nipomo area with one or more services including water, wastewater, street lighting, solid waste disposal or limited drainage services. The District is a California Community Services District organized pursuant to Government Code Sections 61000 *et seq.* The District is located off of Highway 101 on the central coast of California between San Francisco and Los Angeles, in the rural area of San Luis Obispo County (the “County”), south of the City of San Luis Obispo and north of the City of Santa Maria, in the unincorporated town known as Nipomo. Nipomo is located in the southwest section of the County near the City of Arroyo Grande and the community of Oceano. The town of Nipomo includes approximately 14.9 square miles of land.

The District’s service area overlies the southern portion of the Nipomo area within the unincorporated portion of San Luis Obispo County. The District includes approximately 4,650 acres of land comprising 7 square miles. The District’s authority does not include legislative or executive powers over zoning or land use.

The District currently provides water service to approximately 4,500 residential, commercial and industrial connections. Most of the customers reside in single family homes, but service is also provided to multi-family residential homes and commercial and light industrial users.

The District population is expected to grow from 15,080 to 17,946 by 2040. Approximately 4,000 acres of land within the District are currently developed, of which approximately 3,316 acres are residential, 400 acres are commercial, and 300 acres are recreational.

The District is in the process of annexing approximately two hundred eighty eight (288) acres into the District. The development known as the Dana Reserve Project (the “Dana Reserve Project”) was approved by the County on April 24, 2024. Annexation of the Dana Reserve Project into the District’s service area is a condition of approval of development imposed by the County. The Dana Reserve Project will need to receive water, wastewater, and solid waste services from the District through the annexation. On August 28, 2024, the Board of the District accepted a negotiated property tax exchange with the County, approved an Annexation Agreement with NKT Development LLC (“NKT”) and a LAFCO Plan for Services, and made required findings under CEQA relating to the Dana Reserve Project. See “The Dana Reserve Project” herein for further discussion of the Dana Reserve Project and impacts on the District.

### Governance and Management

The District is governed by a 5-member board of directors (the “Board of Directors”), the members of which are elected by the registered voters in the District to staggered 4-year terms. The current Board of Directors members, the expiration dates of their terms and their occupations are set forth below.

The names of the members of the District Board and the dates their terms expire are as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires (December)</u>	<u>Occupation</u>
Ed Eby	President	2026	Retired Aerospace Program Manager
Dan Gaddis	Vice President	2026	Retired Aerospace Manager
Gary Hansen	Director	2026	Civil and Traffic Engineer
Phil Henry*	Director	2024	Retired Communications Shop Manager
Mario Iglesias*	Director	2024	Retired District General Manager

Day-to-day management of the District is delegated to the General Manager. Set forth below is a brief resume of the General Manager and principal staff:

*Ray Dienzo, P.E., General Manager and Secretary to the Board.* Mr. Dienzo has over 20 years of experience in the utility industry as a solutions champion and a leader in community collaboration. For the past three and a half years, Mr. Dienzo has served as the District Engineer/Utilities Manager for Cambria Community Services District, overseeing an annual budget of \$9 million. Prior to that, he worked for the County of San Luis Obispo in their Public Works Department as the Unit Supervisor for the Water Resources Division. Mr. Dienzo graduated from California Polytechnic State University with an Engineering Degree and has been involved in the San Luis Obispo County area’s water and wastewater challenges ever since.

*Jana Etteddgue, Finance Director/Assistant General Manager.* Jana Etteddgue has served as the District’s Finance Director since April 2023, and as Administrative Supervisor since November 2020. She received a Bachelor of Science degree in Business Administration with a concentration in accounting from California Polytechnic State University, San Luis Obispo. She has over 10 years of experience in private and public accounting.

*Peter V. Sevcik, Director of Engineering and Operations.* Peter V. Sevcik, is the Director of Engineering and Operations and has served in this capacity since September 2007. Mr. Sevcik has over 35 years of experience in wastewater and water including project management, construction management, design, planning and operations & maintenance. Prior to joining the District, he served as the Director of Engineering and Operations for the West Valley Sanitation District in Campbell, California. Mr. Sevcik is responsible for overseeing the planning, design and construction of the District’s capital improvement projects as well as overseeing all operations activities. Mr. Sevcik has a Bachelor’s degree in Civil Engineering from the University of Illinois, Urbana, Illinois, and a Master’s degree in Public Administration from Nova Southeastern University, Fort Lauderdale, Florida.

**Budget Process**

Pursuant to Government Code Section 61110, prior to June 30 of each year, the Board of Directors adopts a preliminary budget or final budget that conforms to generally accepted accounting and budgeting procedures for special districts. Prior to June 30, the District adopts a resolution establishing the appropriation’s limit, annually provides for audits and annual financial reports. Based on the rates, charges and fees adopted by the District, and other revenue sources of the District, the General Manager prepares a District budget for each fiscal year. The budget for Fiscal Year 2025 was adopted on June 12, 2024.

---

\* Appointed to fill vacancy until next general election in 2024.



## **Risk Management**

The District is a member of the Special District Risk Management Authority, an intergovernmental risk sharing joint powers authority, created pursuant to California Government Code Sections 6500 et. seq. In becoming a member of the Special District Risk Management Authority, the District elected to participate in the risk financing programs for the program periods July 1, 2024 through June 30, 2025, including general liability and property insurance with coverage of \$10,000,000 per occurrence with a \$500 deductible for property claims, automobile general liability and property insurance with coverage of \$10,000,000 per occurrence with a \$1,000 deductible, public officials and employee errors insurance with coverage of \$10,000,000 per occurrence and workers compensation insurance with statutory coverage and employer's liability insurance with coverage of \$5,000,000 per occurrence, property replacement insurance with coverage of \$1,000,000,000 per occurrence and boiler and machinery replacement insurance with coverage of \$100,000,000 per occurrence. Members are subject to dividends and/or assessments. No such dividends have been declared, nor assessments levied. As of June 30, 2024, there are no known refund or credit due to the District, nor has there been any reduction in insurance coverage from the prior year. Insurance settlements have not exceeded insurance coverage for each of the past four fiscal years. Settled claims have not exceeded any of the coverages in any of the last four fiscal years. There were no reductions in insurance coverage in fiscal year 2024. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2024.

The District carries cyber liability insurance.

## **Outstanding Indebtedness**

*Enterprise Obligations.* Following execution and delivery of the Certificates, the District has no other obligations secured by a pledge of, and payable from, Net Revenues.

*Sewer Obligations.* In March 2022, \$10,630,000 of Revenue Certificates of Participation ("2022 Sewer Certificates") were executed and delivered to prepay the outstanding balance of the 2012 Revenue Certificates of Participation and fund a portion of the costs of certain capital improvements to the District's sewer enterprise. The outstanding amount of the 2022 Sewer Certificates as of June 30, 2024, is \$9,785,000.

*Special Assessment Debt.* On August 19, 2020, the District issued Assessment District No. 2020-1 (Blacklake Sewer Consolidation) Limited Obligation Bonds in the amount of \$11,225,000 (the "Assessment Bonds"). The balance outstanding as of June 30, 2024 was \$10,720,000. The Assessment Bonds are secured by the unpaid assessment on each parcel of land within the Blacklake Division sewer service area and not from Net Revenues pledged under the Installment Purchase Agreement.

## **Dana Reserve Project**

The District is in the process of annexing the Dana Reserve Project, consisting of approximately two hundred eighty eight (288) acres, into the District. The Dana Reserve Project was approved by the County on April 24, 2024. Annexation of the Dana Reserve Project into the District's service area is a condition of approval of development imposed by the County. The Dana Reserve Project will receive water, wastewater, and solid waste services from the District through the annexation.

The Dana Reserve Project development is proposed to include residential, commercial, open space and park uses, with up to 1,370 residential units, up to approximately 154 accessory dwelling units, up to 203,000 square feet of commercial uses (including a hotel of up to 60,000 square feet and an educational/training facility of up to 30,000 square feet), and up to approximately 61.94 acres of active and passive open space uses as specified in Resolution No. 2024-109 of the San Luis Obispo County Board of Supervisors. The District's 2020 Urban Water Management Plan Update and Water Shortage Contingency Plan both show that sufficient water is available from the District to

serve the Dana Reserve Project, even in single and multiple dry years. Beginning in July of 2025, the District must take, and pay for, 2,500 AF of Supplemental Water from the City of Santa Maria. Water for the Dana Reserve Project will be supplied by the Supplemental Water and not from groundwater. See “THE ENTERPRISE – Water Supply.”

In March 2022 the Dana Reserve Development Water and Wastewater Service Evaluation was completed which identified the water and wastewater infrastructure that would be required to be constructed for the District to provide service to the development. The information from this evaluation was incorporated in the County’s draft Environmental Impact Report (EIR) for the development. In May 2022, the District commissioned a Water and Wastewater Service Phasing Study for the proposed development, which was updated in March 2024. This study was a detailed analysis to determine when water and wastewater infrastructure projects are to be completed to serve the appropriate phase of the Dana Reserve Project construction.

In April 2024, the County approved the Dana Reserve Project, certified the Final EIR, and adopted a Mitigation Monitoring and Reporting Plan (MMRP). A lawsuit was filed in May 2024 against the County challenging the adequacy of the final certified EIR. The NKT and the District were named as “real parties in interest.” The case is *Nipomo Action Committee, et al. v. County of San Luis Obispo, et al.* (San Luis Obispo County Superior Court Case No. 24CV-0351).

On July 9, 2024, the County approved a Property Tax Share Exchange with the District. The tax percentage negotiated by staff for both entities is 2.3679% post-ERAF. On August 28, 2024, the Board of the District accepted the negotiated property tax exchange, approved an Annexation Agreement with NKT and LAFCO Plan for Services, and made required findings under CEQA relating to the Dana Reserve Project. This percentage means the District would receive an estimated property tax share of \$270,599 at Dana Reserve Project buildout. This amount is estimated to increase Ad Valorem Tax Revenues by 20-30%, consistent with the increase in the population of the District’s service area.

The Dana Reserve Project will require significant upgrades to the District’s water and wastewater infrastructure. Pursuant to the Annexation Agreement, the developer has committed to making a payment of \$4.5 million to the District as an infrastructure enhancement payment to be used for the construction and improvement of District infrastructure. The current estimates of capacity charges for the Dana Reserve Project are approximately \$41 million, with identified infrastructure needs of approximately the same amount.

The developer is responsible for paying for and constructing all on-site infrastructure. To the extent that some of the off-site infrastructure is constructed by the District, the owner will pay for this cost through capacity charges for the Project.

Major water transmission and storage projects were recommended for implementation prior to completion and occupancy of the first residential unit due to the need for fire flow, emergency storage, and redundant water supply to the project. The technical reports for the Dana Reserve Project shows that seven new offsite capital projects for the Enterprise are required to be constructed. Prior to the first unit, the developer shall construct Frontage Road Extension, and Willow Road End of Line project. The District will construct five of the projects, including prior to first unit, Foothill Tank, 16-inch Main located on North Oak Glen Drive, and a new 16-inch Highway 101 Crossing at Sandydale Drive, and a 16-inch Main replacement on Tefft Street (prior to unit 689) and Joshua Road Pump Station Reservoir (prior to unit 1,009).

### **Employees and Employee Benefits**

The District is currently staffed with 21 full-time employees, including a General Manager, Finance Director/Assistant General Manager, District Engineer and maintenance workers. None of the District’s employees are presently represented by a union. The District has not experienced any strikes or other labor actions.

## Pension Plan

*This subcaption contains certain information relating to the California Public Employees Retirement System ("PERS"). The information is primarily derived from information produced by PERS, its independent accountants and actuaries. The District has not independently verified the information provided by PERS and makes no representations nor expresses any opinion as to the accuracy of the information provided by PERS.*

*The comprehensive annual financial reports of PERS are available on its Internet website at [www.calpers.ca.gov](http://www.calpers.ca.gov). The PERS website also contains PERS' most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference herein. The District cannot guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.*

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan or PERF C) administered by PERS. The Plan consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under generally accepted accounting principles. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District sponsors three rate plans (all miscellaneous). Benefit provisions under the Plan are established by State statute and District resolution.

PERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the PERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the PERS Board.

As of June 30, 2022 measurement date, the District has 18 active members, 8 inactive members not yet receiving benefits, and 15 retirees and beneficiaries that are covered by the benefit terms for the three Miscellaneous Plans.

A portion of the District's contributions to PERS for District employees constitute Operation and Maintenance Costs of the Enterprise. PERS provides retirement, disability and death benefits to plan members and their beneficiaries. District employees are enrolled in the Miscellaneous Plan in one of three pension formulas: 3% at 60 (Tier 1) if hired prior to June 18, 2011 (currently 5 active employees, 2 separated and 15 retired); 3% at 60 (Tier 2) if hired between June 18, 2011 and January 1, 2013 (currently 5 active employees, 2 transferred); and 3% at 65 (PERL) if not previously a PERS member and hired on or after January 1, 2013 (currently 10 active employees, 2 transferred and 4 separated). The number of PERL employees is expected to increase in the future as new hires join PERL and the number of Tier 1 and 2 employees is expected to be gradually reduced each year as such employees retire or leave the District.



Required employer and employee contributions are determined from rates established by PERS based upon various actuarial assumptions which are revised annually. In Fiscal Year 2024 under the Miscellaneous Plan, employees in Tiers 1 and 2 contributed 8.0% employee contribution and employees in PERL contributed 7.25% employee contribution.

PERS issues a publicly available financial report, which includes a full description of the pension plan regarding benefit provisions, and assumptions and membership information that can be obtained at <https://www.calpers.ca.gov>. The most recent annual reports for the Miscellaneous Plan issued by PERS to the District were in July 2023 (the “July 2023 PERS Reports”). The July 2023 PERS Reports includes information based on the June 30, 2022 actuarial valuation of assets included therein (the “2022 Actuarial Valuation”). Additional information about the PERS Plans can also be found in Note 7 to the District’s Audited Financial Statements attached as Appendix B to this Official Statement.

PERS does not prepare separate actuarial reports for the Enterprise’s share of the unfunded liability. However, the net pension liability attributable to the Enterprise is approximately \_\_\_% of the District’s estimated Fiscal Year 2024 net pension liability as a whole. Employer contributions to the Plan for the fiscal year ended June 30, 2024 were \$[320,704]. The actual employer payments of \$[275,007] made to PERS by the District during the measurement period ended June 30, 2022 differed from the District’s proportionate share of the employer’s contributions of \$[284,765] by \$[9,758], which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan. There can be no assurance that District contributions to PERS will not increase significantly in excess of such projected amounts in the future.

The District funds 100% of its required annual pension costs. The following table summarizes the District’s annual required contributions for its Miscellaneous Plans as a whole, for Fiscal Years 2019 through 2023:

<i>Fiscal Year</i>	<i>Actuarially Determined Contribution</i>	<i>Contributions in Relation to Actuarially Determined Contribution</i>	<i>Contribution Deficiency (Excess)</i>	<i>Covered Payroll</i>	<i>Contribution as a % of Covered Payroll</i>
2019	\$231,550	\$(231,550)	-	\$1,149,787	20.14%
2020	275,007	(275,007)	-	1,329,670	20.68
2021	320,704	(320,704)	-	1,428,771	22.45
2022			-	1,520,028	
2023			-	1,608,091	

*Source: District.*

The following table sets forth the schedule of the District’s net pension liability and related ratios for the Plans as a whole.

<i>Valuation Date (June 30)</i>	<i>Collective Net Pension Liability</i>	<i>Annual Covered Payroll</i>	<i>Net Pension Liability as a % of Annual Covered Payroll</i>	<i>Net Position as a % of Total Pension Liability</i>
2018	\$1,607,847	\$1,120,809	143.45%	77.49%
2019	1,727,302	1,149,787	150.23	77.53
2020	1,894,758	1,329,670	142.50	77.08
2021	1,281,923	1,428,771	89.72	86.59
2022	2,581,393	1,520,028	169.83	74.88

*Source: District.*

In June 2024, PERS reported a preliminary 9.3% net return on investments for the fiscal year ended June 30, 2024. In the two prior fiscal years ended June 30, 2022 and 2023, the reported return was -6.1% and 5.8%, respectively. PERS weighted average investment returns for the past five, ten and twenty years ending June 30, are 6.6%, 6.2% and 6.7%, respectively. The PERS Board voted in December 2016 to phase in an assumed 7% rate of return by fiscal year 2019-20. PERS has publicly indicated that it expects actual investment returns in the next ten years to be less than the 6.8% assumed rate of return. Actual investment returns lower than the actuarially assumed level (in and of itself) will result in decreased funding status and increased required contribution by the District.

Post-Employment Benefits

The District currently provides post-retirement health care benefits through PERS. In general, to be eligible for retiree medical benefits, an employee must retire from PERS on or after age 50 with at least 5 years of District service. For employees hired prior to February 1, 2006, the District’s financial obligation is to pay 100% of the cost of coverage for the eligible retiree and any eligible dependents. For employees hired on or after February 1, 2006, the District’s contribution percentage is based on the employee’s years of PERS eligible service at retirement starting at 50% for employees with 10 years increasing by 5% per year of service up to 100% at 20 years of service. The District’s maximum contribution is based on this contribution percentage applied to the average weighted premium rates established annually by PERS. A separate financial report is not prepared for the HC Plan. On July 10, 2024, the District conducted an actuarial valuation to determine the required funding for this health benefits program. The actuarial liability for the District’s retiree health benefits program as of June 30, 2024, was determined to be \$3,695,120, based on a discount rate of 6.2%. Based on this valuation, for fiscal year ended June 30, 2024, the District paid \$127,072 in retiree medical benefits. In fiscal year 2008, the District established an Irrevocable Trust with the PERS’ California Employer’s Retiree Benefit Trust (CERBT). The Irrevocable Trust was required to fully implement the District’s direction of prefunding the District’s OPEB liability. For fiscal year June 30, 2024, the District’s cash contribution to CERBT was \$130,000 in payments to the trust and the estimated implied subsidy of \$41,316 resulting in total OPEB payments of \$168,388. The District’s contributions to the OPEB plan are not based on a measure of pay. Currently nine (9) retired employee are receiving health care benefits as of June 30, 2024.

The following table provides information as of June 30, 2022 valuation date of the District’s post-employment benefits required disclosure.

Number of active participants	20
Employer’s actuarially determined contributions	\$272,152
Employer’s actual contributions	\$298,388
Total OPEB Liability	\$3,695,120
Plan Fiduciary Net Position	\$2,676,098
Net OPEB Liability	\$1,019,022
Plan fiduciary net position as % of Net OPEB Liability	38.08%
Covered employee payroll	\$1,730,697
Net OPEB Liability as a % of covered employee payroll	58.88%

**THE ENTERPRISE**

**History and Management**

The District was formed in 1965 and currently provides 15,080 residents of the Nipomo area with one or more services including water, wastewater, street lighting, solid waste disposal or limited drainage services.

The Enterprise serves the District encompassing approximately 7 square miles. The District currently employs 21 people full time, and operates one shift, seven days a week to operate and maintain the Enterprise. The District's Finance Department is responsible for billing and collecting all water utility bills.

The Enterprise currently serves 4,513 customers, consisting of 3,842 single-family, 465 multi-family, 96 commercial and 110 irrigation accounts. The approximate 288-acre Dana Reserve Project is in the process of being annexed to the District. See NIPOMO COMMUNITY SERVICES DISTRICT – Dana Reserve Project.”

The District has implemented a preventative well maintenance program where a well is taken out of service each year and refurbished. The District anticipates that this will prevent downtime of any of the wells in the Enterprise. The Board of Directors of the District has implemented a funded cost replacement program. Replacements are scheduled as needed and the budgeted replacement program costs are incorporated into the user rates. Even with a cost replacement program, the District has maintained one of the lowest water rates in the County.

### **Existing Facilities**

Currently, the District operates five (5) production wells, four (4) of which are active, and one (1) is currently being rehabilitated. The District also purchases supplemental water from the City of Santa Maria. The District has adequate water storage to provide water during power outages and has the Via Concha Well (650 gpm) and the Joshua Road Pump Station (2100 gpm) which have dedicated standby generators available to operate the facilities totally independent of electrical power supply for operations. The well depths of the Enterprise are monitored monthly. The entire Enterprise is on the Supervisory Control and Data Acquisition System, a computer software system that monitors and controls the wells, tanks, lift stations and wastewater treatment plant.

Wells. The District operates five (5) production wells, located throughout the distribution system, which produce approximately 50% of its water supply for the Enterprise. The five (5) wells have a capacity of 2100 gpm and extract water primarily from the Nipomo Mesa Management Area (“NMMA”) of the Santa Maria Groundwater Basin (the “Basin”). Each well has pumping facilities sufficient to pump water into the system and fill the reservoirs.

Storage Facilities. There are five (5) above ground steel storage reservoirs with four million gallons of combined capacity.

Pumping Facilities. The Joshua Road Pump Station has has pumping facilities sufficient to pump water up to a rate of 2100 gpm into the system and fill the reservoirs.

Distribution System. The District's water distribution system includes approximately eighty-five (85) miles of water lines varying in size from 6 inches to 24 inches, as well as valves, fire hydrants, and over 4,500 service connections. Fifty percent (50%) of the Enterprise water lines are comprised of six- and eight-inch pipeline. The District believes that its distribution system is currently in good repair and operating condition.

### **Water Supply**

*Groundwater.* Groundwater. Prior to the Supplemental Water Project (“Supplemental Water Project” or SWP”), groundwater pumped from the NMMA of the Basin, an aquifer that has been adjudicated since 2008, was the sole source of water to the District. Groundwater is supplied by four active wells and pumping stations. One of the District's wells is currently being rehabilitated. The wells have an average depth of 600 feet. The three largest wells are the Eureka Well, currently being rehabilitated (1,000 gpm), Sundale Well (1,000 gpm), and the Via Concha Well (650 gpm). Total maximum daily production from the wells is about 2,100 gpm.

*Groundwater Adjudication.* In prior years, the District was a party to litigation originating in 1997 involving the adjudication of various water rights within the greater Basin, which litigation grew to include 900 parties. In 2005, the Court approved a Settlement Stipulation (“Stipulation”) that was signed by the District, other water purveyors and landowners that overlie the Basin. The Stipulation contains specific provisions with regard to rights to use groundwater, development of groundwater monitoring programs, and development of plans and programs to

respond to potentially severe water shortage conditions. Depending on conditions, as determined by NMMA Technical Group, the District and other Nipomo Mesa purveyors can be ordered to reduce pumping. The NMMA Technical Group has defined criterion for Potentially Severe (current designation) and Severe water shortage conditions for the NMMA, based on both water quality measures at coastal sentinel wells and an index of well levels measured across the area. Should the well index trigger Severe criterion, the Technical Group will evaluate further actions, up to and including mandatory pumping reductions. The intent of the Stipulation was to impose a physical solution establishing the legal and practical means for ensuring the long-term sustainability of the Basin. The Stipulation requires the District to develop additional water supplies to serve current and future customers. Phase 1 of the Supplemental Water Project financed by the 2013 COPs was in response to this need. The Supplemental Water Project increases the reliability of the District water supply by providing an additional source other than groundwater.

In 2008, the Court confirmed the Stipulation and incorporated its terms as part of the Final Judgment. The Court has retained on-going jurisdiction to make orders enforcing the rights of the respective parties and the provisions of the Stipulation. Two separate non-stipulating parties to the litigation filed appeals of the Final Judgment to the California Court of Appeals. Oral argument was heard in the spring of 2012. On November 21, 2012, the Appellate Court ruled and, among other things, upheld the Stipulation. The non-stipulating parties then petitioned the Supreme Court of California for review. The Stipulation has been finally adjudicated, and on February 13, 2013, the California Supreme Court denied the petition for review. Petition for review to the U.S. Supreme Court has been made concerning matters other than the Stipulation, but no further action to contest the Stipulation may be taken. The Court entered into an amended judgment on April 17, 2014, which provides for the long-term management of the Basin water resources. The Judgment requires the District to ultimately purchase and transmit a minimum of 2,500 acre-feet of Supplemental Water each year. The District is further required to employ its best efforts to timely implement the Supplemental Water Project. The Judgment further provides that once the Supplemental Water is capable of being delivered, the parties to the agreement are to purchase designated portions of the Supplemental Water each year to offset ground water pumping in the NMMA.

In 2015, the District completed a portion of the Supplemental Water Project allowing the District to receive imported water from the City of Santa Maria. The Supplemental Water Project allows the District and the other water suppliers on the Nipomo Mesa to reduce pumping from existing wells to slow the depletion of groundwater and to reduce the potential for seawater intrusion on the Nipomo Mesa. The Supplemental Water Project is consistent with the Stipulation and the judgment related to the groundwater adjudication of the Santa Maria Groundwater Basin.

The District partner purveyors within the NMMA include Woodlands Mutual Water Company (“WMWC”) and Golden State Water Company (“GSWC”), both of which receive Supplemental Water Project water under the Supplemental Water Management and Groundwater Replenishment Agreement (the “Replenishment Agreement”) entered into by WMWC, GSWC and the District in October 2016. Under the Replenishment Agreement and as provided in the Stipulation, GSWC and WMWC each have a purveyor purchase allocation of 16.66%<sup>1</sup>, for a total of 33.32% of the total 2,500 acre-feet (“AF”) a year delivered through the Supplemental Water Project to the District. Pursuant to the Replenishment Agreement, the District is to operate the Supplemental Water Project as an enterprise fund, separating all costs associated to Supplemental Water Project within and only to that fund. The amortization period for capital costs is 30 years beginning July 1, 2015. As part of the Supplemental Water Project, three new interconnection facilities are being constructed to allow for the maximum allocations of water delivery to the GSWC and the WMWC. The new interconnection facilities and appurtenances will be operated and maintained by the District.

---

<sup>1</sup> At the time the Stipulation and Replenishment Agreement were entered into, GSWC was required to purchase 8.33%, and a third water supplier, Rural Water Company, was required to purchase 8.33%, of the water delivered through the Supplemental Water Project. GSWC has since purchased Rural Water Company and is now responsible for Rural Water Company’s 8.33% share.

*Supplemental Water Project.* The overall costs to construct the Supplemental Water Project was approximately \$ \_\_\_\_\_. The project was completed in 2022 and allows for the delivery on average of a total of 3,000 acre-feet per year (“AFY”) of supplemental water.

*Wholesale Water Agreement.* In order to comply with the Stipulation, the City and the District entered into a wholesale water agreement dated June 5, 2010, and amended May 6, 2013 (the “Wholesale Water Agreement”), in which the City agreed to reserve and sell supplemental water to the District, and the District agreed to purchase such supplemental water, following completion of the Supplemental Water Project. The Wholesale Water Agreement also addresses pricing, points of connection, and operational issues.

The Wholesale Water Agreement provides for a minimum delivery schedule whereby the District is required to purchase the following minimums: 645 AFY of water during year 1, 800 AFY during years 2 through 5, 1,000 AFY during years 6-10, and 2,500 AFY during years 11 through 2035. Under the Wholesale Water Agreement, if the District does not take the minimum amounts, the City may bill the District for the balance. The cost of the water will be the Base Rate of the City’s Water Consumption Rates plus an Base Energy Cost equal to \$206.85 per AF. The initial delivery occurred in 2015. The term of the agreement is 85 years from the initial delivery of the Supplemental Water. The Wholesale Water Agreement also provides for an additional delivery of 3,200 AFY above the minimum delivery.

### **Historical and Projected Water Supply and Deliveries**

As required in the Stipulated Agreement, the District has dramatically reduced overall water demand and significantly reduced its reliance on groundwater through the importation of water from the Supplemental Water Project. The Stage II water severity condition that the NMMA is presently in sets a goal that groundwater deliveries be reduced by twenty percent from average production in 2009 through 2013. For the District, the average for the five-year period is 2,533.4 AFY, so the District has targeted its groundwater pumping to not exceed 2,027 AFY. Since 2016 the District has pumped less than 2,027 AFY.

The District reduced its pumping demand on the groundwater basin from a high of 3,033 AFY in 2003 to a low of 748 AFY in 2022, a seventy-five percent (75%) reduction in groundwater production. The 748 AFY of groundwater production is significantly lower than the requested 1,266.7 AFY production level requested under the Stage IV water severity condition.

As of June 30, 2024, the District has pumped 680 AF for the current fiscal year, up from 602 AF for the same period last year. As of June 30, 2024, the District has imported 1,117 AF equal to its share of Supplemental Water for the current fiscal year. As of June 30, 2024, the District has delivered 1,820 AF of water for the current fiscal year, up slightly from 1,719 AF for the same period last year. Set forth below in Table 1 is a summary of the amount of historical groundwater pumped, Supplemental Water imported and deliveries by the District for the last five fiscal years. The amount of pumped water and deliveries is impacted by building activity, rainfall and consumer use. The District’s historic high year of production was in 2007 at approximately 2,900 AF. Since 2008, water usage has declined primarily due to decreased construction and development activity in the region, conservation efforts by the District and the downturn in the economy in general. This trend is anticipated to reverse in the near future as building activity and development expands and new connections increase. See Table 5 for projected connections based on capacity fee information. For purposes of the District’s financial projections, however, the District has conservatively estimated amounts of pumped groundwater for the current and four succeeding fiscal years as set forth in Table 2. The projections in Table 2 of the Supplemental Water to be purchased include the amounts to be purchased by WMWC and GSWC.

**TABLE 1**  
**NIPOMO COMMUNITY SERVICES DISTRICT**  
**WATER ENTERPRISE**  
**HISTORICAL PUMPED GROUNDWATER AND PURCHASED SUPPLEMENTAL WATER**  
**(IN ACRE-FEET PER YEAR)**

<b>Fiscal Year Ended June 30</b>	<b>Pumped Water</b>	<b>Percent Change</b>	<b>Imported Supplemental Water</b>	<b>Total</b>	<b>Percent Change</b>	<b>Water Deliveries</b>	<b>Percent Change</b>
2020	1,008	11.8%	1,041	2,049	9.7%	1,789	3.30%
2021	935	(7.2)	1,064	1,999	(2.4)	1,881	5.14
2022	748	(20.0)	1,141	1,889	(5.5)	1,819	(3.30) -
2023	602	(19.5)	1,117	1719	(9.0)	1,542	(15.23)
2024	680	12.9	1,140	1820	6.9		

*Source: Nipomo Community Service District.*

**TABLE 2**  
**NIPOMO COMMUNITY SERVICES DISTRICT**  
**WATER ENTERPRISE**  
**PROJECTED PUMPED GROUNDWATER AND SUPPLEMENTAL WATER**  
**(IN ACRE-FEET PER YEAR)**

<b>Fiscal Year Ended June 30</b>	<b>Pumped Water</b>	<b>Imported Supplemental Water</b>	<b>Total</b>
2025	1,040	1,100	2,140
2026	550	2,500	3,050
2027	644	2,500	3,144
2028	742	2,500	3,242
2029	810	2,500	3,310

*Source: Nipomo Community Service District.*

### **Historical and Projected Water Connections**

As of June 30, 2024, the District has 4,513 connections, an increase of 4 connections from last fiscal year or 0.1%. The following Tables 3 and 4 show the number of water connections to the District’s Enterprise for the five most recent fiscal years, as well as the current breakdown between the connection categories as of June 30, 2024.

**TABLE 3  
NIPOMO COMMUNITY SERVICES DISTRICT  
WATER ENTERPRISE  
HISTORICAL WATER CONNECTIONS**

<b>Fiscal Year Ended June 30</b>	<b>Water Connections</b>	<b>Percent Change</b>
2020	4,391	1.1%
2021	4,485	2.1
2022	4,501	0.4
2023	4,509	0.2
2024	4,513	0.1

*Source: Nipomo Community Service District.*

**TABLE 4  
NIPOMO COMMUNITY SERVICES DISTRICT  
WATER ENTERPRISE  
NUMBER OF CONNECTIONS BY CATEGORY  
(As of June 30, 2024)**

<b>Category</b>	<b>Number of Connections</b>	<b>Percent of Total</b>
Single Family	3,842	85%
Multifamily	465	11
Commercial	96	2
Irrigation	110	2
<b>TOTAL</b>	<b>4,513</b>	<b>100%</b>

*Source: Nipomo Community Service District.*

Table 5 depicts projected new connections between the fiscal years 2024-25 through 2028-29 based on capacity fees received by the District, and information received by the District at this time regarding the planning stages of such developments, as well as future projected development within the District, primarily consisting of the Dana Reserve Project. In its financial projections, the District has estimated a growth of 1,172 new connections through 2028-29, of which an estimated 1,000 is attributed to the Dana Reserve Project.

**TABLE 5  
NIPOMO COMMUNITY SERVICES DISTRICT  
WATER ENTERPRISE  
PROJECTED CONNECTIONS**

	2024-25	2025-26	2026-27	2027-28	2028-29
Active & Estimated Connections	4,513	4,516	4,697	5,062	5,344
<b><u>Projects with Intent to Serve Letters<sup>(1)</sup></u></b>					
CO 20-0027	2				
120 S. Thompson Avenue	1				
Tract 3148		23			
Tract 3135		23			
655 Juniper Street			57		
170 Magenta Lane				17	
646 Grande Avenue				15	
213 W. Dana Street				4	
Honey Grove Ln, APN 092-321-030					2
Tract 3056					17
1067 Evergreen Way					1
549 Hill Street					10
Subtotal	3	46	57	36	30
<b><u>Estimated Dana Reserve Connections<sup>(2)</sup></u></b>	0	135	308	246	311
Projected New Connections	3	181	365	282	341
Total Projected Connections	4,516	4,697	5,062	5,344	5,685

1. Based on current intent to serve letters as of August 5, 2024.
2. Based on estimated Dana Reserve Project connections.

*Source: Nipomo Community Services District.*

**Historical Water Sale Revenues**

For the Fiscal Year ending June 30, 2024, the District received \$ \_\_\_\_\_ in revenues from water sales, up from the \$ \_\_\_\_\_ in revenues received over the same period last year. Table 6 shows annual water sale revenues from water sales in the service area for the five most recent fiscal years. The increases in water sales revenues reflect both increased connections as well as rate increases. See the caption "Water Rates and Charges – Water Service Rates."



**TABLE 6  
NIPOMO COMMUNITY SERVICES DISTRICT  
WATER ENTERPRISE  
HISTORICAL WATER SALES REVENUES**

Fiscal Year Ended June 30	Sales Revenue	Percent Change
2020	\$5,940,876	--
2021	6,531,278	9.94%
2022	6,756,275	3.44
2023	7,457,234	10.37
2024 <sup>(1)</sup>		

1. Unaudited.

*Source: Nipomo Community Service District.*

**Largest Customers**

The following Table 7 sets forth the District's ten largest customers in the service area as of June 30, 2023 as determined by annual payments.

**TABLE 7  
NIPOMO COMMUNITY SERVICES DISTRICT  
WATER ENTERPRISE  
TEN LARGEST ENTERPRISE CUSTOMERS BASED ON PAYMENT  
FISCAL YEAR ENDED JUNE 30, 2023**

Account Name	Annual Payment	Percent of Total Water Revenue
Lucia Mar School District	\$162,665	2.52%
Nipomo Regional Park	127,006	1.97%
San Luis Bay Apartments	124,101	1.92%
La Placita Plaza	50,098	0.78%
Brassica Nursery	39,242	0.61%
SLO Gas & Mart	29,038	0.45%
Safeway Inc.	23,343	0.36%
The Oaks at Nipomo	22,671	0.35%
Cider Village Apartments	20,288	0.31%
Buena Vista Mobile Home	<u>18,468</u>	<u>0.29%</u>
Subtotal of Top Ten	\$616,920	9.56%
Total all Others	<u>\$5,830,493</u>	<u>90.44%</u>
Total	\$6,447,413	100.00%

*Source: Nipomo Community Service District.*

These ten largest customers of the Enterprise as measured by charges for the fiscal year ended June 30, 2023, were responsible for approximately [8]% of Enterprise revenue during such period. The majority of the District's customers are residential.

**Water Rates and Charges**

*General.* District rates and charges for water service in the District’s service area are set by the Board of Directors and are not subject by statute to the jurisdiction of, or regulation by, the California Public Utilities Commission or any other regulatory body. The District staff annually determines the adequacy of the water charge structure for its water service in the service area after full consideration of expected operations, maintenance and capital costs of the Enterprise. The Board of Directors currently sets water charges to pay the costs of water pumping and to recover operating expenses for the Enterprise. Capital improvements and debt service payments for the Enterprise are funded from capital facilities fees and property tax revenues plus replacement reserves.

*Water Service Rates.* The District requires meters for all its customers. The existing water service rates and approved increases were adopted pursuant to Resolution No. 2020-1576, which became effective on January 1, 2021 and are presented in Table 12. The revised rates reflect an overall revenue goal of 8.9% increase annually through fiscal year 2024-25. The District has followed Proposition 218 proceedings in relation to the notice, hearing and protest procedures in connection with recently increased rates and plans to follow such procedures in connection with future rate increases. See “RISK FACTORS –Articles XIII C and XIII D.” Prior to the adoption of Resolution No. 2020-1576, the last increase in rates for the Enterprise occurred in 2020.

The structure consists of a monthly fixed charge by meter size and a consumption charge consisting of a uniform volume charge for all customers and separate volume fire protection charges for commercial customers. In \_\_\_\_\_, the District began the process to obtain a new rate study for its water rates.

The chart below sets forth the current approved rate structure for the Enterprise.

**TABLE 8  
NIPOMO COMMUNITY SERVICES DISTRICT  
WATER ENTERPRISE  
CURRENT RATE STRUCTURE**

**MONTHLY FIXED CHARGES**  
(Effective January 1)

<u>METER SIZE</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
1 inch and less	\$ 26.85	\$ 30.36	\$ 33.86	\$ 37.62	\$ 41.56
1 1/2 inch	37.88	42.42	47.03	51.98	57.19
2 inch	53.21	59.32	65.60	72.34	79.45
3 inch	111.52	124.64	138.20	152.66	167.87
4 inch	156.49	174.18	192.58	212.22	232.94
6 inch	315.64	348.53	383.17	420.33	459.73
8 inch	497.52	547.80	601.00	658.16	718.92

**WATER VOLUME CHARGE**  
(Effective January 1)  
(per Unit<sup>1</sup>)

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
All consumption	\$6.21	\$6.68	\$7.21	\$7.80	\$8.45

1. One unit = 100 cubic feet = 748 gallons.

*Source: Nipomo Community Service District.*

Table 9 below sets forth a comparison of current effective water rates for other communities and service areas in the surrounding region. A bi-monthly bill comparison was prepared during the last rate study showing bi-monthly bills of water purveyors in San Luis Obispo County and other local communities. The comparison shown in Table 9 was prepared by applying the District’s average single-family water consumption of 40 Ccf to each of the water purveyor’s single-family water rate schedules for water rates in effect as of July 1, 2020 for surrounding water purveyors. The table indicates that the District’s bi-monthly bill at 40 Ccf, with the January 1, 2021 rates, is in the upper middle of the agencies listed.

**TABLE 9  
NIPOMO COMMUNITY SERVICES DISTRICT  
WATER ENTERPRISE  
REGIONAL COMPARISON OF WATER RATES  
(Bi-monthly charges  
as of last rate study July 2020)**

<b>District /Agency</b>	<b>Bi-Monthly Rate for Single Family Residence (40 Ccf)</b>
Avila Beach Community Services District	\$299.64
Los Osos Community Services District	278.75
City of San Luis Obispo	217.54
<b>Nipomo Community Services District <sup>(1)</sup></b>	<b>202.74</b>
City of Santa Maria	197.02
City of Pismo Beach	176.88
City of Grover Beach	172.97
San Miguel Community Services District	156.54
City of Paso Robles	152.52
City of Arroyo Grande	152.02
Golden State Water Company	115.27
Heritage Ranch	110.48
Templeton Community Services District	90.00

1. January 1, 2021 Uniform Bill.

*Source: Nipomo Community Services District.*

### **Capacity Charges**

Pursuant to Resolution 2008-1102, the District currently charges developers or other new customers connecting to the Enterprise two separate one-time charges for capacity in the system. The Water Capacity Fee can be used for all capital projects, and the Supplemental Water Capacity Fee can be used only for the Supplemental Water Project. Since proceeds of the Certificates are to prepay the 2013 COPs which financed a portion of the first phase of the Supplemental Water Project, both the Water Capacity Fees and the Supplemental Water Capacity Fees (the “Capacity Fees”) are available for making Installment Payments and are described herein. Water capacity charges are based on meter size and reflect the potential demand on the Enterprise that each new connection could impose. Capacity charges are paid at the time of a Will Serve letter, which is prior to the issuance of building permits by the County. There may be a significant lag time between the collection of these charges and the generation of new connections for the District.

Commencing July 1, 2015, and each fiscal year thereafter, the capacity charge shall be increased to reflect the estimated increase in the costs of the construction of District facilities. The determination of whether there has been an increase in costs and the estimated amount of the increase in costs shall be determined by the percentage increase in the 20-Cities Construction Cost Index published by the Engineering News Record using the May 2014, value of nine thousand seven hundred ninety-six (9,796) as the basis and the Index value for May of each year to calculate the increase. The Index value for May 2024 is 13,352. Water Capacity Fees are deposited into the Water Capacity Fund of the Enterprise and the Supplemental Water Capacity Fees are deposited into the Supplemental Water Fund of the Enterprise. Current and historical capacity charge revenues are summarized in the tables below. The current Water Capacity Fee effective July 1, 2024 is \$4,035 for a 1 inch meter. The current Supplemental Water Capacity Fee effective July 1, 2024 is \$10,457 for a 1 inch meter.

The table below shows the historical revenues generated by the Capacity Fees for the past five fiscal years.

**TABLE 10  
NIPOMO COMMUNITY SERVICES DISTRICT  
WATER ENTERPRISE  
HISTORICAL CAPACITY FEES**

<b>Fiscal Year Ended June 30</b>	<b>Water Capacity Fee Revenues</b>	<b>Supplemental Water Capacity Fee Revenues</b>	<b>Total Capacity Fee Revenues</b>
2020	\$ 23,952	\$ 14,832	\$ 38,784
2021	41,275	15,930	57,205
2022	279,030	114,821	393,851
2023	129,053	50,153	179,211
2024 <sup>(1)</sup>			

1. Unaudited.

*Source: Nipomo Community Service District.*

The following table depicts the projected revenue derived from current and future Capacity Fees for the fiscal years 2024-25 through 2028-29 based on Intent-to-Serve letters processed by the District and information received by the District at this time regarding the planning stages of identified future developments within the District.

**TABLE 11  
NIPOMO COMMUNITY SERVICES DISTRICT  
WATER ENTERPRISE  
PROJECTED CAPACITY FEES**

	2024-25	2025-26	2026-27	2027-28	2028-29
<b>Individual Projects with Intent to Serve Letters</b>					
CO 20-0027	\$32,538				
120 S. Thompson Avenue	16,269				
Tract 3148		\$374,187			
Tract 3135		74,187			
655 Juniper Street			\$27,333		
170 Magenta Lane				\$276,573	
646 Grande Avenue				244,035	
213 W. Dana Street				65,076	
Honey Grove Lane					\$ 32,538
Tract 3056					276,573
1067 Evergreen Way					16,269
549 Hill Street					162,690
Estimated Subtotal	\$48,807	\$748,374	\$927,333	\$585,684	\$488,070
<b>Dana Reserve Annexation</b>	0	[\$1,956,420	\$4,463,536	\$3,565,032	\$4,507,012]
Estimated Total	\$48,807				

*Source: Nipomo Community Services District.*

**Ad Valorem Property Taxes**

The District receives a portion of the general ad valorem taxes imposed by San Luis Obispo County (the “County”) and ad valorem assessments imposed by the District. The Ad Valorem Tax Revenues have been pledged as the first source of funds from which Installment Payments will be made. See “SECURITY AND SOURCES FOR THE PAYMENT OF THE BONDS-Pledge of Revenues.”

*Assessed Valuation.* The assessed valuation of the property in the County is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Due to changes in assessment required under State Constitution Article XIII A, the County assessment roll no longer purports to be proportional to market value. Generally, property can be reappraised to market value only upon a change in ownership or completion of new construction. The assessed value of property that has not incurred a change of ownership or new construction must be adjusted annually to reflect inflation at a rate not to exceed 2% per year based on the State consumer price index. In the event of declining property value caused by substantial damage, destruction, economic or other factors, the assessed value may be reduced temporarily to reflect market value. For the definition of full cash value and more information on property tax limitations and adjustments, see “RISK FACTORS – Article XIII A” herein.

The County Assessor determines and enrolls a value for each parcel of taxable real property in the County every year. The value review may result in a reduction in value. Taxpayers in the County also may appeal the determination of the County Assessor with respect to the assessed value of their property. San Luis Obispo County utilizes the Teeter plan for assessment levy and distribution. This method guarantees distribution of 100% of the assessments levied to the taxing entity, with the County retaining all penalties and interest. The District receives approximately 8.3% of its revenues from the 1% property tax levy that the County levies in accordance with Article XIII A of the State Constitution (the “Ad Valorem Property Taxes”). There are no redevelopment agencies within

the boundaries of the District to impact positively or negatively the receipt by the District of Ad Valorem Property Taxes.

The County Auditor-Controller has estimated the adjusted assessed valuation for property within the District for fiscal year 2023-24 as \$2,242,859,988 (\$2,236,874,821 for secured, \$22,428,167 for unsecured and \$16,443,000 for homeowners' exemption), with estimated revenues of \$[883,505]. Table 12 below sets forth the secured and unsecured assessed valuations for property in the District, along with the *ad valorem* tax revenues [actually] received by the District for the fiscal years 2020 through 2024.

**TABLE 12  
NIPOMO COMMUNITY SERVICES DISTRICT  
HISTORICAL ASSESSED VALUATION & PROPERTY TAX REVENUES**

Fiscal Year Ended June 30	Gross Secured Assessed Valuation	Gross Unsecured Assessed Valuation	Homeowners' Exemption	Adjusted Assessed Valuation	Ad Valorem Property Tax Revenues <sup>(1)</sup>
2020	\$1,828,875,688	\$18,518,514	\$(16,563,400)	\$1,830,830,802	\$717,022
2021	1,947,740,574	20,366,954	(16,650,200)	1,951,457,328	763,077
2022	1,992,461,908	19,241,866	(16,692,200)	1,995,011,574	780,655
2023	2,126,314,543	19,357,194	(16,563,400)	2,129,108,337	845,177
2024	2,236,874,821	22,428,167	(16,443,000)	2,242,859,988	883,505

(1) Share of 1% General Fund Apportionment, net of adjustments.

*Source: County of San Luis Obispo Assessor.*

*State Legislative Shift of Property Tax Allocation.* For a number of years, the State Legislature shifted property taxes from cities, counties and special districts to the Educational Revenue Augmentation Fund (“ERAF”). In Fiscal Years 1993 and 1994, in response to serious budgetary shortfalls, the State Legislature and administration permanently redirected over \$3 billion of property taxes from cities, counties, and special districts to schools and community college districts pursuant to ERAF shifts. The Fiscal Year 2004-05 State Budget included an additional \$1.3 billion shift of property taxes from certain local agencies, including the City, in Fiscal Years 2004-05 and 2005-06. On July 27, 2009, the Governor signed a revised Fiscal Year 2010 State budget that included an ERAF shift of approximately 8% of 1% ad valorem property tax revenues from certain local agencies, including the District. On November 2, 2010, State voters approved Proposition 22, which: (i) prohibits the State of California from shifting or delaying the distribution of funds from special districts to schools and community colleges; (ii) eliminates the authority to shift property taxes temporarily during a severe financial hardship of the State; and (iii) restricts the State’s authority to use fuel tax revenues to pay debt service on transportation bonds, to borrow or change the distribution of fuel tax revenues or to use vehicle license fee revenues to reimburse local governments for state-mandated costs. Additionally, the Ad Valorem Property Taxes are specifically pledged to payment of Debt Service on the Bonds which may limit the ability of the State to reduce or eliminate such revenues. Despite the passage of Proposition 22, there can be no assurance that the Ad Valorem Property Taxes the District currently expects to receive will not be temporarily shifted from the District or reduced pursuant to State legislation enacted in the future. If the property tax formula is permanently changed in the future, it could have a material adverse effect on the receipt of its share of 1% property tax revenues by the District. See “RISK FACTORS – Proposition 1A and – Proposition 22” herein.

*Tax Levies and Delinquencies.* In accordance with the California Revenue and Taxation Code, the County tax collector collects secured tax levies for each Fiscal Year. Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a ten percent penalty attaches to any delinquent payment and interest accrues at 18% per annum

from and after the July 1 following the delinquency date. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax-defaulted on or about June 30. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus costs and redemption penalty of one and one-half (1½) percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the County Treasurer-Tax Collector.

Property taxes on the unsecured roll are due as of January 1 lien date and become delinquent, if unpaid, on August 31. A ten percent (10%) penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of one- and one-half (1-1/2) percent per month begins to accrue on November 1.

The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the taxpayer.

San Luis Obispo County utilizes the Teeter Plan for assessment levy and distribution. This method guarantees distribution of 100% of the assessments levied to the taxing entity, with the County retaining all penalties and interest. There is no assurance that the County will continue to utilize the Teeter Plan or that the County's Teeter Plan will not be amended to exclude the Ad Valorem Property Taxes.

Table 8 below sets forth the property tax rates for the District for the fiscal years 2020 through 2024. The information in the table below has been provided by California Municipal Statistics, Inc. Neither the District nor the Underwriter has independently verified the information in the table below and do not guarantee its accuracy.

**TABLE 13**  
**NIPOMO COMMUNITY SERVICES DISTRICT**  
**PROPERTY TAX RATES**  
**Typical Total Tax Rates (TRA52-98)**

	2019-20	2020-21	2021-22	2022-23	2023-24
General	1.00000	1.00000	1.00000	1.00000	1.00000
State Water Project	.00400	.00400	.00400	.00400	.00363
Lucia Mar Unified School District	.07234	.05749	.05878	.03950	.03500
San Luis Obispo Community College District	.01925	.01925	.01925	.01925	.01925
Total	1.09559	1.08074	1.08203	1.06275	1.05788

*Source: California Municipal Statistics, Inc.*

Table 14 below sets forth the direct and overlapping debt statement for the District as of June 30, 2024. The information in the table below has been provided by California Municipal Statistics, Inc. Neither the District nor the Underwriter has independently verified the information in the table below and do not guarantee its accuracy.

**TABLE 14  
NIPOMO COMMUNITY SERVICES DISTRICT  
DIRECT AND OVERLAPPING DEBT STATEMENT  
June 30, 2024**

2023-24 Assessed Valuation: \$2,259,302,988

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt 6/30/24	% Applicable (1)	District's Share of Debt 6/30/24
San Luis Obispo County Community College District	\$205,380,000	3.161%	\$ 6,492,062
Lucia Mar Unified School District	146,249,802	11.714	17,131,702
Nipomo Community Services District Assessment District No. 2020-1	10,965,000	100.	<u>10,965,000</u>
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b>\$34,588,764</b>
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>	Total Debt 6/30/24	% Applicable (1)	District's Share of Debt 6/30/24
San Luis Obispo County General Fund Obligations	\$81,021,650	3.174%	\$2,571,627
San Luis Obispo County Pension Obligation Bonds	22,760,324	3.174	722,413
Lucia Mar Unified School District General Fund Obligations	14,015,000	11.714	1,641,717
<b>Nipomo Community Services District</b>	<b>0</b>	<b>100.</b>	<b><u>0</u></b>
<b>TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>			<b>\$4,935,757</b>
<b>TOTAL DIRECT DEBT</b>			<b>\$0</b>
<b>TOTAL OVERLAPPING DEBT</b>			<b>\$39,524,521</b>
<b>COMBINED TOTAL DEBT</b>			<b>\$39,524,521 (2)</b>

- (1) The percentage of overlapping debt applicable to the district is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the community services district divided by the overlapping district's total taxable assessed value.
- (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2023-24 Assessed Valuation:

<b>Total Direct Debt</b> .....	<b>0.00%</b>
<b>Total Overlapping Tax and Assessment Debt</b> .....	<b>1.53%</b>
<b>Combined Total Debt</b> .....	<b>1.75%</b>



The 20 largest property taxpayers in the District as shown on the 2023-24 secured tax roll and the percentage of the District's total assessed valuation attributable to each are shown in Table 15 below. The information in the table below has been provided by California Municipal Statistics, Inc. Neither the District nor the Underwriter has independently verified the information in the table below and do not guarantee its accuracy.

**TABLE 15**  
**NIPOMO COMMUNITY SERVICES DISTRICT**  
**LARGEST SECURED PROPERTY TAXPAYERS**  
**June 2024**

	Property Owner	Primary Land Use	2023-24 Secured Assessed Valuation <sup>(1)</sup>	Percentage of Total
1.	Nipomo Oaks Senior Living	Assisted Living Facility	\$ 17,468,500	0.78%
2.	Domingos G. Ribeiro	Shopping Center	15,504,872	0.69
3.	Nipomo Self Storage LLC	Mini Storage	9,851,257	0.44
4.	ACI Real Estate SPE 145 LLC	Shopping Center	8,108,788	0.36
5.	Nipomo Group	Commercial	7,215,756	0.32
6.	Nipomo West LLC	Shopping Center	6,100,508	0.27
7.	CIM Newhope LLC	Commercial	5,559,000	0.25
8.	Garfield Beach CVS LLC	Commercial	5,408,600	0.24
9.	Nipomo Partners LLC	Mini Storage	5,332,576	0.24
10.	FE Nipomo LLC	Commercial Land	5,015,098	0.22
11.	SPZ Properties LLC	Apartments	4,745,232	0.21
12.	La Placita Shopping Center LLC	Shopping Center	4,509,375	0.20
13.	Mary Miller	Apartments	4,334,927	0.19
14.	Howard & Pepper, Inc.	Commercial	4,057,172	0.18
15.	Margarita Valley Ranch Inc.	Residential Development	3,937,310	0.18
16.	Nextgen5 LLC	Commercial	3,904,313	0.17
17.	Woodlake Apartment Associates LLC	Apartments	3,888,255	0.17
18.	Blacklake Golf Resort LLC	Golf Course	3,671,119	0.16
19.	Santa Barbara Cottage Hospital Foundation	Commercial Land	3,436,406	0.15
20.	Rodney Edwards	Residential Properties	3,417,959	0.15
			<b>\$125,467,023</b>	<b>5.61%</b>

(1) 2023-24 Local Secured Assessed Valuation: \$2,236,874,821

*Source: California Municipal Statistics, Inc.*

### Supplemental Water Sales

The Wholesale Water Agreement provides that the District is required to purchase the following minimums from the City: 645 AFY of water during 2015, 800 AFY during 2016 through 2019, 1,000 AFY during 2020 through 2024, and 2,500 AFY thereafter through 2035. Under the Wholesale Water Agreement, if the District does not take the minimum amounts, the City may bill the District for the balance. The cost of the water is the Base Rate of the City's Water Consumption Rates plus an Base Energy Cost equal to \$206.85 per AF. Table 16 reflects the cost of the Supplemental Water. Expenses for each fiscal year are separated since the City's rates are effective each January 1. Table 17 reflects the allocation of the Supplemental Water costs among the District (66.68%) and the two water

purveyors (each 16.66%) obligated to purchase the Supplemental Water from the District pursuant to the Replenishment Agreement.

**TABLE 16  
NIPOMO COMMUNITY SERVICES DISTRICT  
COST OF SUPPLEMENTAL WATER PURCHASED  
FROM THE CITY OF SANTA MARIA**

<b>Period</b>	<b>(a) Total Acre Feet Purchased</b>	<b>(b) Total Cost Per Acre Foot</b>	<b>(a) x (b) Cost of Water Purchased</b>
Q3/4	463	\$2,123.73	\$ 983,287
Q1/2	<u>487</u>	1,695.10	<u>825,514</u>
<b>FY2019-20</b>	<b>950</b>		<b>\$1,808,801</b>
Q3/4	498	2,203.78	1,097,482
Q1/2	<u>555</u>	2,123.73	<u>1,178,670</u>
<b>FY 2020-21</b>	<b>1,053</b>		<b>\$2,276,152</b>
Q3/4	531	2,275.84	1,208,471
Q1/2	<u>539</u>	2,203.78	<u>1,187,837</u>
<b>FY 2021-22</b>	<b>1,070</b>		<b>\$2,396,308</b>
Q3/4	509	2,488.48	1,266,636
Q1/2	<u>582</u>	2,275.84	<u>1,324,539</u>
<b>FY 2022-23</b>	<b>1,091</b>		<b>\$2,591,175</b>
Q3/4	515	2,545.40	1,310,881
Q1/2	<u>600</u>	<u>2,488.48</u>	<u>1,493,088</u>
<b>FY 2023-24</b>	<b>1,115</b>		<b>\$2,803,969</b>

*Source: Nipomo Community Services District.*

**TABLE 17  
NIPOMO COMMUNITY SERVICES DISTRICT  
ALLOCATION OF COST OF SUPPLEMENTAL WATER  
TO PARTNER PURVEYORS**

<b>Fiscal Year</b>	<b>NCSD 66.68%</b>	<b>WMWC 16.66%</b>	<b>GSWC 16.66%</b>	<b>Total</b>
2019-20	\$1,206,109	\$301,346	\$301,346	\$1,808,801
2020-21	1,517,738	379,207	379,207	2,276,152
2021-22	1,597,858	399,225	399,225	2,396,308
2022-23	1,727,795	431,690	431,690	2,591,175
2023-24	1,869,686	467,141	467,141	2,803,969

*Source: Nipomo Community Services District.*

## Capital Improvement Program

The District's projected capital improvement plan for the Enterprise for Fiscal Years 2024-25 through Fiscal Year 2028-29, as well as the estimated source of revenue for such improvements, is set forth below. The table does not include capital improvements required for the Dana Reserve Project, which will be funded primarily by the developer or Capacity Fees derived from the Dana Reserve Project.

**TABLE 18  
NIPOMO COMMUNITY SERVICES DISTRICT  
WATER ENTERPRISE  
CAPITAL IMPROVEMENT PROGRAM SUMMARY**

Project	Source of Funding	2024-25	2025-26	2026-27	2027-28	2028-29
Mallagh Street Waterline		\$ 250,000				
Eureka Well		2,500,000				
Chlorine Analyzers		100,000	\$100,000	\$100,000		
Red Oak Waterline		100,000				
Blow-Off Repair		20,000	20,600	21,218	\$ 21,855	\$ 22,510
Air Vac Replacement		20,000	21,600	21,218	21,855	22,510
Fire Hydrant Replacement		50,000	51,500	53,045	54,636	56,275
Valve Replacement		50,000	103,000	106,090	109,273	112,551
Well Refurbishment		50,000	103,000	106,090	109,273	112,551
Large Meter Replacement		50,000				
Foothill Tank Repair		100,000	103,000	106,090	109,273	112,551
Tefft Street Waterline Crossings		25,000	250,000			
SCADA System Improvements		100,000	100,000			
Interconnects		1,000,000				
Pomeroy Water Line		1,800,000				
Summit Station Booster				200,000	1,800,000	
Foothill Tank		500,000	1,000,000	3,000,000		
Third Blacklake Connection		190,000				
TOTAL (uninflated)		<u>\$6,905,000</u>	<u>\$1,852,700</u>	<u>\$3,713,751</u>	<u>\$2,226,165</u>	<u>\$438,948</u>
TOTAL (with 3.5% inflation)			<u>\$1,917,545</u>	<u>\$3,978,263</u>	<u>\$2,468,189</u>	<u>\$503,703</u>

*Source: Nipomo Community Services District.*

The District's capital improvement program is a five-year plan, revised annually. Consequently, projects planned for future years may be cancelled, and new projects not presently anticipated may be undertaken. The planned proceeds of the proposed Certificates have been incorporated into the above table for the Foothill tank. New capital improvements and upgrades are funded from capacity funds, surplus property tax revenues not utilized for payment of Debt Service, and replacement reserves. Maintenance of the capital components of the Enterprise are funded from revenues of the Enterprise.

## Billing and Collection Procedures

The District issues a combined utility bill to each of the customers for fees and charges related to water and wastewater services on a monthly basis. Customers with delinquent accounts are charged an additional fee. Customer accounts become delinquent if unpaid 25 days after due, and if a delinquent account remains unpaid for an additional 15 days water service is terminated.

The District has historically had a very low, if any, annual delinquency rate on the collection of its utility charges. As of August 30, 2024, the delinquency rate is 2.1%. If delinquencies occur, service is discontinued and liens are placed on the parcels and collected on the property tax roll.

### **Water Treatment**

The District disinfects all groundwater at the well sites prior to entering the system. The District can also adjust the disinfectant residual of Supplemental Water at the Joshua Road Pump Station prior to it entering the system.

### **Water Quality**

The District tested its drinking water over 350 times last year for regulated and non-regulated contaminants. The District routinely monitors for regulated and non-regulated constituents both at the source and in the system. Monitoring frequencies vary from weekly, monthly, quarterly, and annually, to once every nine years depending on the constituent. The District is in compliance with all applicable federal and state water quality laws.

### **Conservation**

[TO BE UPDATED] The District adopted its Water Conservation Program in February 2008 with the primary goal of reducing water use by 15% through core and non-core measures. Core measures include public outreach and education, advertising, technical assistance (leak detection and water audits) and a conservation-based, multi-tiered water rate structure. Example of non-core measures include plumbing retrofits, high efficiency clothes washers, removal of lawns, and installation of ‘smart’ irrigation controllers.

In 2004, water use per person per day within the District peaked at 257 gallons. In 2007, the year prior to District adoption of its Conservation Program, per capita water use stood at 226 gallons per day. In 2011, District per capita use was 182 gallons per day – a near 20% decrease since 2007 and a near 30% decrease from the 2004 peak usage rate. The District has maintained compliance with the ever-evolving California Urban Water Conservation Council requirements and Best Management Practice recommendations. In 2013, a five-year review of the District’s Water Conservation Program will be undertaken. The California Urban Water Conservation Council requires a formal review of District compliance with its recommended Best Management Practices be provided within six months of the Council’s publication of its BMP reporting database which was expected in early 2013 and has yet to be published. This review of Management Practices will provide the basis for comprehensive program review.

## Historical Financial Operations

The following tables present historical revenues, expenditures and changes in net assets and for the Enterprise for the past five Fiscal Years.

**TABLE 19**  
**NIPOMO COMMUNITY SERVICES DISTRICT**  
**WATER ENTERPRISE**  
**HISTORICAL REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**For Fiscal Years Ended June 30\***

	Audited 2018-19	Audited 2019-20	Audited 2020-21	Audited 2021-22	Audited 2022-23	Unaudited 6/30/24
<b>OPERATING REVENUES</b>						
Charges for Services	\$4,951,637	5,766,696	6,417,044	6,537,090	6,447,413	
Charges for services–purveyor	538,590	602,689	758,412	798,448	863,379	
Charges for services-purveyor reimbursements	57,428	57,427	57,426	57,426	57,427	
Other operating revenue	237,540	174,180	114,234	219,185	1,009,821	
Total Operating Revenues	<u>\$5,785,195</u>	<u>6,600,992</u>	<u>7,347,116</u>	<u>7,612,149</u>	<u>8,378,040</u>	
<b>OPERATING EXPENSES</b>						
Purchased water	\$1,077,827	\$1,206,101	\$1,517,735	\$1,597,857	\$1,727,795	
Purchased water related expenses	101,847	116,544	128,876	151,981	173,191	
Purchased water-purveyors	538,591	602,690	758,413	798,448	863,379	
Personnel	1,247,229	1,594,028	1,703,135	1,616,678	1,797,684	
Contractual Services	197,639	193,565	221,882	179,869	179,924	
Utilities	311,728	341,266	351,764	344,383	362,517	
Repairs and Maintenance	50,960	128,963	88,328	94,772	141,614	
Other supplies and expenses	630,014	638,620	760,360	1,066,210	966,277	
Insurance	58,372	65,969	95,547	127,673	158,733	
Depreciation	1,042,217	1,083,926	1,167,885	1,212,507	1,260,099	
Total Operating Expenses	<u>\$5,256,424</u>	<u>\$5,971,672</u>	<u>\$6,793,925</u>	<u>\$7,190,378</u>	<u>\$7,631,213</u>	
<b>OPERATING INCOME (LOSS)</b>	<u>\$ 528,771</u>	<u>\$ 629,320</u>	<u>\$ 553,191</u>	<u>\$ 421,771</u>	<u>\$ 746,827</u>	
<b>NON-OPERATING REV (EXP)</b>						
Interest Income	\$ 694,759	\$ 666,859	\$ 494,352	\$ 483,725	\$ 628,611	
Property taxes	-	-	-	-	-	
Cell Site rental income	35,800	37,093	31,640	19,532	20,475	
Gain on disposal of equipment	-	18,826	(51,789)	-	3,620	
Other revenue-purveyor	53,044	64,086	808,466	203,130	147,528	
Interest Expense	(397,659)	(393,676)	(389,632)	(385,018)	(382,023)	
Total Non Operating Revenues	<u>\$ 385,944</u>	<u>\$ 393,188</u>	<u>\$ 893,037</u>	<u>\$ 321,369</u>	<u>\$ 418,211</u>	
<b>Income (Loss) before Contrib.</b>	<u>\$ 914,715</u>	<u>\$1,022,508</u>	<u>\$1,446,228</u>	<u>\$ 743,140</u>	<u>\$1,165,038</u>	
Capital contributions received	\$ 687,589	\$ 568,897	\$ 57,205	\$ 448,178	\$ 637,750	
Transfers in	118,078	144,536	-	-	-	
Transfers out	-	-	182,558	219,512	142,760	
Total contributions and transfers	<u>\$ 805,667</u>	<u>\$ 713,433</u>	<u>\$ 239,763</u>	<u>\$ 667,690</u>	<u>\$ 780,510</u>	
Change in Net Position	<u>\$1,720,382</u>	<u>\$1,735,941</u>	<u>\$1,685,991</u>	<u>\$1,410,830</u>	<u>\$1,945,548</u>	
Total Net Position, Beginning	<u>\$44,830,853</u>	<u>\$46,551,235</u>	<u>\$48,287,176</u>	<u>\$49,973,167</u>	<u>\$51,383,997</u>	
Total Net Position, Ending	<u>\$46,551,235</u>	<u>\$48,287,176</u>	<u>\$49,973,167</u>	<u>\$51,383,997</u>	<u>\$53,329,545</u>	

Source: Nipomo Community Services District.

**TABLE 20**  
**NIPOMO COMMUNITY SERVICES DISTRICT**  
**WATER ENTERPRISE**  
**COMBINING STATEMENT OF NET ASSETS**  
(as of June 30')

	Audited 2018-19	Audited 2019-20	Audited 2020-21	Audited 2021-22	Audited 2022-23	Unaudited 6/30/24
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$11,793,178	\$11,741,661	\$11,040,266	\$12,774,659	\$10,653,557	
Investments	-	-	-	-	3,895,585	
Accounts receivable	369,652	462,229	592,810	371,187	343,138	
Unbilled utility receivable	753,000	934,000	949,000	556,000	624,000	
Accrued interest receivable	179,089	143,254	116,058	131,419	215,380	
Due from other funds	-	-	-	76,856	77,459	
Contract receivable, current portion	108,953	108,956	130,797	142,935	154,946	
Total current assets	<u>\$13,203,872</u>	<u>\$13,390,100</u>	<u>\$12,828,931</u>	<u>\$14,053,056</u>	<u>\$15,964,065</u>	
<b>Noncurrent Assets</b>						
Restricted cash – funded replacement	\$ 789,003	\$ 982,052	\$ 1,201,942	\$ 1,442,187	\$ 1,682,669	
Cash with fiscal agent	97	45	-	-	46	
Deposits and other assets	48,927	46,889	44,850	42,811	40,773	
Contract receivable, less current portion	6,574,152	6,031,248	6,701,166	6,760,337	6,752,818	
Capital assets:						
Capital assets, not being depreciated	1,356,561	4,939,808	1,342,506	1,289,415	1,808,221	
Depreciable capital assets, net	35,148,048	34,876,954	38,687,949	38,387,835	37,741,406	
Total noncurrent assets	<u>\$43,916,788</u>	<u>\$46,876,996</u>	<u>\$47,978,413</u>	<u>\$47,922,585</u>	<u>\$48,025,933</u>	
<b>TOTAL ASSETS</b>	<u>\$57,120,660</u>	<u>\$60,267,096</u>	<u>\$60,807,344</u>	<u>\$61,975,641</u>	<u>\$63,989,998</u>	
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
OPEB related	\$ 468,652	\$ 475,639	\$ 621,849	\$ 536,085	\$ 594,656	
Pension Related	388,746		355,576	359,365	766,036	
Total deferred outflows of resources	<u>\$ 857,398</u>	<u>\$ 830,229</u>	<u>\$ 977,425</u>	<u>\$ 895,450</u>	<u>\$ 1,360,692</u>	
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Accounts payable	\$ 570,752	\$ 1,818,330	\$ 786,395	\$ 754,078	\$ 947,959	
Deposits and retention	10,000	154,915	12,000	10,000	18,663	
Accrued liabilities	206,133	225,286	164,026	161,395	204,516	
Current portion long-term debt	145,000	150,000	213,250	219,735	216,347	
Total current liabilities	<u>\$ 931,885</u>	<u>\$ 2,348,531</u>	<u>\$ 1,175,671</u>	<u>\$ 1,145,208</u>	<u>\$ 1,387,485</u>	
<b>Noncurrent Liabilities</b>						
Net OPEB liability	\$ 735,163	\$ 768,142	\$ 1,006,795	\$ 736,202	\$ 702,273	
Net pension liability	1,062,787	1,141,746	1,252,435	631,305	1,511,939	
Long-term debt, less current portion	8,618,185	8,476,801	8,357,040	8,214,566	8,055,331	
Total noncurrent liabilities	<u>\$10,416,135</u>	<u>10,386,689</u>	<u>\$10,616,270</u>	<u>\$ 9,582,073</u>	<u>\$10,269,543</u>	
<b>TOTAL LIABILITIES</b>	<u>\$11,348,020</u>	<u>12,735,220</u>	<u>\$11,791,941</u>	<u>\$10,727,281</u>	<u>\$11,657,028</u>	
<b>DEFERRED INFLOWS OF RESOURCES</b>						
OPEB related	\$ 30,299	\$ 19,438	-	\$ 203,513	\$ 324,952	
Pension Related	48,504	55,491	\$ 19,661	556,300	39,165	
Total deferred inflows of resources	<u>\$ 78,803</u>	<u>\$ 74,929</u>	<u>\$ 19,661</u>	<u>\$ 759,813</u>	<u>\$ 364,117</u>	
<b>NET POSITION</b>						
Net investment in capital assets	\$27,741,521	\$31,189,961	\$31,545,035	\$31,338,212	\$31,361,971	
Restricted for system expansion	11,351,907	8,977,276	10,792,617	11,260,476	12,809,622	
Restricted for system replacement	844,069	1,069,362	1,283,053	1,493,903	1,734,385	
Unrestricted (deficit)	6,613,738	7,050,577	6,352,462	7,291,406	7,423,567	
Total net position	<u>\$46,551,235</u>	<u>\$48,287,176</u>	<u>\$49,973,167</u>	<u>\$51,383,997</u>	<u>\$53,329,545</u>	

Source: Nipomo Community Services District.

## Historical and Projected Operating Results and Debt Service Coverage

The following table sets forth the historical debt service coverage of the Enterprise for the previous five fiscal years.

**TABLE 21**  
**NIPOMO COMMUNITY SERVICES DISTRICT**  
**WATER ENTERPRISE**  
**HISTORICAL DEBT SERVICE COVERAGE**  
**For Fiscal Years Ended June 30**

	2019-20	2020-21	2021-22	2022-23	2023-24
<b>REVENUES</b>					
Water Sales and Service Charges	\$5,766,696	\$6,417,044	\$6,537,090	\$6,447,413	
Water Sales to other entities	660,116	815,838	855,874	920,806	
Water Ad Valorem Property Tax	717,022	763,077	780,665	845,177	
Connection (Capacity) Fees	38,784	57,205	448,178	637,750	
Interest Income	648,432	487,526	479,741	594,995	
Other	174,180	114,234	219,185	1,009,821	
Total Revenues	\$8,005,230	\$8,654,924	\$9,320,733	\$10,455,962	
<b>OPERATING AND MAINTENANCE EXPENSE</b>					
Water Treatment	\$80,925	\$80,515	\$80,215	\$82,724	
Water purchased	1,808,791	2,276,148	2,396,305	2,591,174	
Transmission and Distribution	1,639,755	2,008,980	2,045,545	2,019,375	
Administrative and General	1,358,275	1,460,397	1,455,806	1,677,841	
Total Operating and Maintenance Expense	\$4,887,746	\$5,826,040	\$5,977,871	\$6,371,114	
<b>NET REVENUES</b>	\$3,117,484	\$2,828,884	\$3,342,862	\$4,084,848	
2013A Bonds Debt Service	\$531,288	\$532,413	\$533,025	\$533,100	
2013 COPs Debt Service	222,800	221,675	220,300	218,675	
Total Debt Service	\$754,088	\$754,088	\$753,325	\$751,775	
<b>DEBT SERVICE COVERAGE</b>	413%	375%	444%	543%	

\*

Source: Nipomo Community Services District.

The following table sets forth the projected revenues, expenses and debt service coverage of the Enterprise for the previous and current Fiscal Year and the next five Fiscal Years based on the assumptions listed following the table.

**TABLE 22**  
**NIPOMO COMMUNITY SERVICES DISTRICT WATER ENTERPRISE**  
**PROJECTED REVENUES, EXPENSES AND DEBT SERVICE COVERAGE**  
**For Fiscal Years Ended June 30**

	FY 23-24 Unaudited	FY 24-25 Estimate	FY 25-26 Estimate	FY 26-27 Estimate	FY 27-28 Estimate	FY 28-29 Estimate
<b>GROSS REVENUES</b>						
Charges for Services <sup>(1)(4)(5)</sup>	\$ 7,459,716	\$ 8,792,755	\$ 9,351,566	\$ 9,507,187	\$ 9,837,001	\$ 10,253,836
Pledge of Property Tax Revenue <sup>(2)</sup>	828,145	901,095	919,117	937,499	956,249	975,374
Miscellaneous	156,000	156,000	156,000	156,000	156,000	156,000
Interest Income <sup>(3)</sup>	563,240	584,522	678,392	867,104	1,119,229	1,396,873
Water Capacity Charge Revenue <sup>(4)</sup>	-	104,910	675,556	1,457,576	1,321,764	1,701,449
Supplemental Water Capacity Charge Revenue <sup>(4)</sup>	-	277,654	1,788,066	3,857,700	3,497,908	4,502,133
Cell Site	41,500	41,500	41,500	41,500	41,500	41,500
<b>Total Gross Revenues</b>	<b>\$ 9,048,601</b>	<b>\$ 10,858,436</b>	<b>\$ 13,610,197</b>	<b>\$ 16,824,566</b>	<b>\$ 16,929,651</b>	<b>\$ 19,027,165</b>
<b>OPERATING EXPENSES</b>						
Water Purchases <sup>(6)</sup>	\$ 1,966,819	\$ 2,053,172	\$ 4,881,180	\$ 5,054,101	\$ 5,292,461	\$ 5,546,283
Salaries and Benefits	1,253,600	1,324,952	1,400,479	1,480,432	1,565,077	1,654,697
Utilities	420,000	582,011	264,921	282,790	332,289	400,077
Chemicals	43,500	43,112	19,246	20,149	23,221	27,420
Lab Testing	58,000	60,320	62,733	65,242	67,852	70,566
Supplies	199,000	206,960	215,238	223,848	232,802	242,114
Repairs and Maintenance	111,500	115,960	120,598	125,422	130,439	135,657
Engineering	70,000	72,800	75,712	78,740	81,890	85,166
Meters	200,000	200,000	200,000	200,000	200,000	200,000
General And Administration	1,984,544	2,093,699	2,175,451	2,284,042	2,385,720	2,504,757
Other Expenses	339,550	353,132	367,258	381,948	397,226	413,116
<b>Total Operating Expenses</b>	<b>\$ 6,646,513</b>	<b>\$ 7,106,118</b>	<b>\$ 9,782,816</b>	<b>\$ 10,196,714</b>	<b>\$ 10,708,977</b>	<b>\$ 11,279,853</b>
<b>NON-OPERATING EXPENSES</b>						
Fixed Asset Purchases	\$ 322,500	\$ -	\$ 30,000	\$ -	\$ -	\$ 30,000
<b>Total Non-Operating Expenses</b>	<b>\$ 322,500</b>	<b>\$ -</b>	<b>\$ 30,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 30,000</b>
<b>Total Net Revenue Available for Debt Service</b>	<b>\$ 2,079,588</b>	<b>\$ 3,752,318</b>	<b>\$ 3,797,381</b>	<b>\$ 6,627,852</b>	<b>\$ 6,220,674</b>	<b>\$ 7,717,312</b>
<b>DEBT SERVICE</b>						
Series 2013 Certificates Debt Service	\$ 527,900	\$ 347,650	\$ -	\$ -	\$ -	\$ -
2013A Revenue Refunding Bonds Debt Service	221,675	191,525	-	-	-	-
Series 2024 Certificates Debt Service <sup>(7)</sup>	-	225,000	900,000	900,000	900,000	900,000
<b>Total Debt Service</b>	<b>\$ 749,575</b>	<b>\$ 764,175</b>	<b>\$ 900,000</b>	<b>\$ 900,000</b>	<b>\$ 900,000</b>	<b>\$ 900,000</b>
<b>Coverage with Water and Supp Water Capacity Charges</b>	<b>277%</b>	<b>491%</b>	<b>422%</b>	<b>736%</b>	<b>691%</b>	<b>857%</b>
<b>Coverage w/o Water and Supp Water Capacity Charges</b>	<b>277%</b>	<b>441%</b>	<b>148%</b>	<b>146%</b>	<b>156%</b>	<b>168%</b>
<b>Beginning Fund Balances</b>						
Water Fund (Fund 125)	\$ 4,150,000	\$ 4,262,586	\$ 5,708,628	\$ 5,031,866	\$ 4,106,517	\$ 3,040,867
Water Rate Stabilization Fund (Fund 128)	438,800	456,710	475,351	494,753	514,947	535,965
Supplemental Water Capacity Fund (Fund 500)	2,500,000	1,915,878	956,540	3,409,487	8,074,425	12,562,634
Water Capacity Fund (Fund 700)	2,000,000	2,081,633	2,273,649	2,294,263	3,875,229	5,382,140
Water Replacement Fund (Fund 805)	3,900,000	3,302,041	4,087,839	4,913,873	5,780,766	6,660,593
Supplemental Water Replacement Fund (Fund 915)	1,442,186	1,712,137	1,993,107	2,280,243	2,578,815	2,889,574
<b>Total</b>	<b>\$ 14,430,986</b>	<b>\$ 13,730,985</b>	<b>\$ 15,495,114</b>	<b>\$ 18,424,485</b>	<b>\$ 24,930,699</b>	<b>\$ 31,071,773</b>
<b>Ending Fund Balances</b>						
Water Fund (Fund 125)	\$ 4,262,586	\$ 5,708,628	\$ 5,031,866	\$ 4,106,517	\$ 3,040,867	\$ 1,868,542
Water Rate Stabilization Fund (Fund 128)	456,710	475,351	494,753	514,947	535,965	557,841
Supplemental Water Capacity Fund (Fund 500)	1,915,878	956,540	3,409,487	8,074,425	12,562,634	18,258,755
Water Capacity Fund (Fund 700)	2,081,633	2,273,649	2,294,263	3,875,229	5,382,140	7,337,992
Water Replacement Fund (Fund 805)	3,302,041	4,087,839	4,913,873	5,780,766	6,660,593	7,570,209
Supplemental Water Replacement Fund (Fund 915)	1,712,137	1,993,107	2,280,243	2,578,815	2,889,574	3,213,017
<b>Total</b>	<b>\$ 13,730,985</b>	<b>\$ 15,495,114</b>	<b>\$ 18,424,485</b>	<b>\$ 24,930,699</b>	<b>\$ 31,071,773</b>	<b>\$ 38,806,356</b>

Footnotes are listed on following page.



Footnotes to Table 22.

- [1] Projected revenue assumes the water rates adopted in the most recent Proposition 218 Notice will be implemented through January 1, 2025.
- [2] Assumes an increase of 2 percent annually.
- [3] Assumes and interest earnings rate of 4.0% annually.
- [4] Assumes Dana Reserve accounts added as follows: 135, 308, 246 and 311, respectively, for fiscal years 25-26, 26-27, 27-28 and 28-29, respectively. Assumes an average of 25 new non-Dana Reserve accounts for each fiscal year commencing fiscal year 24-25.
- [5] Excludes revenues from water purveyors for Supplemental Water.
- [6] Projected expenses includes take-or-pay increase in District's share of supplemental water cost and volume from 667 to 1,667 AFY.
- [7] Preliminary, subject to change.

*Source: Nipomo Community Services.*

To the extent that actual future conditions vary from those assumed in preparing the projections, the actual results will vary from those set forth herein. Combined beginning fund balance for the Water Fund, Water Replacement Fund, Water Capacity Fund, Supplemental Water Fund, Supplemental Water Capacity Fund and Water Rate Stabilization Fund for fiscal year 2023-24 was \$14,430,986. Combined ending balance of such funds is projected to be \$13,730,985 for fiscal year 2023-24.

Tuckfield & Associates, independent consultant to the District (the "Independent Consultant"), has prepared the previous table of projections of operating results of the Enterprise based on certain assumptions made by the District. These assumptions include the following:

- Fiscal year 2023-24 figures are based on budget amounts.
- Projected revenues, including Capacity Fee revenues, are based on the current existing rate structure, as well as 25 new connections added each year in the District's current service area and additional residential and commercial connections that are estimated to occur over the next five (5) years from the Dana Reserve Project.
- Projected revenues include the most recent rate increase implemented on January 1, 2024 and assume that the last remaining Proposition 218 voter approved rate increase for January 1, 2025 is implemented. No rate increase is assumed in fiscal year 2025-26. See "THE ENTERPRISE – Water Rates and Charges" and "RISK FACTORS – Articles XIII C and XIII D."
- Capacity Revenue projections include Water Capacity Fee and Supplemental Water Capacity Fee. See RISK FACTORS – Articles XIII C and XIII D."
- Cell Site is held constant.
- Interest income is based on an interest rate of 4.0% on the average fund balances.
- Ad Valorem Property Tax Revenue of \$901,095 in fiscal year 2024-25 is based on County estimates, and is inflated at one percent (1%) conservatively in future years.
- Operation and Maintenance expenses are inflated at the following annual rates: Salaries – 5.0%; Benefits – 7%; Chemicals (per Ccf) – 2%, and Electricity (per Ccf) - 4%. All other expenses are inflated at 4% annually.
- Transfers to the Replacement Fund for annual capital replacement are based on District Policy.
- District policy is to maintain an estimated 180 days of operation and maintenance expense as an operating reserve.
- Water sales to purveyors equals 33.32% of Supplemental Water sold to the District.

- The District will purchase Supplemental Water in the amount of 2,500 AF beginning July 1, 2025 as agreed in the Wholesale Water Agreement.
- Cost per hundred cubic feet (HCF) of purchased Supplemental Water from the City of Santa Maria increases at 4.5% through fiscal year 2026-27 which reflects their adopted rate schedule. After this date, the cost per HCF is assumed to increase at 5%.

To the extent that actual future conditions vary from those assumed in preparing the projections, the actual results will vary from those set forth herein, and such variances may be material and adverse.

### **Delinquencies**

The District's water system has historically accounted for revenues on a full accrual basis. The District has developed procedures for handling delinquent accounts. There has not generally been a significant delinquency problem. The threatened suspension of water delivery is normally sufficient incentive to induce customers to make payment of their billings. In addition, the District customers may have tax liens placed on their property when water bills are delinquent.

Due to Governor Newsom's Executive Order, dated April 2, 2020, the District waived late fees and postponed service shutoffs during the COVID-19 emergency. The District resumed late fees as of May 2022 after the Governor lifted the order. The number of delinquent accounts was 1.2% as of June 30, 2023 and 1.3% as of June 30, 2024.

### **Enterprise Accounting**

The Enterprise is accounted for as an enterprise fund with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis are to be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Revenues are fully accrued to include unbilled services at year end.

The District uses the accrual basis of accounting for its "proprietary funds," including the Enterprise funds. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred. All assets and liabilities for these funds are included on the balance sheet with this measurement focus. Fund equity (net total assets) is segregated into contributed capital and retained earnings components.

The proprietary funds apply all applicable GASB pronouncements as well as applicable pronouncements of the Financial Accounting Standard Board, Accounting Principles Board and any Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

See "APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2023" for a more complete summary of the District's accounting policies.

### **Future Facilities**

In addition to the facilities referenced herein under "Capital Improvement Program," the Dana Reserve Project will require significant upgrades to the Enterprise. Pursuant to the Annexation Agreement, the developer has committed to making a payment of \$4.5 million to the District as an infrastructure enhancement payment to be used for the construction and improvement of District infrastructure. The current estimate of capacity charges for the Dana Reserve Project is approximately \$[41] million for water, with identified infrastructure for the

Enterprise of approximately the same amount. See “NIPOMO COMMUNITY SERVICES DISTRICT – Dana Reserve Project.”

## **Regulation**

The District’s operation and maintenance of the Enterprise is primarily regulated by the California State Department of Health Services (“DHS”) and the California Regional Water Quality Control Board (“RWQCB”). The District believes that the Enterprise currently meets all applicable DHS and RWQCB standards and requirements.

## **RISK FACTORS**

*The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating the purchase of Certificates. However, the following does not purport to be an exhaustive list of risks and other considerations which may be relevant to investing in the Certificates and there can be no assurance that other risk factors will not become evident at any future time. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.*

### **Enterprise Demand and Growth; Drought**

There can be no assurance that the local demand for water service will be maintained at levels described in this Official Statement under “NIPOMO COMMUNITY SERVICES DISTRICT.” Reduction in the level of demand and/or failure of water purveyors to take or pay for amounts of purchased water required by the Stipulation could require an increase in rates or charges by the District in order to produce Net Revenues sufficient to comply with the District’s rate covenants in the Installment Purchase Agreement. See “APPENDIX C — SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — Installment Purchase Agreement.” There can be no assurance that either the District or other administrative agency will not adopt restrictions on annual connections to the Enterprise. Under the Wholesale Water Agreement with the City of Santa Maria, the District is required to purchase up to 2,500 AF of water by 2025 through 2035. The cost of this water may require significant water rate increases beyond what has already been approved. There can be no assurance that rate increases can be implemented or implemented in time to meet the District’s water purchase obligations.

Limitations on the District’s existing water facilities due to potential seawater intrusion or continuation of drought conditions may impact the local supply available for water service and thereby impact the level of demand.

### **Enterprise Operation and Maintenance Expenses and Net Revenues**

There can be no assurance that the District’s operation and maintenance expenses for the Enterprise will remain at the levels described in this Official Statement. Changes in technology, energy or other expenses, including any increased treatment costs, could reduce the District’s Net Revenues and require substantial increases in rates or charges. Such rate increases could increase the likelihood of nonpayment or decrease demand. Although the District has covenanted to prescribe, revise and collect rates and charges for the Enterprise at certain levels, there can be no assurance that such amounts will be collected in the amounts and at the times necessary to make timely payments with respect to the Installment Payments.

The ability of the District to comply with its covenants under the Installment Purchase Agreement and generate Net Revenues sufficient to pay principal of and interest with respect to the Certificates may be adversely affected by actions and events outside the control of the District and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See “- Articles XIII C and XIII D.” The remedies available to the owners of the Certificates upon the occurrence of an event of default under the Installment Purchase Agreement are in many respects dependent upon judicial actions that are typically subject to discretion and delay and could prove both expensive and time consuming to obtain.

## **Environmental Laws and Regulations**

Water facilities are subject to a wide variety of local, State, and federal health and environmental laws. Among the types of regulatory requirements faced by such facilities are water quality control requirements. Such regulations, as they may be from time to time amended or subsequently enacted could affect the Net Revenues available to pay the Installment Payments. See “THE ENTERPRISE – Regulation.”

## **Natural Disasters**

A number of natural disasters could affect the physical condition of the Enterprise facilities and/or the ability or willingness of Enterprise customers to pay their sewer bills when due. This may include the following:

**Seismic.** The District, like most communities in California, is an area of unpredictable seismic activity, and therefore, is subject to potentially destructive earthquakes.

**Flood Zone Mapping.** No portion of the District has been designated by Federal Emergency Management Agency (“FEMA”) as a Special Flood Hazard Area (which is estimated to have a 1% annual chance of experiencing a flood with a magnitude expected once every hundred years (“100-year flood”). There were no damages to the Enterprise from the atmospheric river events which occurred in 2023.

**Wildfire Risks.** In recent years, wildfires have become an increasing risk for communities throughout the State, led in part due to drought conditions in the State and in part to other climactic conditions. A wildfire impacting the District could have a material adverse impact on property values, use and demand for water and otherwise within the District. No portion of the District is located in State Responsibility Area Fire Hazard Zones.

## **Risks Relating to the Drought**

Beginning in April 2021, Governor Newsom signed a series of proclamations determining that 50 counties in the State are in a state of emergency due to drought conditions affecting such areas. On October 19, 2021 (the “October 19 Proclamation”), Governor Newsom signed a proclamation placing the remaining eight California counties in a state of emergency due to drought conditions, resulting in the entire State being under a state of emergency. The October 19 Proclamation requires local water suppliers to implement their urban water shortage contingency plans and agricultural drought plans, as applicable, at a level appropriate for local conditions that take into account the possibility of a third consecutive dry year. On July 8, 2021, Governor Newsom signed Executive Order N-10-21, which asks citizens of the State to voluntarily reduce their water use by 15% compared to 2020 levels. Subsequently, on March 28, 2022, Governor Newsom issued Executive Order N-7-22, which required the State Water Resources Board to evaluate the adoption of certain emergency water usage regulations by May 25, 2022. On March 24, 2023, Governor Newsom eased the emergency drought restrictions imposed in 2021, however, there can be no assurance that subsequent declarations will not impose mandatory water use restrictions should dry conditions persist in future years.

The District does not currently believe that further reductions in water use will have a material adverse effect on the District’s ability to pay the Installment Payments; however, if water usage decreases significantly, whether by operation of mandatory use restrictions, prohibitively high water costs or otherwise, Net Revenues available to pay the Installment Payments may be adversely impacted.

## **Cybersecurity**

The District, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other sensitive electronic information, the District is potentially subject to multiple cyber threats, including without limitation hacking, viruses, ransomware, malware and other attacks. No assurance can be given that its efforts to manage cyber threats and attacks will be successful in all cases, or that any such attack would not materially impact the operations or finances of any entity, including with respect to the administration of the Certificates. The District is also reliant

on other entities and service providers in connection with its information technology generally, as well as with the administration of the Certificates, including without limitation the Trustee. The District has not been subject to a major cyberattack in the last 10 years. No assurance can be given that the District and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Certificate owners.

*[Does the District have a cyber security policy that we can describe?]*

The District currently maintains insurance coverage with respect to certain information security and privacy liability claims. See “NIPOMO COMMUNITY SERVICES DISTRICT – Risk Management.” The increased severity of cybersecurity claims, driven by high ransom demands, has affected the cybersecurity insurance market and has made insurance coverage more expensive and difficult to obtain. In the event the District’s current coverage limits are reduced or the District declines to obtain insurance coverage relating to cybersecurity, the District’s financial burden may increase if it experiences a cyberattack.

### **Future Suspensions and Moratoriums on Utility Shut-Offs**

Due to Governor Newsom’s Executive Order, dated April 2, 2020, the District waived late fees and postponed service shutoffs during the COVID-19 emergency. The District and the State may implement additional billing suspensions and moratoriums on shut-offs or other changes to its customers and such actions may affect Net Revenues. No assurance can be made that Net Revenues will not be materially adversely affected by the existence of suspensions and moratoriums on water and wastewater shut-offs, nor can there be any assurance that District and the State may not establish new moratoriums that could affect Net Revenues in the future.

### **Limitations on Remedies; Bankruptcy**

The District is authorized to file for bankruptcy under certain circumstances. Should the District file for bankruptcy, there could be adverse effects on the owners of the Certificates.

If the Net Revenues are “special revenues” under the Bankruptcy Code, then Net Revenues collected after the date of the bankruptcy filing should be subject to the lien of the Trust Agreement. “Special revenues” are defined to include receipts derived from the ownership or operation of projects or systems that are primarily used to provide utility services. Although the Net Revenues appear to satisfy this definition and thus be “special revenues,” no assurance can be given that a court would not hold that the Net Revenues are not special revenues or are not subject to the lien of the Trust Agreement. If the Net Revenues are determined to not be “special revenues,” then Net Revenues collected after the commencement of the bankruptcy case will likely not be subject to the lien of the Trust Agreement. The owners of the Certificates may not be able to assert a claim against any property of the District other than the Net Revenues, and if these amounts are no longer subject to the lien of the Trust Agreement, then there may be no amounts from which the owners of the Certificates are entitled to be paid.

The Bankruptcy Code provides that special revenues can be applied to necessary operating expenses of the related project or system before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. Thus, the District may be able to use Net Revenues to pay necessary operating expenses of the Enterprise that are greater than or different from the Operation and Maintenance Costs defined in the Installment Purchase Agreement before the remaining Net Revenues are made available to the Trustee to pay amounts owed to the owners of the Certificates. It is not clear which expenses would constitute necessary operating expenses.

If the District is in bankruptcy, then the District’s creditors (including the Trustee on behalf of owners of the Certificates) may be prohibited from taking any action to collect any amount from the District or to enforce any obligation of the District without the bankruptcy court’s permission. This prohibition may also prevent the Trustee from making payments to the owners of the Certificates from funds in the Trustee’s possession. The rate covenant (see “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Rate Covenant”) may not be enforceable in bankruptcy by the Trustee or the owners of the Certificates.

The provisions of the Installment Purchase Agreement that provide that the commencement of a bankruptcy case by the District is an event of default and that certain other insolvency-related events with respect to the District are also events of default may be unenforceable. This may limit the ability of the Trustee to require the District to turn over to the Trustee Net Revenues and may allow the District to continue to spend Net Revenues for any purpose permitted by law as provided in the Installment Purchase Agreement, free and clear of the lien of the Installment Purchase Agreement, notwithstanding that the District is in bankruptcy.

The District may be able to borrow additional money that is secured by a lien on any of its property (including the Net Revenues), which lien could have priority over the lien of the Installment Purchase Agreement, as long as the bankruptcy court determines that the rights of the Trustee and the owners of the Certificates will be adequately protected. The District may be able to cause some of the Net Revenues to be released to it, free and clear of the lien of the Trust Agreement, as long as the bankruptcy court determines that the rights of the Trustee and the owners of the Certificates will be adequately protected.

The District may be able, without the consent and over the objection of the Trustee and the owners of the Certificates, to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Trust Agreement and the Certificates as long as the bankruptcy court determines that the alterations are fair and equitable.

There may be delays in Installment Payments, and consequently payments on the Certificates, while the court considers any of these issues. There may be other possible effects of a bankruptcy of the District that could result in delays or reductions in Installment Payments, or result in losses to the owners of the Certificates. Regardless of any specific adverse determinations in a District bankruptcy proceeding, the fact of a District bankruptcy proceeding could have an adverse effect on the liquidity and value of the Certificates.

### **Article XIII A**

On June 6, 1978, State voters approved Proposition 13, which added Article XIII A to the State Constitution. Article XIII A, as amended, limits the amount of any ad valorem tax on real property to 1% of the full cash value thereof, except that additional ad valorem taxes may be levied to pay debt service: (i) on indebtedness approved by the voters prior to December 1, 1978; (ii) on bonded indebtedness approved by a two-thirds vote on or after December 1, 1978, for the acquisition or improvement of real property; or (iii) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters voting on the proposition. Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, including a general economic downturn, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster, and in other minor or technical ways.

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by counties and distributed according to a formula among taxing agencies. Increases in assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property is shown at full cash value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100 percent of taxable value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

### Articles XIIC and XIID

**General.** An initiative measure entitled the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIIC and Article XIID to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property related assessments, fees and charges.”

**Article XIID.** Article XIID defines the terms “fee” and “charge” to mean “any levy other than an ad valorem tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service.” A “property related service” is defined as “a public service having a direct relationship to property ownership.” Article XIID further provides that reliance by an agency on any parcel map (including an assessor’s parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership.

Article XIID requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, if and to the extent that a fee or charge imposed by a local government for water service is ultimately determined to be a “fee” or “charge” as defined in Article XIID, the local government’s ability to increase such fee or charge may be limited by a majority protest.

In addition, Article XIID includes a number of limitations applicable to existing fees and charges including provisions to the effect that: (a) revenues derived from the fee or charge may not exceed the funds required to provide the property-related service; (b) such revenues may not be used for any purpose other than that for which the fee or charge was imposed; (c) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership may not exceed the proportional cost of the service attributable to the parcel; (d) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property related fees or charges based on potential or future use of a service are not permitted; and (e) no fee or charge may be imposed for general governmental purposes.

Based upon the California Court of Appeal decision in *Howard Jarvis Taxpayers Association v. City of Los Angeles*, 85 Cal. App. 4th 79 (2000), which was denied review by the State Supreme Court, it was generally believed that Article XIID did not apply to charges for water services that are “primarily based on the amount consumed” (i.e., metered water rates), which had been held to be commodity charges related to consumption of the service, not property ownership. The Supreme Court stated in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal. 4th 205 (2006) (the “Bighorn Case”), however, that fees for ongoing water service through an existing connection were property-related fees and charges. The Supreme Court specifically disapproved the holding in *Howard Jarvis Taxpayers Association v. City of Los Angeles* that metered water rates are not subject to Proposition 218. The District has complied with the notice and public hearing requirements of Article XIID in establishing Enterprise rates and charges.

**Article XIIC.** Article XIIC provides that the initiative power may not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges is applicable to all local governments. Article XIIC does not define the terms “local tax,” “assessment,” “fee” or “charge,” so it was unclear whether the definitions set forth in Article XIID referred to above are applicable to Article XIIC. Moreover, the provisions of Article XIIC are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. On July 24,

2006, the Supreme Court held in the Bighorn Case that the provisions of Article XIIC included rates and fees charged for domestic water use. In the decision, the Court noted that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations.

On August 3, 2020, the California Supreme Court issued an opinion in *Wilde v. City of Dunsmuir* (Cal S. Ct S252915) holding that local legislation measures setting water and other utility rates are not subject to challenge by referendum. Referendum allows voters to approve or reject laws before they take effect and is distinct from the Article XIID protest procedures described above and the legal process for initiative measures discussed below.

In any event, the District does not believe that Article XIIC grants to the voters within the District the power to repeal or reduce rates and charges for the water service in a manner which would be inconsistent with the contractual obligations of the District. However, there can be no assurance of the availability of particular remedies adequate to protect the beneficial owners of the Certificates. Remedies available to beneficial owners of the Certificates in the event of a default are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain. So long as the Certificates are held in book-entry form, DTC (or its nominee) will be the sole registered owner of the District and the rights and remedies of the Certificate Owners will be exercised through the procedures of DTC.

### **Proposition 1A**

Proposition 1A was approved by the voters at the November 2, 2004 election. Proposition 1A amended the State Constitution to, among other things, reduce the Legislature's authority over local government revenue sources by placing restrictions on the State's access to local governments' property, sales, and vehicle license fee revenues as of November 3, 2004. Beginning with Fiscal Year 2008-09, the State may borrow up to eight percent of local property tax revenues, but only if the Governor proclaims such action is necessary due to a severe State fiscal hardship, and two-thirds of both houses of the Legislature approves the borrowing. The amount borrowed is required to be paid back within three years. The State also will not be able to borrow from local property tax revenues for more than two fiscal years within a period of 10 fiscal years. In addition, the State cannot reduce the local sales tax rate or restrict the authority of local governments to impose or change the distribution of the statewide local sales tax.

Many of the provisions of Proposition 1A have been superseded by Proposition 22 enacted in November 2010 and described below.

### **Proposition 22**

On November 2, 2010, the voters of the State approved Proposition 22, known as "The Local Taxpayer, Public Safety, and Transportation Protection Act" ("Proposition 22"). Proposition 22, among other things, broadens the restrictions established by Proposition 1A. While Proposition 1A permits the State to appropriate or borrow local property tax revenues on a temporary basis during times of severe financial hardship, Proposition 22 amends Article XIII of the State Constitution to prohibit the State from appropriating or borrowing local property tax revenues under any circumstances. The State can no longer borrow local property tax revenues on a temporary basis even during times of severe financial hardship. Proposition 22 also prohibits the State from appropriating or borrowing proceeds derived from any tax levied by a local government solely for the local government's purposes. Furthermore, Proposition 22 restricts the State's ability to redirect redevelopment agency property tax revenues to school districts and other local governments and limits uses of certain other funds although this provision no longer has any meaningful impact given the statewide dissolution of redevelopment agencies. Proposition 22 is intended to stabilize local government revenue sources by restricting the State government's control over local revenues. The District cannot predict whether Proposition 22 will have a beneficial effect on the District's financial condition.

### **Proposition 26**



Proposition 26 was approved by the electorate at the November 2, 2010 election and amended California Constitution Articles XIII A and XIII C. The proposition imposes a two-thirds voter approval requirement for the imposition of fees and charges by the State. It also imposes a majority voter approval requirement on local governments with respect to fees and charges for general purposes, and a two-thirds voter approval requirement with respect to fees and charges for special purposes. Proposition 26, according to its supporters, is intended to prevent the circumvention of tax limitations imposed by the voters in California Constitution Articles XIII A, XIII C and XIII D pursuant to Proposition 13, approved in 1978, Proposition 218, approved in 1996, and other measures through the use of non-tax fees and charges. Proposition 26 expressly excludes from its scope a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable cost to the State or local government of providing the service or product to the payor. Proposition 26 applies to charges imposed or increased by local governments after the date of its approval. The District believes its Enterprise rates and charges are not taxes under Proposition 26. The District is unable to predict at this time how Proposition 26 will be interpreted by the courts or what its ultimate impact will be.

### **Constitutional Limitations on Appropriations and Fees**

Under Article XIII B of the California Constitution, as amended, state and local government entities have an annual “appropriations limit” which limits their ability to spend certain moneys called “appropriations subject to limitation,” which consist of tax revenues, certain state subventions and certain other moneys, including user charges to the extent they exceed the costs reasonably borne by the entity in providing the service for which it is levying the charge. The District is of the opinion that the user charges of the Enterprise imposed by the District do not exceed the costs the District reasonably bears in providing the water service. In general terms, the “appropriations limit” is to be based on certain 1978/79 expenditures, and is to be adjusted annually to reflect changes in the consumer price index, population, and services provided by these entities. Among other provisions of Article XIII B, if an entity’s revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

The District’s current “appropriations limit” for fiscal year 2024-25 is \$7,980,393 and its “appropriations subject to limitation” for fiscal year 2024-25 is \$185,964.

### **Loss of Ad Valorem Property Taxes**

The State has previously altered the method of allocating the 1% property tax levy to local agencies. It cannot be predicted if future legislation will be introduced to further reduce, or entirely eliminate, the percentage of the Ad Valorem Property Taxes paid to the District. Proposition 1A, however, generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. See “Proposition 1A” and “Proposition 22” above. The Ad Valorem Property Taxes are specially pledged to the Installment Payments and any Parity Obligations, and if such property taxes are reallocated or reapportioned, Net Revenues available to make Installment Payments and debt service on any Parity Obligations may be adversely affected.

### **Future Initiatives**

Articles XIII B, XIII C and XIII D were adopted as measures that qualified for the ballot pursuant to California’s initiative process. From time to time other initiatives have been and could be proposed and adopted affecting the Enterprise’s revenues or ability to increase revenues. Neither the nature and impact of these measures nor the likelihood of qualification for ballot or passage can be anticipated by the District.

### **Loss of Tax-Exemption**

As highlighted under the heading "TAX MATTERS," the interest component of the Installment Payments could become includable in gross income for purposes of federal income taxation retroactive to the date the Certificates were executed and delivered, as a result of future acts or omissions of the District in violation of its covenants in the Installment Purchase Agreement and the Trust Agreement.

Should such an event of taxability occur, the Certificates are not subject to special prepayment and will remain Outstanding until maturity or until prepaid under other provisions set forth in the Trust Agreement.

### **Secondary Market for the Certificates**

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

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

### **Limited Obligations**

No fund, other than the fund comprised of the Net Revenues of the Enterprise is liable for the payment of the Certificates or their interest or premium, if any, nor is the credit or taxing power of the District pledged for the payment of the Certificate or their interest or premium, if any. The Owners of the Certificates may not compel the exercise of the taxing power by the District or the forfeiture of any of its property. The principal of and interest with respect to the Certificates and any premiums upon the prepayment of any thereof are not a debt of the District nor a legal or equitable pledge, charge, lien, or encumbrance, upon any of its property, or upon any of its income, receipts, or revenues, except the Net Revenues which are, under the terms of the Installment Purchase Agreement, pledged to the payment of the Installment Payments. The District may (but is not legally obligated to) advance funds for the payment of interest or principal or for the performance of any covenants, provided that such funds are derived from a source legally available for such purpose and may be used by the District for such purpose without incurring indebtedness.

### **Forecasts**

Although the District believes that the projections herein of future operating results of the Enterprise are reasonable, there can be no assurance that operating results will match the projections due to changes in general economic conditions and similar factors. In addition, the Enterprise and economic development within the service area of the District are subject to federal, State and local regulations. There can be no assurance that the Enterprise will not be adversely affected by future economic conditions, governmental policies or other factors beyond the control of the District.

## **THE CORPORATION**

The Nipomo Community Services District Public Facilities Corporation is a California nonprofit public benefit corporation, formed in March 2003 for the purpose of providing assistance to public agencies in acquiring capital improvements. Under its articles of incorporation, the Corporation has all powers conferred upon nonprofit

public benefit corporations by the laws of the State, provided that it will not engage in any activity other than that which is necessary or convenient for, or incidental to the purposes for which it was formed.

The Corporation is a separate legal entity from the District. It is governed by a five member Board of Directors. The Corporation has no employees. All staff work is performed by employees of the District. The members of the Corporation's Board of Directors are the Board of Directors of the District. The District's General Manager and other District employees are available to provide staff support to the Corporation.

## **FORWARD-LOOKING STATEMENTS**

This Official Statement contains certain "forward-looking statements" concerning the Enterprise and the operations, performance and financial condition of the District, including their future economic performance, plans and objectives and the likelihood of success in developing and expanding. These statements are based upon a number of assumptions and estimates which are subject to significant uncertainties, many of which are beyond the control of the District. The words "may," "would," "could," "will," "expect," "anticipate," "believe," "intend," "plan," "estimate" and similar expressions are meant to identify these forward-looking statements. Results may differ materially from those expressed or implied by these forward-looking statements.

## **ABSENCE OF LITIGATION**

[[CONFIRM]] There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending with respect to which proper notice has been duly served upon and received by the District, or to the best knowledge of the District, threatened against the District affecting the existence of the District or the titles of its directors or officers to their offices or seeking to restrain or to enjoin the sale or delivery of the Certificates, the application of the proceeds thereof in accordance with the Trust Agreement, or in any way contesting or affecting the validity or enforceability of the Certificates, the Trust Agreement, the Installment Purchase Agreement or any action of the District contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement, or contesting the powers of the District or its authority with respect to the Certificates or any action of the District contemplated by any of said documents, nor, to the knowledge of the District is there any basis therefor.

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body pending with respect to which proper notice has been duly served upon and received by the District, or to the best knowledge of the District, threatened against the District contesting or affecting the ability of the District to collect amounts from which Installment Payments are payable, or which would have a material adverse effect on the District's ability to make Installment Payments.

## **TAX MATTERS**

### **Federal Tax Exemption**

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Special Counsel to the District, under existing statutes, regulations, rulings and judicial decisions, and assuming compliance by the District with certain covenants in the Trust Agreement, the Installment Purchase Agreement, the Tax Certificate and other documents pertaining to the Certificates and requirements of the Internal Revenue Code of 1986 (the "Code") regarding the use, expenditure and investment of proceeds of the Certificates and the timely payment of certain investment earnings to the United States, the portion of each Installment Payment representing interest and distributed in respect of any Certificate is not included in the gross income of the owners of the Certificates for federal income tax purposes. Failure to comply with such covenants and requirements may cause the portion of each Installment Payment representing interest and distributed in respect of any Certificate to be included in gross income retroactive to the date of execution and delivery of the Certificates.

In the further opinion of Special Counsel, the portion of each Installment Payment representing interest and distributed in respect of any Certificate is not treated as an item of tax preference for purposes of the federal alternative minimum tax.

Ownership of, or the receipt of interest on, tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Special Counsel expresses no opinion with respect to any collateral tax consequences and, accordingly, prospective purchasers of the Certificates should consult their tax advisors as to the applicability of any collateral tax consequences.

Certain requirements and procedures contained or referred to in the Trust Agreement, the Tax Certificate or other documents pertaining to the Certificates may be changed, and certain actions may be taken or not taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. Special Counsel expresses no opinion as to the effect of any change to any document pertaining to the Certificates or of any action taken or not taken where such change is made or action is taken or not taken without the approval of Norton Rose Fulbright US LLP or in reliance upon the advice of counsel other than Norton Rose Fulbright US LLP with respect to the exclusion from gross income of the portion of each Installment Payment representing interest and distributed in respect of any Certificate for federal income tax purposes.

Special Counsel's opinion is not a guarantee of result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and judicial decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Special Counsel, and Special Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of examining the tax-exempt status of the interest on municipal obligations. If an examination of the Certificates is commenced, under current procedures the IRS is likely to treat the District as the "taxpayer," and the owners of the Certificates would have no right to participate in the examination process. In responding to or defending an examination of the tax-exempt status of the portion of each Installment Payment representing interest and distributed in respect of any Certificate, the District may have different or conflicting interests from the owners. Additionally, public awareness of any future examination of the Certificates could adversely affect the value and liquidity of the Certificates during the pendency of the examination, regardless of its ultimate outcome.

#### **Tax Accounting Treatment of Bond Premium and Original Issue Discount**

*Bond Premium.* To the extent a purchaser acquires a Certificate at a price in excess of the amount payable at its maturity, such excess will constitute "bond premium" under the Code. The Code and applicable Treasury Regulations provide generally that bond premium on a tax-exempt obligation is amortized over the remaining term of the obligation (or a shorter period in the case of certain callable obligations) based on the obligation's yield to maturity (or shorter period in the case of certain callable obligations). The amount of premium so amortized reduces the owner's basis in such obligation for federal income tax purposes, though such amortized premium is not deductible for federal income tax purposes. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) recognized for federal income tax purposes upon a sale or other taxable disposition of the obligation. Special Counsel is not opining on the accounting for bond premium or the consequence to a Certificate purchaser of purchasing a Certificate with bond premium. Accordingly, persons considering the purchase of Certificates with bond premium should consult their own tax advisors with respect to the determination of bond premium on such Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such Certificates.

*Original Issue Discount.* The excess, if any, of the stated redemption price at maturity of Certificates of a particular maturity over the initial offering price to the public of the Certificates of that maturity at which a substantial amount of the Certificates of that maturity is sold to the public is "original issue discount." Original issue discount accruing on a Certificate is treated as interest excluded from the gross income of the owner thereof for federal income tax purposes under the same conditions and limitations as are applicable to interest payable on such Certificate. Original issue discount on a Certificate of a particular maturity purchased pursuant to the initial public offering at the initial public offering price at which a substantial amount of the Certificates of that maturity is sold to the public accrues on a semiannual basis over the term of the Certificate on the basis of a constant yield; and within each semiannual period accrues on a ratable daily basis. The amount of original issue discount on a Certificate accruing during each period is added to the adjusted basis of such Certificate, which will affect the amount of taxable gain upon disposition (including sale, redemption or payment on maturity) of such Certificate. The Code includes certain provisions relating to the accrual of original issue discount in the case of purchasers that purchase Certificates other than at the initial offering price. Special Counsel is not opining on the accounting for or consequence to a Certificate purchaser of purchasing a Certificate with original issue discount. Accordingly, persons considering the purchase of Certificates with original issue discount should consult their own tax advisors with respect to the determination of original issue discount on such Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such Certificates.

### **Information Reporting and Backup Withholding**

Interest paid on the Certificates will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of such interest from gross income for federal income tax purposes, such reporting requirement causes the payment of the portion of each Installment Payment representing interest and distributed in respect of any Certificate to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not "exempt recipients," and (b) either fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner are allowed as a refund or credit against such beneficial owner's federal income tax liability so long as the required information is furnished to the IRS.

### **State Tax Exemption**

In the further opinion of Special Counsel, the portion of each Installment Payment representing interest and distributed in respect of any Certificate is exempt from personal income taxes imposed by the State of California.

### **Future Developments**

Existing law may change to reduce or eliminate the benefit to owners of the Certificates of the exclusion of the portion of each Installment Payment representing interest and distributed in respect of any Certificate from gross income for federal income tax purposes or of the exemption of the portion of each Installment Payment representing interest and distributed in respect of any Certificate from State of California personal income taxation. Any proposed legislation, whether or not enacted, or administrative action, whether or not taken, could also affect the value and marketability of the Certificates. Prospective purchasers of the Certificates should consult their own tax advisors with respect to any proposed or future change in tax law.

A copy of the form of opinion of Special Counsel relating to the Certificates is included in APPENDIX D hereto.

## UNDERWRITING

The Certificates are being purchased by Raymond James & Associates, Inc. as underwriter (the "Underwriter"). The Underwriter has agreed to purchase the Certificates at a price of \$ \_\_\_\_\_ (being \$ \_\_\_\_\_ aggregate principal amount thereof, less Underwriter's discount of \$ \_\_\_\_\_ plus/less original issue premium/discount of \$ \_\_\_\_\_). The purchase agreement relating to the Certificates provides that the Underwriter will purchase all of the Certificates if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in such certificates purchase agreement, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter may offer and sell the Certificates to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

## FINANCIAL INTERESTS

The fees being paid to the Underwriter, Underwriter's Counsel, and the Trustee are contingent upon the execution and delivery of the Certificates. From time to time, Special Counsel represents the Underwriter on matters unrelated to the Certificates.

## RATING

S&P Global Ratings ("S&P") has assigned a rating of "\_\_\_\_" to the Certificates. A rating reflects only the views of the rating agency assigning such rating at the time such rating is issued and an explanation of the significance of such rating may be obtained from the rating agency furnishing the same. The rating is not a recommendation to buy, sell or hold the Certificates; and there is no assurance that such rating will continue for any given period of time or will not be revised downward or withdrawn entirely by such rating agency, if in its judgment circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates. Neither the District nor the Underwriter have undertaken any responsibility to maintain such rating, to bring to the attention of the registered owners as the Beneficial Owners of the Certificates any proposed change in or withdrawal of such rating or to oppose any such revision or withdrawal.

## CONTINUING DISCLOSURE

The District has covenanted for the benefit of holders and beneficial owners of the Certificates (a) to provide certain financial information and operating data (the "Annual Report") relating to the District and the property in the District not later than February 1 of each year, commencing with February 1, 2025 for the report for the 2023-24 Fiscal Year, and (b) to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the Special District Financing & Administration ("SDFA") on behalf of the District, with the Municipal Securities Rulemaking Board. The notices of enumerated events will be filed by the SDFA on behalf of the District with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in the Continuing Disclosure Certificate. See APPENDIX E – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12 (the "Rule").

The District is, or was during the past five years, responsible for providing continuing disclosure with respect to four bond issues. In conjunction with the delivery of the Certificates, a continuing disclosure compliance review with respect was conducted with respect to the four bond issues. During the course of review, it was determined that during the past [four of the five years], the District inadvertently failed to state the balance in the reserve funds for the two water bond issues in their annual reports, which were funded with reserve sureties. All remedial filings have been made. The District believes that its procedures with the Dissemination Agent will

be sufficient in the normal due course to assure substantial compliance with its continuing disclosure undertakings in the future, including the Continuing Disclosure Certificate with respect to the Certificates.

### **LEGAL MATTERS**

Legal matters incident to the authorization, execution, delivery and sale of the Certificates are subject to approval by Norton Rose Fulbright US LLP, Los Angeles, California, Special Counsel, whose opinion is expected to be delivered in substantially the form set forth in Appendix D hereto. Certain legal matters will be passed upon for the District and the Corporation by Richards Watson & Gershon, A Professional Corporation, San Luis Obispo, California, General Counsel to the District and Norton Rose Fulbright US LLP, Disclosure Counsel.

### **MUNICIPAL ADVISOR**

Columbia Capital Management LLC, Carlsbad, California, an independent financial consulting firm, has served as Municipal Advisor to the District with respect to the sale of the Certificates. The Municipal Advisor has advised the District as to the financial structure and certain other financial matters relating to the Certificates and has assisted the District in the review of this Official Statement. The information set forth herein has been obtained by the District from sources which are believed to be reliable, but such information is not guaranteed by the Municipal Advisor as to accuracy or completeness, nor has it been independently verified.

### **FINANCIAL STATEMENTS**

The general purpose financial statements of the District for the fiscal year ended June 30, 2023 included in Appendix B to this Official Statement, have been included in reliance upon the report of Rogers, Anderson, Malody & Scott, LLP (the "Auditor"), San Bernardino, California, independent certified public accountant, and upon the authority of such as an expert in accounting and auditing. The Auditor was not requested to consent to the inclusion of its report in Appendix B and it has not undertaken to update financial statements included in Appendix B. No opinion is expressed by the Auditor with respect to any event subsequent to its report.

### **MISCELLANEOUS**

Included herein are brief summaries of certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact and no representation is made that any such estimates will be realized. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners of any of the Certificates.

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

By: \_\_\_\_\_  
District Manager

**APPENDIX A**

**COUNTY OF SAN LUIS OBISPO  
DEMOGRAPHIC AND ECONOMIC DATA**

*The following information concerning the County of San Luis Obispo is presented as general background data. The Installment Payments are payable solely from Net Revenues and other sources described herein (see "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES"). The taxing power of the County of San Luis Obispo, the State of California or any political subdivision thereof is not pledged to the payment of the Installment Payments. See the information under the caption "THE CERTIFICATES."*

**Introduction**

The County of San Luis Obispo (the "County") was formed in 1850 as a general law county, pursuant to the established general laws of the State of California. A five-member Board of Supervisors, elected for four-year terms in district nonpartisan elections, governs the County. The seven incorporated cities in the County are Paso Robles, Atascadero, Morro Bay, San Luis Obispo, Pismo Beach, Arroyo Grande, and Grover Beach which comprise approximately 57% of the total population in the County.

**Population**

According to the Department of Finance estimates, the population in the County remained relatively stable over the last five years.

**Population of San Luis Obispo County  
and Incorporated Cities  
(As of January 1)**

Area	2020 <sup>(1)</sup>	2021	2022	2023	2024
Arroyo Grande	18,347	18,396	18,137	18,039	17,941
Atascadero	30,800	30,582	30,226	30,323	30,279
El Paso de Robles	31,383	31,403	30,906	30,792	30,907
Grover Beach	12,789	12,763	12,622	12,542	12,481
Morro Bay	10,557	10,602	10,378	10,315	10,261
Pismo Beach	8,054	8,015	7,911	7,869	7,846
San Luis Obispo (city)	46,986	47,326	47,394	48,249	48,684
SUBTOTAL	158,916	159,087	157,574	158,129	158,399
Unincorporated	123,508	119,650	121,865	121,689	120,070
TOTAL	276,818	271,172	279,439	279,818	278,469

1. Reflects 2020 Census data as of April 1, 2020.

Source: State of California, Department of Finance; Table 2: E-4 Population Estimates for Cities, Counties and State, 2021-2024 with 2020 Census Benchmark, Sacramento, California, May 2024.

**Industry and Employment**

The following table compares estimates of the labor force, civilian employment and unemployment for Nipomo residents, County residents, State residents and United States residents between 2019 through 2023. The not seasonally adjusted unemployment rate for June 2024 for Nipomo Census Designated Place (CDP), the County, State and United States was 3.6%, 4.0%, 5.3% and 4.1%.



**Civilian Labor Force, Employment and Unemployment  
Annual Average for Years 2019 Through 2023**

<b>Year and Area</b>	<b>Labor Force</b>	<b>Civilian Employment</b>	<b>Unemployment</b>	<b>Unemployment Rate</b>
<b>2019</b>				
Nipomo CDP	8,500	8,200	300	2.7%
County	139,700	135,600	4,100	2.9
State	19,385,300	18,859,600	795,700	4.1
United States	163,539,000	157,538,000	6,001,000	3.7
<b>2020</b>				
Nipomo CDP	8,100	7,500	600	7.2%
County	134,200	123,700	10,500	7.8
State	18,958,600	17,037,000	1,921,600	10.1
United States	160,742,000	147,795,000	12,947,000	8.1
<b>2021</b>				
Nipomo CDP	8,200	7,800	400	4.9%
County	135,100	127,900	7,200	5.3
State	18,956,600	17,568,700	1,387,800	7.3
United States	161,204,000	152,581,000	8,623,000	5.3
<b>2022</b>				
Nipomo CDP	8,200	8,000	200	2.8%
County	135,800	131,600	4,200	3.1
State	19,169,300	18,348,900	820,400	4.3
United States	263,973,000	158,291,000	5,996,000	3.6
<b>2023</b>				
Nipomo CDP	8,300	8,000	300	3.2%
County	136,300	131,600	4,700	3.5
State	19,308,300	18,388,300	920,000	4.8
United States	266,942,000	161,037,000	6,080,000	3.6

† Preliminary. Data is not seasonally adjusted. The unemployment data for the County and State is calculated using unrounded data.

Source: *State Employment Development Department, Labor Market Information Division, and U.S. Bureau of Labor Statistics.*

The largest industries in the County, in terms of the percentage of employment in each respective industry, are estimated by the State Employment Development Department as follows:

**County of San Luis Obispo  
Employment by Industry Group  
Annual Averages**

Industry Employment <sup>(1)</sup>	2019	2020	2021	2022	2023
Agriculture	5,000	4,800	5,000	5,500	5,500
Mining, Logging and Construction	8,300	8,500	9,100	8,900	8,700
Manufacturing	7,800	7,300	7,900	8,200	8,500
Trade, Transportation, & Utilities	20,800	19,100	19,700	20,000	19,900
Information	1,200	1,100	1,200	1,300	1,200
Financial Activities	3,900	3,800	3,900	4,000	3,900
Professional and Business Services	11,200	10,500	11,000	11,100	11,200
Private Educational and Health Services	18,200	17,000	17,500	18,100	18,600
Leisure and Hospitality	19,800	15,400	17,400	19,500	20,000
Other Services	4,100	3,300	3,400	3,700	3,800
Government	24,500	23,500	23,200	23,400	23,200
<b>TOTAL<sup>(2)</sup></b>	<b>124,700</b>	<b>114,400</b>	<b>119,300</b>	<b>123,500</b>	<b>124,400</b>

(1) Based on place of work.

(2) "Total" may not be precise due to independent rounding.

Source: State of California, Employment Development Department - Labor Market Information Division, County of San Luis Obispo (San Luis Obispo Paso Robles Arroyo Grande MSA) Annual Average Labor Force and Industry Employment, March 2023 Benchmark.

**Agriculture**

The County is comprised of approximately 2,126,240 acres, of which approximately 1,389,350 acres (representing 65.3%) are zoned for agricultural uses. The value of agricultural production since 2016 is set forth in the table below.

**County of San Luis Obispo  
Value of Agricultural Production  
Top Ten Crops  
Calendar Years 2018 Through 2022  
(In Thousands)**

	2018	2019	2020	2021	2022
Strawberries	\$268,356	\$271,431	\$287,562	\$319,901	\$277,883
Wine Grapes	276,002	254,273	218,238	281,517	261,937
Cattle and Calves	43,761	35,446	43,077	39,754	45,230
Broccoli	48,348	47,659	31,107	46,524	39,867
Cauliflower	30,122	31,339	30,877	24,272	38,931
Head Lettuce	25,734	23,422	24,860	21,433	38,415
Vegetable Transplants	35,245	35,467	33,305	32,150	35,372
Avocados	46,145	38,875	47,169	57,757	33,597
Brussel Sprouts	na	na	na	na	25,461
Cut Flowers	26,538	26,996	21,284	18,583	19,490
Lemons	24,548	21,376	16,803	18,382	na
<b>Top Ten Crops Subtotal</b>	<b>862,991</b>	<b>786,284</b>	<b>754,282</b>	<b>860,273</b>	<b>816,183</b>
<b>All Other Crops</b>	<b>172,508</b>	<b>192,725</b>	<b>224,393</b>	<b>221,679</b>	<b>268,149</b>
<b>TOTAL</b>	<b>\$1,035,499</b>	<b>\$979,009</b>	<b>\$978,675</b>	<b>\$1,081,952</b>	<b>\$1,084,332</b>

Source: San Luis Obispo County Department of Agriculture/Weights and Measures.

**Major Employers**

The following table provides a listing of major employers headquartered or located in the County and their estimated full-time equivalent (FTE) employment levels.

**County of San Luis Obispo  
Major Employers  
2022-23**

Employer	Product or Service	Estimated No. of Employees	% of Total County Employment
California Polytechnic State University, SLO	Education	3,143	2.25%
County of San Luis Obispo	Government	2,932	2.10
Dept of State Hospital - Atascadero	Health Services	2,000	1.43
Lucia Mar Unified School District	Education	1,573	1.13
California Men’s Colony	Correction Institution	1,517	1.09
Tenet Healthcare Central Coast	Health Services	1,425	1.02
San Luis Coastal Unified School District	Education	1,388	0.99
Paso Robles Joint Unified School District	Education	1,262	0.90
Compass Health Inc.	Health Services	1,200	0.86
Cuesta College	Education	<u>892</u>	<u>0.64</u>
Total		139,800	100.00%

*Sources: County of San Luis Obispo 2022-23 Comprehensive Financial Report.*

**Personal Income**

Personal Income is the income that is received by all persons from all sources. It is calculated as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors’ income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance.

The personal income of an area is the income that is received by, or on behalf of, all the individuals who live in the area; therefore, the estimates of personal income are presented by the place of residence of the income recipients.

The following table summarizes per capita personal income for the County, the State of California, and the United States for the years 2018 through 2022. This measure of income is calculated as the personal income of the residents of the area divided by the resident population of the area.

**Per Capita Personal Income<sup>(1)</sup>**  
**County of San Luis Obispo, State of California, and United States For Years 2018**  
**Through 2022<sup>(2)</sup>**

<i>Year</i>	<i>County of San Luis Obispo</i>	<i>California</i>	<i>United States</i>
2018	\$35,832	\$35,021	\$32,621
2019	37,233	36,955	34,103
2020	38,686	38,576	35,384
2021	41,407	41,276	37,638
2022	47,390	45,591	41,261

(1) Per capita personal income is the personal income divided by the population estimates of the U.S. Bureau of the Census based on five-year estimates from the American Community Survey (“ACS”). The estimates are based on information gathered on a five-year rolling period basis. For example, the 2015-2019 5-year estimates and the 2016-2020 5-year estimates both use data collected in 2016, 2017, 2018 and 2019. Thus, the difference between the 2015-2019 and 2016-2020 ACS 5-year estimates is largely driven by differences between dropping off 2015 and adding 2020. Information should not be relied upon to illustrate changes from year-to-year. All dollar estimates are inflation adjusted dollars for the respective years presented.

(2) Most recent year available.

Source: U.S. Census Bureau, American Community Survey 5-Year Estimates for 2014-18, 2015-19, 2016-2020, 2017-21 and 8-22.

**Assessed Value, Tax Levy and Delinquencies**

County assessed valuations and tax levies and delinquencies as of June 30 for the past ten Fiscal Years are shown in the tables below.

**County of San Luis Obispo**  
**Assessed Valuations**  
**Fiscal Years 2014 Through 2024**  
(\$ in thousands)

<b>Fiscal Year</b>	<b>Secured</b>	<b>Unsecured</b>	<b>Exemptions</b>	<b>Net Assessed Valuation</b>	<b>% Change</b>
2013-14	\$42,900,845	\$1,195,631	\$(1,036,531)	\$43,059,945	3.0%
2014-15	45,288,599	1,230,775	(1,093,212)	45,426,162	5.5
2015-16	48,037,099	1,257,845	(1,122,568)	48,172,375	6.0
2016-17	50,458,742	1,362,539	(1,173,683)	50,647,598	5.1
2017-18	53,278,739	1,386,183	(1,248,961)	53,415,961	5.5
2018-19	56,147,148	1,420,625	(1,305,110)	56,262,663	5.3
2019-20	58,382,427	2,345,033	(1,277,412)	59,540,048	5.7
2020-21	61,279,618	2,349,231	(1,428,237)	62,200,611	4.6
2021-22	63,459,055	2,281,455	(1,487,547)	64,252,963	3.3
2022-23	67,503,193	2,512,544	(1,648,668)	68,367,069	6.4
2023-24	71,302,780	2,750,976	(1,708,529)	72,345,226	5.8

Source: County of San Luis Obispo Auditor-Controller's Office, Property Tax Division.

**County of San Luis Obispo**  
**Summary of Property Tax Collections and Delinquencies**  
**Fiscal Years 2013-14 through 2022-23**  
(\$ in thousands)

<b>Fiscal Year (June 30)</b>	<b>Total Levy</b>	<b>Collected Amount</b>	<b>Delinquent Amount<sup>†</sup></b>	<b>% Levy Delinquent</b>
2013-14	\$421,140	\$416,450	\$4,690	1.11%
2014-15	447,088	442,330	4,758	1.06
2015-16	470,629	466,465	4,164	0.88
2016-17	495,277	490,890	4,387	0.89
2017-18	522,528	517,777	4,751	0.91
2018-19	549,869	544,994	4,874	0.89
2019-20	573,449	564,422	9,027	1.57
2020-21	599,508	592,847	6,660	1.11
2021-22	619,518	614,110	5,408	0.87
2022-23	661,387	654,754	6,632	1.00

<sup>†</sup> Property taxes are due in two installments and become delinquent on December 10, with respect to the installment due on November 1 and on April 10, with respect to the installment due on February 1.

Source: County Auditor-Controller.

**Principal Taxpayers**

Assessed values for the principal taxpayers totaled over \$3 billion, or 4.41% of the County's 2022-23 Net Assessed Valuations. The principal largest taxpayers in the County, as shown on the Fiscal Year 2022-23 secured tax roll, and the approximate amounts of their assessed values within the County are shown in the table below.

**County of San Luis Obispo**  
**Principal Taxpayers**  
**Fiscal Year 2022-23**

<b>Company</b>	<b>Type of Business</b>	<b>2019-20 Assessed Value (in thousands)<sup>†</sup></b>	<b>% of Total</b>
Pacific Gas and Electric	Utility	\$ 1,281,887	1.88%
High Plans Ranch II LLC	Solar Ranch	768,188	1.12
Southern California Gas Company	Utility	178,395	0.26
Jamestown Premier	Commercial	156,329	0.23
Phillips 66 Company	Oil Refinery	138,067	0.20
E&J Gallo Winery/Vineyards	Winery	110,945	0.16
Firestone Walker LLC	Brewery	101,520	0.15
CAP VIII Mustang Village LLC	Apartments	100,006	0.15
Treasury Wines Estates	Winery	92,517	0.14
Sierra Vista Hospital	Hospital	83,107	0.12
Subtotal		\$ 3,010,961	4.41%
Remaining taxpayers		\$65,356,108	95.59%
<b>TOTAL</b>		<b>\$68,367,069</b>	<b>100.00%</b>

<sup>†</sup> Excludes exempt publicly owned property, State assessed property and property subject to special taxes.

Source: County of San Luis Obispo Auditor-Controller's Office.

## Commercial Activity

Commercial activity is an important contributor to San Luis Obispo County's economy. The following table estimates the County's commercial activity between calendar years 2019 through 2023.

### County of San Luis Obispo Trade Outlets and Taxable Sales for Calendar Years 2019-2023<sup>(1)</sup> (\$ in Thousands)

Taxable Retail Sales	2019	2020	2021	2022	2023 <sup>(1)</sup>
Motor Vehicle & Parts Dealer	\$ 653,526	\$694,447	\$833,407	\$801,092	\$725,170
Home Furnishings & Appliances Store	150,050	155,242	190,219	187,567	185,682
Bldg Mater. & Garden Equip. & Supplies	427,121	496,270	565,797	587,900	555,057
Food and Beverage Stores	314,628	336,996	354,038	371,490	365,528
Gasoline Stations	476,941	350,922	501,298	638,365	589,534
Clothing & Clothing Accessories Store	250,271	205,501	286,965	284,012	281,674
General Merchandise Store	371,209	363,641	421,281	450,626	441,349
Food Services & Drinking Places	711,919	561,561	789,556	876,185	877,964
Other Retail	569,176	840,924	860,782	866,795	840,969
Total Retail & Food Services	3,924,841	4,005,502	4,803,344	5,064,032	4,862,928
All Other Outlets	1,576,453	1,475,211	1,892,171	2,030,051	2,048,483
<b>TOTAL ALL OUTLETS</b>	<b>\$5,501,294</b>	<b>\$5,480,713</b>	<b>6,695,515</b>	<b>\$7,094,083</b>	<b>\$6,911,410</b>

(1) Most recent annual data available.

Source: *Taxable Sales in California (Sales and Use Tax) Annual Reports, California State Board of Equalization.*

## Construction Activity

The total valuation of building permits issued in the County as estimated by the Construction Industry Research Board was approximately \$386 million for calendar year 2023. The following table provides an estimated building permit valuation summary for calendar years 2019 through 2023.

### County of San Luis Obispo Building Permit Valuation for Calendar Years 2019 - 2023 (\$ in thousands)

Year	Residential			Nonresidential	Total <sup>(2)</sup>
	Single Family	Multifamily	Valuation <sup>(1)</sup>	Valuation	
2019	697	204	\$410,042	\$131,602	\$541,644
2020	847	79	300,174	78,776	378,951
2021	741	288	315,644	93,262	408,907
2022	648	401	336,138	98,957	435,096
2023	373	217	183,938	202,541	386,480

(1) Includes the value of residential alterations and additions.

(2) Total represents the sum of residential and nonresidential building permit valuations. Columns may not total due to independent rounding.

Source: *Construction Industry Research Board.*

**APPENDIX B**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**APPENDIX C**  
**SUMMARY OF PRINCIPAL LEGAL DOCUMENTS**



**APPENDIX D**

**FORM OF APPROVING OPINION OF SPECIAL COUNSEL**

*Upon the execution and delivery of the Certificates, Norton Rose Fulbright US LLP, Los Angeles, California, Special Counsel to the District, will render its final approving opinion with respect to the Certificates in substantially the following form:*

[Date of Delivery]

Nipomo Community Services District  
148 South Wilson Street  
Nipomo, California 93444

\$ \_\_\_\_\_  
Nipomo Community Services District  
Water Revenue Certificates of Participation  
Series 2024

Ladies and Gentlemen:

We have acted as Special Counsel in connection with the \$ \_\_\_\_\_ aggregate principal amount of Nipomo Community Services District Water Revenue Certificates of Participation, Series 2024 (the "Certificates"), which are certificates of participation that evidence direct, fractional undivided interests of the Owners thereof in the installment payments (the "Installment Payments"), and the interest thereon, to be made by the Nipomo Community Services District (the "District") pursuant to the Installment Purchase Agreement, dated as of October 1, 2024 (the "Installment Purchase Agreement"), by and between the District and the Nipomo Community Services District Public Facilities Corporation (the "Corporation"). Installment Payments under the Installment Purchase Agreement are payable solely from Net Revenues as provided in the Installment Purchase Agreement, primarily consisting first of *ad valorem* tax revenues and second from all other income and revenue received by the District from the operation or ownership of the water system of the District (the "Enterprise") remaining after payment of operation and maintenance costs. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to such terms in the Installment Purchase Agreement.

The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of October 1, 2024 (the "Trust Agreement"), by and among the District, the Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Proceeds from the sale of the Certificates, together with other funds of the District, will be used to (i) refund all of the District's Water Revenue Refunding Bonds, Series 2013A, (ii) prepay all of the District's Revenue Certificates of Participation (Supplemental Water Project), Series 2013, (iii) fund a portion of the costs of certain capital improvements to the Enterprise, and (iv) pay the costs incurred in connection with the execution and delivery of the Certificates.

As Special Counsel, we have examined copies certified to us as being true and complete copies of the Trust Agreement and the Installment Purchase Agreement and the proceedings of the District in connection with the execution and delivery of the Certificates. We have also examined such certificates of officers of the District, the Corporation and others as we have considered necessary for the purposes of this opinion.

Based upon the foregoing, we are of the opinion that:

1. The Installment Purchase Agreement and the Trust Agreement each has been duly and validly authorized, executed and delivered by the District and, assuming the Installment

Purchase Agreement and the Trust Agreement each constitutes the legally valid and binding obligation of the other parties thereto, each constitutes the legally valid and binding obligation of the District, enforceable against the District in accordance with its respective terms.

2. The payment of the Installment Payments, including the interest component thereof, and other payments required to be made by the District under the Installment Purchase Agreement, is a special obligation of the District payable, in the manner provided in the Installment Purchase Agreement, solely from Net Revenues and other funds provided for in the Installment Purchase Agreement lawfully available therefor.

3. Assuming due authorization, execution and delivery of the Trust Agreement and the Certificates by the Trustee, the Certificates are entitled to the benefits of the Trust Agreement.

4. Under existing statutes, regulations, rulings and judicial decisions, and assuming compliance by the District with certain covenants in the Trust Agreement, the Tax Certificate and other documents pertaining to the Certificates and requirements of the Internal Revenue Code of 1986 regarding the use, expenditure and investment of proceeds of the Certificates and the timely payment of certain investment earnings to the United States, the portion of each Installment Payment representing interest and distributed in respect of any Certificate is not included in the gross income of the owners of the Certificates for federal income tax purposes. Failure to comply with such covenants and requirements may cause the portion of each Installment Payment representing interest and distributed in respect of any Certificate to be included in gross income retroactive to the date of execution and delivery of the Certificates.

5. Under existing law, the portion of each Installment Payment representing interest and distributed in respect of any Certificate is not treated as an item of tax preference for purposes of the federal alternative minimum tax.

6. Under existing law, the portion of each Installment Payment representing interest and distributed in respect of any Certificate is exempt from personal income taxes imposed by the State of California.

Except as stated in paragraphs 4, 5 and 6 above, we express no opinion as to any federal or state tax consequence of the ownership or disposition of the Certificates. Further, certain requirements and procedures contained or referred to in the Trust Agreement, the Installment Purchase Agreement or in other documents pertaining to the Certificates may be changed, and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to the effect of any change to any document pertaining to the Certificates or of any action taken or not taken where such change is made or action is taken or not taken without our approval or in reliance upon the advice of counsel other than ourselves with respect to the exclusion from gross income of the portion of each Installment Payment representing interest and distributed in respect of any Certificate for federal income tax purposes.

The rights of the owners of the Certificates and the enforceability of the Certificates, the Trust Agreement and the Installment Purchase Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases. The enforceability of the Certificates, the Trust Agreement and the Installment Purchase Agreement is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the limitations on legal remedies against governmental entities in California.

No opinion is expressed herein on the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Certificates.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Respectfully submitted,

## APPENDIX F

### BOOK-ENTRY SYSTEM

#### Introduction

Unless otherwise noted, the information contained under the caption “—General” below has been provided by DTC. The District makes no representations as to the accuracy or the completeness of such information. The Beneficial Owners of the Certificates should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NEITHER THE DISTRICT NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE CERTIFICATES UNDER THE TRUST AGREEMENT, (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL PREPAYMENT OF THE CERTIFICATES; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE TO THE OWNERS OF THE CERTIFICATES; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF CERTIFICATES; OR (F) ANY OTHER MATTER REGARDING DTC.

#### General

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of

AA+. The DTC Rules applicable to Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as prepayments, tenders, defaults and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

While the Certificates are in the book-entry-only system, prepayment notices will be sent to DTC. If less than all of the Certificates of a maturity are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments with respect to the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District, the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or

registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates representing the Certificates will be printed and delivered to DTC.

The information in this Appendix F concerning DTC and DTC's book-entry system has been obtained from sources that the District believe to be reliable, but neither the District or the Underwriter take any responsibility for the accuracy thereof.

**BENEFICIAL OWNERS WILL NOT RECEIVE PHYSICAL DELIVERY OF CERTIFICATES AND WILL NOT BE RECOGNIZED BY THE TRUSTEE AS OWNERS THEREOF, AND BENEFICIAL OWNERS WILL BE PERMITTED TO EXERCISE THE RIGHTS OF OWNERS ONLY INDIRECTLY THROUGH DTC AND THE DTC PARTICIPANTS.**

SEPTEMBER 11, 2024

ITEM E-1

ATTACHMENT H

## APPENDIX E

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Nipomo Community Services District (the “Issuer”) in connection with the execution and delivery of Nipomo Community Services District Water Revenue Certificates of Participation, Series 2024, in the aggregate principal amount of \$ \_\_\_\_\_ (the “Certificates”). The Certificates are being executed and delivered pursuant to a Resolution adopted by the Board of Directors of the Issuer on August \_\_, 2024, and a Trust Agreement dated as of October 1, 2024 (the “Trust Agreement”) by and among the Issuer, the Nipomo Community Services District Public Facilities Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The Issuer and Dissemination Agent hereby covenant and agree as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and beneficial owners of the Certificates and in order to assist the Participating Underwriter in complying with SEC Rule 15c2-12(b)(5), as amended.

Section 2. Definitions. In addition to the definitions set forth in the Trust Agreement which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Dissemination Agent” shall mean Special District Financing & Administration, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“Participating Underwriter” shall mean Raymond James & Associates, Inc., as underwriter for the Certificates.

“Repository” shall mean the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, by February 1 of each year, commencing February 1, 2025, provide to the Repository, in an electronic format as prescribed by the Municipal Securities Rulemaking Board, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report. If the Issuer’s fiscal year



changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(a).

(b) If the Issuer is unable to provide to the Repository or the Dissemination Agent an Annual Report by the date required in subsection (a), the Issuer shall in a timely manner send a notice to the Municipal Securities Rulemaking Board, in an electronic format as prescribed by the Municipal Securities Rulemaking Board, in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) confirm the electronic filing requirements of the Municipal Securities Rulemaking Board for the Annual Report; and

(ii) if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided to the Repository.

Section 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) Audited Financial Statements of the Issuer prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board.

(b) To the extent not included in the financial statements, the following updates to the information contained in the tables with the headings in the Official Statement for the Fiscal Year as specified:

1. Table 1 – Historical Pumped Groundwater and Purchased Supplemental Water;
2. Table 3 – Historical Water Connections;
3. Table 6 – Historical Water Sales Revenues;
4. Table 7 – Ten Largest Customers;
5. Table 10 – Historical Capacity Fees;
6. Table 12 – Historical Assessed Valuation and Property Tax Revenues;
7. Table 19 - Historical Revenues, Expenses and Changes in Net Assets; and
8. Table 21 – Historical Debt Service Coverage.

(c) Information on water rates of the District.

(d) The principal amount of the Certificates and Parity Obligations outstanding and balance in the Reserve Fund.

(e) Update on any water purchase or sale agreements of the District.

Such information listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall

clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause the Dissemination Agent to give, notice of the occurrence of any of the following events with respect to the Certificates in a timely manner not more than ten (10) business days after the event:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;
5. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);
6. tender offers;
7. defeasances;
8. ratings changes;
9. bankruptcy, insolvency, receivership or similar proceedings; and
10. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation, any of which reflect financial difficulties.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, trustee or similar officer for an obligated person in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates, if material:

1. unless described in paragraph 5(a)(5) above, notices or determinations by the Internal Revenue Service with respect to the tax status of the interest component of the Installment Payments distributed through the Certificates or other material events affecting the tax status of the interest component of the Installment Payments distributed through the Certificates;

2. the consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
3. appointment of a successor or additional trustee or the change of the name of a trustee;
4. nonpayment related defaults;
5. modifications to the rights of Owners of the Certificates;
6. notices of prepayment;
7. release, substitution or sale of property securing repayment of the Installment Payments; and
8. incurrence of a financial obligation, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect Certificateholders.

(c) Upon the occurrence of a Listed Event under Section 5(b) above, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Issuer determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the Issuer shall file a notice of such occurrence with the Repository in a timely manner not more than ten (10) business days after the event.

(e) The Issuer hereby agrees that the undertaking set forth in this Disclosure Certificate is the responsibility of the Issuer and that the Dissemination Agent shall not be responsible for determining whether the Issuer's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

(f) For purposes of the events identified in subparagraphs (a)(10) and (b)(8), the term "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Repository consistent with the Rule.

Section 6. Termination of Reporting Obligation. The Issuer's and the Dissemination Agent's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Installment Payments. If such termination occurs prior to the final maturity of the Certificates, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

Section 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Special District Financing & Administration.

Section 8. Amendment Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity nature or status of an obligated person with respect to the Certificates, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Certificates in the manner provided in the Trust Agreement, or (ii) does not, in the opinion of a nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Certificates.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. To the extent reasonably feasible the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repository in the same manner as for a Listed Event under Section 5(c).

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Issuer or the Dissemination Agent to comply with any provision of this Disclosure Certificate any holder or beneficial owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Trust Agreement or any Supplemental Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending

against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment with respect to the Certificates. The Dissemination Agent has no power to enforce performance on the part of the Issuer. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Section 13. Notices. Any notice or communication required or permitted hereunder shall be given in writing, sent by (a) personal delivery delivered by a representative of the party giving such notice, or (b) overnight delivery by recognized overnight courier, or (c) United States mail, postage prepaid, registered or certified mail, or facsimile, addressed as follows:

If to the Issuer:

Nipomo Community Services District  
148 S. Wilson Street  
Nipomo, California 93444

or to such other address or to the attention of such other person as hereinafter shall be designated in writing by the applicable party sent in accordance herewith. Any such notice or communication shall be deemed to have been delivered either at the time of personal delivery actually received by the addressee or a representative of the addressee at the address provided above or, if delivered on a business day in the case of delivery service or certified or registered mail, as of the earlier of the date delivered or the date 72 hours following the date deposited in the United States mail at the address provided herein, or if by telecopier, upon electronic confirmation of good receipt by the receiving telecopier.

Section 14. Future Determination of Obligated Persons. In the event that the Securities Exchange Commission amends, clarifies or supplements the Rule in such a manner that requires any landowner within the District to be an obligated person as defined in the Rule, nothing contained herein shall be construed to require the Issuer to meet the continuing disclosure requirements of the Rule with respect to such obligated person and nothing in this Disclosure Certificate shall be deemed to obligate the Issuer to disclose information concerning any owner of land within the District except as required as part of the information required to be disclosed by the Issuer pursuant to Section 4 and Section 5 hereof.

Dated: October \_\_\_\_, 2024

NIPOMO COMMUNITY SERVICES DISTRICT

By: \_\_\_\_\_  
General Manager

**EXHIBIT A**

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD  
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Nipomo Community Services District  
Name of Issue: \$ \_\_\_\_\_ Nipomo Community Services District Water  
Revenue Certificates of Participation, Series 2024  
Date of Issuance: October \_\_\_\_, 2024

NOTICE IS HERBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Certificates as required by the Trust Agreement dated as of October 1, 2024, by and among the Issuer, the Nipomo Community Services District Public Facilities Corporation and The Bank of New York Mellon Trust Company, N.A., as Trustee. The Issuer anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_,

\_\_\_\_\_  
as Dissemination Agent on behalf of Issuer

**SEPTEMBER 11, 2024**

**ITEM E-1**

**ATTACHMENT I**

§ \_\_\_\_\_  
**Nipomo Community Services District  
2024 Water Revenue Certificates of Participation**

**CERTIFICATE PURCHASE AGREEMENT**

September \_\_\_\_, 2024

Nipomo Community Services District  
148 S. Wilson Street  
Nipomo, CA 93444  
Attention: General Manager

Nipomo Community Services District  
Public Facilities Corporation  
148 S. Wilson Street  
Nipomo, CA 93444  
Attention: Executive Director

Ladies and Gentlemen:

The undersigned, Raymond James & Associates, Inc. (the “Underwriter”), acting not as a fiduciary or agent for you, but on behalf of itself, offers to enter into this Certificate Purchase Agreement (which, together with the exhibits hereto, is referred to as the “Purchase Agreement”) with the Nipomo Community Services District (the “District”) and the Nipomo Community Services District Public Facilities Corporation (the “Corporation”), which, upon acceptance by the District and the Corporation, will be binding upon the District, the Corporation and the Underwriter. This offer is made subject to acceptance by the District and the Corporation by the execution of the Purchase Agreement and delivery of the same to the Underwriter prior to 5:00 p.m., California time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the District at any time prior to the acceptance hereof by the District and the Corporation. Capitalized terms that are used herein and not otherwise defined have the meanings that are set forth in the Trust Agreement, dated as of October 1, 2024 (the “Trust Agreement”), by and among the Corporation, the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

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



may differ from and be adverse to those of the District and the Corporation; and (e) the District and the Corporation have consulted their own legal, financial, accounting, tax and other advisors to the extent that they have deemed appropriate.

**Section 1. Purchase and Sale.** Upon the terms and conditions and upon the basis of the representations, warranties and agreements herein, the Underwriter hereby agrees to purchase, and the District and the Corporation hereby agrees to cause the Trustee to execute, sell and deliver to the Underwriter all (but not less than all) of the Water Revenue Certificates of Participation, Series 2024 (the "Certificates"). The Certificates will be dated as of their date of delivery. Interest with respect to the Certificates will be payable semiannually on March 1 and September 1 of each year, commencing March 1, 2025, and will mature and bear interest as set forth in Exhibit A. The purchase price of the Certificates is \$ \_\_\_\_\_ (being the aggregate principal amount thereof plus/less a net original issue premium/discount of \$ \_\_\_\_\_ and less an Underwriter's discount of \$ \_\_\_\_\_).

**Section 2. The Certificates.** The Certificates shall be secured by installment payments (the "Installment Payments") to be paid by the District to the Corporation pursuant to that certain Installment Purchase Agreement dated as of October 1, 2024 (the "Installment Purchase Agreement"), by and between the District and the Corporation. The Corporation's right to receive the Installment Payments under the Installment Purchase Agreement and to exercise remedies upon default under the and Installment Purchase Agreement shall be assigned to the Trustee for the benefit of the owners of the Certificates pursuant to the Trust Agreement.

The Installment Payments are secured by a pledge of Net Revenues, which consist of Gross Revenues of the District's water system (the "Enterprise") remaining after the payment of all Operation and Maintenance Costs of the District's Enterprise. Gross Revenues includes the District's Ad Valorem Tax Revenues and other fees, charges, and revenues collected by the District in connection with the Enterprise. The District is not providing for a debt service reserve fund for the Certificates.

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

The proceeds of the Certificates shall be applied: (i) refund all of the District's Water Revenue Refunding Bonds, Series 2013A currently outstanding in the amount of \$1,505,000 (the "2013A Bonds"), (ii) prepay all of the District's Revenue Certificates of Participation (Supplemental Water Project), Series 2013, currently outstanding in the aggregate principal amount of \$8,035,000 (the "2013 COPs," and together with the 2013A Bonds, collectively, the "Prior Obligations"), (iii) fund a portion of the costs of certain capital improvements to the Enterprise, and (iv) pay the costs of issuance relating to the execution and delivery of the Certificates.

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

The Certificates, the Purchase Agreement, the Continuing Disclosure Certificate of the District relating to the Certificates, dated the Closing Date (the "Continuing Disclosure Certificate"), the Trust Agreement, the Installment Purchase Agreement, the Escrow Agreement, dated as of October 1, 2024, between the District and The Bank of New York Mellon Trust Company, N.A., as escrow agent (the

“Escrow Agent”) related to the refunding of the 2013A Bonds (the “2013A Bonds Escrow Agreement”), the Escrow Agreement dated as of October 1, 2024, between the District and the Escrow Agent relating to prepayment of the 2013 COPs (the “2013 COPs Escrow Agreement” and, together with the 2013A Bonds Escrow Agreement, the “Escrow Agreements”), and the resolution of the Board of Directors of the District authorizing the execution and delivery of the foregoing documents are collectively referred to herein as the “District Documents.”

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

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

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

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

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

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

(d) (i) The Underwriter confirms that any selling group agreement and any retail distribution agreement relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such retail distribution agreement, as applicable, to:

(A) report the prices at which it sells to the public the unsold Certificates of each maturity allocated to it, whether or not the Closing Date has occurred, until either: (I) all Certificates of that maturity allocated to it have been sold; or (II) it is notified by the Underwriter that the 10% test has been satisfied as to the Certificates of that maturity; provided that the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter;

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

(C) promptly notify the Underwriter of any sales of Certificates that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Certificates to the public (each such term being used as defined below); and

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

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

(e) The District and the Corporation acknowledge that, in making the representations set forth in this subsection, the Underwriter will rely on: (A) in the event that a selling group has been created in connection with the initial sale of the Certificates to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in a selling group agreement and the related pricing wires; and (B) in the event that a retail distribution agreement was employed in

connection with the initial sale of the Certificates to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in the retail distribution agreement and the related pricing wires. The District and the Corporation further acknowledge that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement, to comply the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates.

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

1. “public” means any person other than an underwriter or a related party;
2. “underwriter” means: (A) any person that agrees pursuant to a written contract with the District or the Corporation (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the public; and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Certificates to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Certificates to the public);
3. a purchaser of any of the Certificates is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to: (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another); (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another); or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and
4. “sale date” means the date of execution of the Purchase Agreement by all parties.

**Section 4. The Official Statement.** By its acceptance of this proposal, the District and Corporation hereby ratify, confirm and approve of the use and distribution by the Underwriter prior to the date hereof of the preliminary official statement relating to the Certificates dated September \_\_\_\_, 2024 (including the front cover page, inside front cover page, all appendices and all information incorporated therein and any supplements or amendments thereto and as disseminated in its electronic form on September \_\_\_\_, 2024, the “Preliminary Official Statement”) that authorized officers of the District deemed “final” as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), except for certain information that is permitted to be omitted therefrom by Rule 15c2-12. The District hereby agrees to deliver or cause to be delivered to the Underwriter, within seven business days of the date hereof, copies of a final official statement, dated the date hereof, relating to the Certificates (including all information previously permitted to have been omitted by Rule 15c2-12), including the cover page, inside cover page, all appendices, all

information incorporated therein and any amendments or supplements as have been approved by the District and the Underwriter (the "Official Statement") in such quantity as the Underwriter shall reasonably request to comply with Section (b)(4) of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board (the "MSRB").

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

**Section 5. Closing.** At 8:00 a.m., California Time, on October \_\_\_\_, 2024, or at such other time or date as the District and the Underwriter agree upon (the "Closing Date"), the District shall cause the Trustee to deliver the Certificates, in definitive form, registered in the name of Cede & Co., as the nominee of The Depository Trust Company ("DTC"), so that the Certificates may be credited to the account specified by the Underwriter under DTC's FAST procedures. Concurrently with the delivery of the Certificates, the District will deliver the documents required to be delivered under Section 8(e) hereof at the offices of Norton Rose Fulbright US LLP, Los Angeles, California ("Special Counsel"), or another place to be mutually agreed upon by the District and the Underwriter. The Underwriter will accept such delivery and pay the purchase prices of the Certificates as set forth in Section 1 hereof by wire transfer in immediately available funds. This payment for and delivery of the Certificates, together with the delivery of the aforementioned documents, is herein called the "Closing."

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

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

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

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

(c) By all necessary official action, the Corporation has duly authorized and approved the Corporation Documents and has duly authorized and approved the execution and delivery of, and the performance by the Corporation of the obligations on its part contained in, the Corporation Documents and the consummation by it of all other transactions contemplated by the Corporation Documents in connection with the execution and delivery of the Certificates. As of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or

rescinded. When executed and delivered, and assuming due execution and delivery by the other parties thereto, if applicable, the Corporation Documents will constitute the legally valid and binding obligations of the Corporation enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally, or by the exercise of judicial discretion and the limitations on legal remedies against nonprofit public benefit corporations in the State. The Corporation has complied, and will at the Closing be in compliance in all material respects, with the terms of the Corporation Documents.

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

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

(f) The Corporation hereby agrees that it will notify the other parties hereto if, within the period from the date of the Purchase Agreement to and including the date that is twenty-five (25) days following the end of the underwriting period (defined below) (but not later than 90 days after the Closing Date), the Corporation discovers any pre-existing or subsequent fact or becomes aware of the occurrence of any event, in any such case, which might cause the Official Statement (as the same may have then been supplemented or amended) to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(g) As of the time of acceptance hereof and the Closing, except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental authority, public board or body, pending, with service of process upon the Corporation having been accomplished, or threatened in writing to the Corporation: (i) in any

way questioning the corporate existence of the Corporation or the titles of the officers of the Corporation to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the execution or delivery of any of the Certificates, the collection of Revenues under the Installment Purchase Agreement or any amounts pledged or to be pledged to pay the principal of and interest with respect to the Certificates, in any way contesting or affecting the validity of the Certificates or the other Corporation Documents or the consummation of the transactions contemplated thereby or hereby, contesting the exclusion of the interest with respect to the Certificates from federal taxation or the exclusion of the interest with respect to the Certificates from State taxation or contesting the powers of the Corporation or its authority to cause the execution and delivery of the Certificates; (iii) which would be likely to result in any material adverse change relating to the business, operations or financial condition of the Corporation; or (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

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

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

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

(k) The Corporation will refrain from taking any action, or permitting any action to be taken, to reduce the amount of the Installment Payments while the Certificates are Outstanding, and the Corporation will assign to the Trustee all rights to collect the Installment Payments under the Installment Purchase Agreement in accordance with the Trust Agreement.

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

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

(a) The District is a community services district that is duly organized and existing under the laws of the State.

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

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

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

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

(f) The Preliminary Official Statement was as of its date, and the Official Statement is, and at all times subsequent to the date of the Official Statement up to and including the Closing will be, true and correct in all material respects, and the Preliminary Official Statement and the Official Statement do not and up to and including the Closing will not contain any untrue statement of a material fact or omit to state a material fact that is necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading (except that this representation does not include statements in the Official Statement under the captions "THE



CORPORATION” and “UNDERWRITING,” and information regarding DTC and its book-entry only system, as to which no view is expressed).

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

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

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

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

sentence shall be written notice delivered to the District at or prior to the Closing Date of the Certificates and shall specify a date (other than the Closing Date) to be deemed the end of the underwriting period.

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

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

(m) The financial statements relating to the receipts, expenditures and cash balances of the District as of June 30, 2023 attached as an appendix to the Official Statement fairly represent the receipts, expenditures and cash balances of the District. Except as disclosed in the Official Statement or otherwise disclosed in writing to the Underwriter, there has not been any materially adverse change in the financial condition of the District or in its operations since June 30, 2023 and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change.

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

(o) The District will refrain from taking any action, or permitting any action to be taken, to reduce the amount of the Installment Payments while the Certificates are Outstanding, and the District will pay the Installment Payments in accordance with the Installment Purchase Agreement.

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

**Section 8. Conditions to the Obligations of the Underwriter.** The Underwriter has entered into the Purchase Agreement in reliance upon the representations and warranties of the Corporation and the District contained herein. The obligations of the Underwriter to accept delivery of and pay for the Certificates on the Closing Date shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the statements of the officers and other officials of the Corporation and the District, as well as authorized representatives of Special Counsel and the Trustee made in any Certificates or other documents furnished pursuant to the provisions hereof; to the performance by the District of its obligations to be performed hereunder at or prior to the Closing Date; and to the following additional conditions:

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

(b) At the time of Closing, the District Documents and the Corporation Documents shall be in full force and effect as valid and binding agreements between or among the various parties thereto, and the District Documents, the Corporation Documents and the Official Statement shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter.

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

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

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

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

(iii) any legislation, ordinance, rule or regulation shall be enacted by any governmental body, department or authority of the State, or a decision by any court of competent

jurisdiction within the State shall be rendered which materially adversely affects the market price of the Certificates;

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

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

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

(vii) a general banking moratorium shall have been declared by federal, State or New York authorities;

(viii) the market price or marketability of the Certificates, or the ability of the Underwriter to enforce contracts for the sale of the Certificates, shall be materially adversely affected by any of the following events:

(A) there shall have occurred (i) an outbreak or escalation of hostilities or the declaration by the United States of a national emergency or war or (ii) any other calamity or crisis in the financial markets of the United States or elsewhere or the escalation of such calamity or crisis; or

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

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

(x) the commencement of any action, suit or proceeding described in Sections 6(g) or 7(h).

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

(i) The executed resolution of the Corporation authorizing the execution and delivery of the Corporation Documents and the Official Statement;

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

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

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

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

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

(A) the statements on the cover of the Official Statement and in the Official Statement under the captions "INTRODUCTION — Security and Sources of Payment for the Certificates; No Reserve Fund," "Future Parity Obligations," "THE CERTIFICATES," "FINANCING PLAN," "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES" and "TAX MATTERS" and in Appendices C and D, excluding any material that may be treated as included under such captions and appendices by any cross-reference, insofar as such statements expressly summarize provisions of the Certificates, the District Documents, the Corporation Documents and Special Counsel's final opinions concerning the Certificates or state legal conclusions with respect to the matters covered by such final opinions, present a fair and accurate summary of the provisions thereof, provided that Special Counsel need not express any opinion with respect to any financial or statistical data contained therein or with respect to the book-entry system in which the Certificates are initially delivered;

(B) The Purchase Agreement and the Continuing Disclosure Certificate have been duly authorized, executed and delivered by the District and are the valid, legal and binding agreements of the District enforceable in accordance with their respective terms, except that the rights and obligations under the Purchase Agreement and the Continuing Disclosure Certificate are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on

legal remedies against public agencies in the State, and provided that no opinion is expressed with respect to any indemnification or contribution provisions contained therein; and

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

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

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

(ix) Evidence that the rating on the Certificates is as described in the Official Statement;

(x) A certificate, dated the Closing Date, signed by a duly authorized officer of the Corporation satisfactory in form and substance to the Underwriter to the effect that: (i) the representations, warranties and covenants of the Corporation contained in the Purchase Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date by the Corporation, and the Corporation has complied with, in all material respects, all of the terms and conditions of the Purchase Agreement required to be complied with by the Corporation at or prior to the Closing Date; (ii) to the best of such officer’s knowledge, no event affecting the Corporation has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purposes for which it is to be used or which is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; (iii) the information and statements contained in the Official Statement under the caption “THE CORPORATION” did not as of its date and do not as of the Closing contain any untrue statement of a material fact or omit to state any material fact that is necessary to make the statements therein, in

the light of the circumstances under which they were made, not misleading in any material respect; and (iv) to the best of its knowledge after reasonable investigation, the Corporation is not, in any material respect, in breach of or default under any applicable law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement (including but not limited to the Installment Purchase Agreement) or other instrument to which the Corporation is a party or is otherwise subject, which would have a material adverse impact on the Corporation's ability to perform its obligations under the Corporation Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument;

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

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

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

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

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

investigation at law or in equity before or by any court, governmental authority or body, pending, with service of process upon the Corporation having been accomplished, or threatened in writing against the Corporation, challenging the creation, organization or existence of the Corporation, or the validity of the Corporation Documents or seeking to restrain or enjoin the collection of Installment Payments under the Installment Purchase Agreement or the repayment of the Certificates or in any way contesting or affecting the validity of the Corporation Documents or contesting the authority of the Corporation to enter into or perform its obligations under any of the Corporation Documents; and

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

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

(A) The District is a community services district that is duly organized and existing under the laws of the State;

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

(C) Except as otherwise disclosed in the Official Statement and to the best knowledge of such counsel, there is no litigation, proceeding, action, suit or investigation at law or in equity before or by any court, governmental authority or body, pending, with service of process upon the District having been accomplished, or threatened in writing against the District, challenging the creation, organization or existence of the District, or the validity of the District Documents or seeking to restrain or enjoin the payment of the Installment Payments or in any way contesting or affecting the validity of the District Documents or contesting the authority of the District to enter into or perform its obligations under any of the District Documents, or which, in any manner, questions the right of the District to pay the Installment Payments under the Installment Purchase Agreement; and

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



adverse effect on the ability of the District to perform its obligations under the District Documents;

(xiv) An opinion of Stradling Yocca Carlson & Rauth LLP, counsel to the Underwriter, in form and substance satisfactory to the Underwriter;

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

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

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

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

(xix) A certificate as to arbitrage and a certificate regarding use of proceeds, both signed by the District, relating to the Certificates, and a form 8038-G relating to the Certificates, each in form and substance to the reasonable satisfaction of Special Counsel and the Underwriter;

(xx) Certificates, dated the date of the Preliminary Official Statement, of the District and the Corporation deeming the Preliminary Official Statement final as of its date as required under Rule 15c2-12;

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

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

(xxiii) A verification report of certified public accountant relating to the refund of the 2013A Bonds and the 2013 COPs;

(xxiv) A defeasance opinion of Special Counsel relating to the 2013A Bonds and the 2013 COPs;

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

**Section 9. Changes in Official Statement.** After the Closing, the District will not adopt any amendment of or supplement to the Official Statement to which the Underwriter shall reasonably object in writing. Within 25 days following the end of the underwriting period, if any event relating to or affecting the Certificates, the Trustee, the District or the Corporation shall occur as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in any material respect in the light of the

circumstances existing at the time it is delivered to a purchaser, the District will forthwith prepare and furnish to the Underwriter an amendment or supplement that will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to purchaser, not misleading. The District shall cooperate with the Underwriter in the filing by the Underwriter of such amendment or supplement to the Official Statement with the MSRB. The Underwriter acknowledges that the end of the underwriting period will be the Closing Date.

**Section 10. Expenses.** Whether or not the Certificates are delivered to the Underwriter as set forth herein:

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

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

**Section 11. Notices.** Any notice or other communication to be given to the Underwriter under the Purchase Agreement may be given by delivering the same in writing to Raymond James & Associates, Inc., One Embarcadero Center, Suite 650, San Francisco, CA 94111, Attention: Emily Giles, Managing Director. All notices or communications hereunder by any party shall be given and served upon each other party. Any notice or communication to be given to the District or the Corporation under the Purchase Agreement may be given by delivering the same in writing to the address set forth on the first page of the Purchase Agreement.

**Section 12. Parties in Interest.** The Purchase Agreement is made solely for the benefit of the District, the Corporation and the Underwriter (including the successors or assigns thereof) and no other person shall acquire or have any right hereunder or by virtue hereof. All representations, warranties and agreements of the District and the Corporation in the Purchase Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriter and shall survive the delivery of and payment for the Certificates.

**Section 13. Severability.** In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

**Section 14. Counterparts.** The Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

**Section 15. Survival of Representations and Warranties.** The representations and warranties of the District and the Corporation in or made pursuant to the Purchase Agreement shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing or termination of the Purchase Agreement and regardless of any investigations made by or on behalf of the Underwriter (or statements as to the results of such investigations) concerning such representations and statements of the Corporation and the District and regardless of delivery of and payment for the Certificates.

**Section 16. Effectiveness.** The Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the Corporation and the District and shall be valid and enforceable as of the time of such acceptance.

**Section 17. Governing Law.** The Purchase Agreement shall be governed by and construed in accordance with the laws of the State.

RAYMOND JAMES & ASSOCIATES, INC., as  
Underwriter

By: \_\_\_\_\_  
Title: Authorized Officer

Accepted as of the date first stated above:

NIPOMO COMMUNITY SERVICES DISTRICT

By: \_\_\_\_\_  
Name: Ray Dienzo  
Its: General Manager

Time of Execution: \_\_\_\_\_ a.m./p.m.

NIPOMO COMMUNITY SERVICES DISTRICT  
PUBLIC FACILITIES CORPORATION

By: \_\_\_\_\_  
Name: Ray Dienzo  
Its: Executive Director

Time of Execution: \_\_\_\_\_ a.m./p.m.

**EXHIBIT A**

\$ \_\_\_\_\_  
**Nipomo Community Services District**  
**Water Revenue Certificates of Participation**  
**Series 2024**

**MATURITY SCHEDULE**

<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Initial Offering Price</i>	<i>10% Test Used</i>	<i>Hold the Offering Price Rule Used</i>
	\$	%	%			

<sup>C</sup> Priced to first optional prepayment date of September 1, 20\_\_ at par.

<sup>T</sup> Term Certificate.

**PREPAYMENT**

**Optional Prepayment.** The Certificates maturing on or after September 1, 2035 are subject to optional prepayment prior to their stated Principal Payment Dates, on any date on or after September 1, 2034, in whole or in part, in authorized denominations, from and to the extent of prepaid Installment Payments paid pursuant to the Installment Purchase Agreement or from any other source of available funds, any such prepayment to be at a Prepayment Price equal to the principal evidenced by the Certificates to be prepaid, plus accrued interest evidenced thereby to the date fixed for prepayment, without premium.

**Mandatory Prepayment from Net Proceeds.** The Certificates are subject to prepayment prior to their respective stated maturities, as a whole on any date or in part on any Interest Payment Date, in the order of stated maturity as directed by the District, or (in the event the District has not directed the order of stated maturity, in inverse order of stated maturity), and by lot within each stated maturity in integral multiples of \$5,000, from prepaid Installment Payments made by the District from Net Proceeds which are, in either case deposited in the Prepayment Account of the Installment Payment Fund and credited towards prepayment made by the District, upon the terms and conditions of, as provided for in the Trust Agreement, and the Installment Purchase Agreement, at a Prepayment Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for prepayment, without premium.

**Mandatory Prepayment.** The Certificates bearing stated maturities of September 1, 20\_\_, and September 1, 20\_\_, respectively, are subject to mandatory prepayment, in part (by lot) on the respective prepayment dates, in integral multiples of \$5,000 at a Prepayment Price of the principal amount thereof plus accrued interest evidenced and represented thereby to the date fixed for prepayment, without premium. Such Certificates shall be prepaid in the amounts and upon the dates as follows:

***Mandatory Prepayment Dates  
(September 1)***

***Principal  
Amount***

(Maturity)

***Mandatory Prepayment Dates  
(September 1)***

***Principal  
Amount***

(Maturity)

## EXHIBIT B

\$ \_\_\_\_\_  
**Nipomo Community Services District  
Water Revenue Certificates of Participation  
Series 2024**

### FORM OF ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Raymond James & Associates, Inc. (“Raymond James”) hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Certificates”).

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

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

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

(b) As set forth in the Certificate Purchase Agreement, dated September \_\_\_\_, 2024, by and among Raymond James, as Underwriter (as defined below), the Nipomo Community Services District Public Facilities Corporation and the Issuer (as defined below), Raymond James has agreed in writing that: (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Certificates of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”); and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Certificates during the Holding Period.

3. ***Defined Terms.***

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

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

(c) ***Holding Period*** means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (i.e., \_\_\_\_\_, 2024), or (ii) the date on which Raymond James has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) *Issuer* means Nipomo Community Services District.

(e) *Maturity* means Certificates with the same credit and payment terms. Certificates with different maturity dates, or Certificates with the same maturity date but different stated interest rates, are treated as separate maturities.

(f) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter.

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

(h) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Certificates. The Sale Date of the Certificates is September \_\_\_\_, 2024.

(i) *Underwriter* means: (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the Public; and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Certificates to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Certificates to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Raymond James's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Certificate as to Arbitrage and with respect to compliance with the federal income tax rules affecting the Certificates, and by Norton Rose Fulbright US LLP, Special Counsel, in connection with rendering its opinion that the interest with respect to the Certificates is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Certificates. Except as expressly set forth above, the certifications set forth herein may not be relied upon or used by any third party or for any other purpose.

RAYMOND JAMES & ASSOCIATES, INC.

By: \_\_\_\_\_  
(Print) Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Dated: October \_\_\_\_, 2024



**SCHEDULE A**

**SALE PRICES OF THE GENERAL RULE MATURITIES AND INITIAL OFFERING  
PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES**

*(Attached)*

**SCHEDULE B**  
**PRICING WIRE OR EQUIVALENT COMMUNICATION**

*(Attached)*