PALMDALE WATER DISTRICT

A CENTURY OF SERVICE

BOARD OF DIRECTORS

ROBERT E. ALVARADO
Division 1

DON WILSON
Division 2

GLORIA DIZMANG
Division 3

KATHY MAC LAREN
Division 4

VINCENT DINO
Division 5

DENNIS D. LaMOREAUX
General Manager

ALESHIRE & WYNDER LLP
Attorneys

ACWA
PROUD MEMBER

April 30, 2020

AGENDA FOR A SPECIAL MEETING OF THE FINANCE COMMITTEE OF THE PALMDALE WATER DISTRICT

Committee Members: Gloria Dizmang-Chair, Don Wilson

TO BE HELD VIA TELECONFERENCE ONLY

DIAL-IN NUMBER: 571-748-4021 ATTENDEE PIN: 214-674-379#

Submit Public Comments at: https://www.gomeet.com/214-674-379

TUESDAY, MAY 5, 2020

10:00 a.m.

NOTE: To comply with the Americans with Disabilities Act, to participate in any Board meeting please contact Dawn Deans at 661-947-4111 x1003 at least 48 hours prior to a Board meeting to inform us of your needs and to determine if accommodation is feasible.

Agenda item materials, as well as materials related to agenda items submitted after distribution of the agenda packets, are available for public review at the District's office located at 2029 East Avenue Q, Palmdale (Government Code Section 54957.5). Please call Dawn Deans at 661-947-4111 x1003 for public review of materials.

PUBLIC COMMENT GUIDELINES: **The prescribed time limit per speaker is three-minutes. Please refrain from public displays or outbursts such as unsolicited applause, comments, or cheering. Any disruptive activities that substantially interfere with the ability of the District to carry out its meeting will not be permitted, and offenders will be requested to leave the meeting. (PWD Rules and Regulations, Appendix DD, Sec. IV.A.)**

Each item on the agenda shall be deemed to include any appropriate motion, resolution, or ordinance to take action on any item.

1) Roll call.

2) Adoption of agenda.

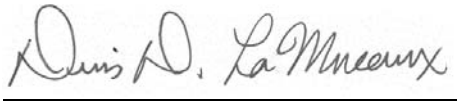
3) Public comments for non-agenda items.

4) Action Items: (The public shall have an opportunity to comment on any action item as each item is considered by the Committee prior to action being taken.)

4.1) Consideration and possible action on bid package and bond documents received for the refinancing of private placement on outstanding 2013A Water Revenue term bonds maturing 2038 and 2043. ($8.81 million - Non-budgeted – Finance Manager Williams, Mark Northcross of NHA Advisors)

5) Board members' requests for future agenda items.

6) Adjournment.



DENNIS D. LaMOREAUX,
General Manager

DDL/dd

PALMDALE WATER DISTRICT

BOARD MEMORANDUM

DATE:	April 29, 2020	**May 5, 2020**
TO:	Finance Committee	**Special Committee Meeting**
FROM:	Michael Williams, Finance Manager/CFO	
VIA:	Mr. Dennis LaMoreaux, General Manager	
RE:	***AGENDA ITEM 4.1 – CONSIDERATION AND POSSIBLE ACTION ON BID PACKAGE AND BOND DOCUMENTS RECEIVED FOR THE REFINANCING OF PRIVATE PLACEMENT ON OUTSTANDING 2013A WATER REVENUE TERM BONDS MATURING 2038 AND 2043. ($8.81 MILLION – NON-BUDGETED – FINANCE MANAGER WILLIAMS, MARK NORTHCROSS OF NHA ADVISORS)***	

Discussion:

Presented here are the bid results on refinancing private placement on outstanding 2013A Water Revenue term bonds maturing 2038 and 2043 by Mark Northcross.

Mark will provide a brief presentation for the Committee's consideration.

Also included in the packet for your review are the legal financing documents that will be presented to the Board for adoption if the Committee authorizes moving forward with the refinancing through private placement and recommends to the Board for approval.

The additional documents are:

1. 2020 Refunding Installment Purchase Agreement for Palmdale Water District.
2. Palmdale Water District Resolution for 2020 Installment Purchase Agreement.
3. First Amendment to Installment Purchase Agreement.
4. Palmdale Water District Escrow Agreement.
5. Palmdale Water District Public Financing Authority Resolution.

PALMDALE WATER DISTRICT

A SUMMARY OF THE BID RESULTS FOR THE DISTRICT'S POTENTIAL REFINANCING

NHA | ADVISORS
Financial & Policy Strategies.
Delivered.

April 29, 2020

Executive Summary

- We received one “hard” bid from Western Alliance Bank
  - Their bid was a fixed rate of 3.21%
- We received two “soft” bids from First Foundation and Sunflower Bank
  - Because the soft bids would have been significantly higher than what we thought would be acceptable to the District, placement agent advised banks not to bid
- The Western Alliance Bank interest rate is not locked until two weeks prior to closing
  - We have a tentative agreement with the bank to close as early as May 19th
- Western Alliance Bank won the bid on the 2012 refinancing of District bonds
  - Bank of Nevada, a subsidiary of Western Alliance Bank, is the District’s counter party on that loan

A Summary of the Winning Bid

Bidder	Western Alliance Bank	Same winning bidder as on 2012 refinancing. (Bank of Nevada is a subsidiary)
Interest Rate	3.21%	Interest rate is calculated by formula prior to lock: 77% of the sum of the 20 year LIBOR swap rate plus 3.4%
Rate lock now	No	The rate lock is 2 weeks prior to closing.
Closing expenses	$10,000	Squire Patton Boggs is bank counsel. We do not want to incur these expenses until after rate lock
Call feature	October 1, 2030@100%	

- The interest rate will fluctuate until the rate is locked (following Board approval of the refinancing)
- Given recent market volatility in the 20-year LIBOR swap rate (shown below), locking the interest rate as soon as possible will reduce interest rate risk



A Comparison of Bid Results

Bank Contacted	Bid	Bid Interest Rate	Reason for not bidding
Western Alliance Bank	Yes	3.21%	
Bank of the West	No	none	Final maturity too long
BCI Capital	No	none	Bank not bidding any muni transactions now
BBVA	No	none	Final maturity too long
California Bank	No	none	Final maturity too long
Capital One	No	none	Final maturity too long
Chase/JP Morgan	No	none	Final maturity too long
First Foundation	No	none	Cannot go below 3.5%
Flagstar Bank	No	none	Bank not bidding any muni transactions now
Municipal Finance	No	none	Final maturity too long
Pinnacle Public Finance	No	none	Final maturity too long
Signature Bank	No	none	Final maturity too long
Sterling Bank	No	none	Final maturity too long
Sunflower Bank	No	none	Would be higher than 3.5%
Umpqua Bank	No	none	Bank only bids for current municipal clients

- Bank demand for municipal bonds has been significantly reduced because of the need to process the record volume from SBA Payroll Protection Program loans

Comparative Savings Cash Flows – Three Scenarios

Annual Cash Flow Savings by Scenario			
FY Ending	March 26 Private Placement Estimate	Public Offering as of April 24th	Western Alliance Bank Bid on April 24th
2021	76,406	79,153	46,832
2022	76,948	40,462	46,832
2023	76,948	40,462	46,832
2024	76,948	40,462	46,832
2025	76,948	40,462	46,832
2026	76,948	40,462	46,832
2027	76,948	40,462	46,832
2028	76,948	40,462	46,832
2029	76,948	40,462	46,832
2030	76,948	40,462	46,832
2031	76,948	40,462	46,832
2032	76,948	40,462	46,832
2033	76,948	40,462	46,832
2034	76,948	40,462	46,832
2035	76,948	30,462	46,832
2036	76,948	30,962	46,832
2037	76,948	29,762	46,832
2038	76,948	29,412	46,832
2039	76,948	31,312	46,832
2040	76,948	27,562	46,832
2041	76,948	28,262	46,832
2042	76,948	30,812	46,832
2043	76,948	27,737	46,832
2044	76,948	29,200	46,832
Total	$ 1,846,206	$ 900,642	$ 1,123,968
Net Present Value at 3% Discount Rate	$ 1,302,627	$ 661,564	$ 793,125
Net Present Value as a % of Current Outstanding Par	14.8%	7.5%	9.0%

- While bid results are significantly less than what was estimated in March, the savings are still strong
- A public offering under current market conditions would result in the lowest level of savings to the District
- Net present value savings is the value in today's dollars of all the future savings from the refinancing

Should the District Accept the Bid?

- A rule of thumb for municipal bond refinancings:
  - If the net present value savings are less than 3% of outstanding principal, the public agency should only do the refinancing for legal or political reasons
  - If the net present value savings are greater than 5% of outstanding principal, the public agency should do the refinancing unless there are legal or political reasons not to do it
  - Net present value savings between 3% and 5% is a "gray area"
    - There may be legal, political, or other reasons to undertake a refinancing
- With net present value savings of 9%, the District should accept the bid and do the refinancing unless there are legal or political reasons to not do it
  - We are not aware of any legal or political reasons to not do the refinancing

Next Steps

- Finance Committee gives direction at its May 5th meeting
- If the Finance Committee supports the refinancing, Board approves legal documents at its May 11th meeting
- Rate is locked by bank on May 12th
- Refinancing is closed before the end of May, and hopefully by May 19th

INSTALLMENT PURCHASE AGREEMENT

by and between

_____,

and

PALMDALE WATER DISTRICT,

Dated as of June 1. 2020

Relating to the prepayment of certain maturities of the

PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY
WATER REVENUE BONDS, SERIES 2013A

INSTALLMENT PURCHASE AGREEMENT

THIS INSTALLMENT PURCHASE AGREEMENT (the "Agreement"), made and entered into as of June 1, 2020, by and between the PALMDALE WATER DISTRICT (herein called the "District"), a public corporation and political subdivision of the State of California, and _____, a _____ (herein called the "Corporation").

WHEREAS, the District is authorized to enter into agreements and to finance and refinance the construction of improvements to the District's water system (the "Water System"); and

WHEREAS, the District and the Palmdale Water District Public Financing Authority (the "Authority") entered into an Installment Purchase Agreement dated as of May 1, 2013 (the "2013 Installment Purchase Agreement") for the purpose of securing the payment of the principal of and interest on the Authority's Water Revenue Bonds, Series 2013A (the "2013 Bonds"), which 2013 Bonds were issued pursuant to an Indenture of Trust dated as of May 1, 2013, by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee; and

WHEREAS, a portion of the proceeds from certain of the maturities (the "Refinanced Maturities") of the 2013 Bonds was used to finance the construction of improvements to the Water System (the "2013 Project"); and

WHEREAS, the District now desires to obtain proceeds to refinance the 2013 Project by entering into this Agreement with the Corporation; and

W I T N E S S E T H :

NOW, THEREFORE, in consideration of the mutual covenants hereinafter contained and for other valuable consideration, the parties hereto do agree as follows:

ARTICLE I

REPRESENTATIONS AND WARRANTIES

Section 101. Representations by the District. The District makes the following representations:

(a) The District is a California irrigation district organized and existing under the laws of the State of California and political subdivision of the State of California.

(b) 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 other transactions contemplated by this Agreement, and the District has complied with all provisions of law in all matters relating to such transactions.

(c) By proper action, the District has duly authorized the execution, delivery and due performance of this Agreement.

(d) The District will not take or, to the extent within its power, permit any action to be taken which results in the Interest Components being included in the gross income of the Corporation for purposes of federal income taxation or State of California personal income taxation.

(e) The District has determined that it is necessary and proper that the District refinance the 2013 Project in the manner provided for in this Agreement, in order to reduce the District's costs of financing the Water System.

(f) Upon the defeasance of the Refinanced Maturities with the amount to be paid by the Corporation pursuant to Section 301 hereof, there will be no other Bonds or Contracts secured by a pledge of the Net Revenues on a parity with the pledge made herein other than the 2012 Installment Payments, the 2013 Installment Payments and the 2018 Installment Payments.

Section 102. Representations and Warranties by the Corporation. The Corporation makes the following representations and warranties:

(a) The Corporation is a _____ in good standing under the laws of the State of California, 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 duly authorized the execution and delivery and due performance of this Agreement.

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

(c) The Corporation will not take or permit any action to be taken which results in the Interest Components being included in the gross income of the Corporation for purposes of federal income taxation or State of California personal income taxation.

ARTICLE II

DEFINITIONS AND GENERAL PROVISIONS

Section 201. Definitions in General. The terms defined in Exhibit "A" attached hereto and by this reference incorporated herein, as used and capitalized herein, shall, for all purposes of this Agreement, have the meanings ascribed to them in said Exhibit "A", unless the context clearly requires some other meaning.

Section 202. Rules of Construction. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context otherwise indicates, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include corporations and associations, including public bodies, as well as natural persons.

The terms "hereby", "hereof", "hereto", "herein", "hereunder" and any similar terms, as used in this Agreement, refer to this Agreement.

Section 203. Public Benefit. This Agreement is for the benefit of the public and is in furtherance of the public purposes of the District.

ARTICLE III

SALE AND PURCHASE OF PROJECT; PURCHASE PRICE

Section 301. Deposit of Moneys. In order to induce the District to enter into this Agreement, the Corporation shall pay $_____ to The Bank of New York Mellon Trust Company, N.A., in its capacity as the trustee and escrow agent for the Refinanced Maturities (the "Escrow Agent"). In addition, the Corporation shall pay $_____ to the District, or to such other party or parties as an Authorized Officer of the District may direct, for the purpose of paying costs of issuance in connection with the execution of this Agreement.

Section 302. Refinancing of the 2013 Project. Under the 2013 Installment Purchase Agreement, the Authority sold the 2013 Project to the District in consideration of the District's promise to pay the installment purchase payments due thereunder. The District acknowledges that its obligation to pay the installment purchase payments due under the 2013 Installment Purchase Agreement in connection with the 2013 Project is being refinanced hereunder and is reducing the amount required to be paid by the District to acquire the 2013 Project. In consideration of the Corporation's entering into this Agreement, the District agrees to refinance its acquisition of the 2013 Project by paying the Installment Payments to the Corporation.

Section 303. Ownership of the 2013 Project; Term.

(a) Ownership of the 2013 Project. The District and the Corporation hereby acknowledge that, pursuant to the 2013 Installment Purchase Agreement, title to the 2013 Project is vested in the District. However, the parties hereby further acknowledge that certain installment payments owed under the 2013 Installment Purchase Agreement remain outstanding and that the District and the Corporation are entering into this Agreement for the purpose of refinancing those payments.

(b) Disclaimer of Warranties. The Corporation does not make any warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the District of the 2013 Project or any portion thereof, or any other representation or warranty with respect to the 2013 Project or any portion thereof. In no event shall the Corporation be liable for incidental, indirect, special or consequential damages in connection with this Agreement or the existence, furnishing, or functioning of the 2013 Project or the District's use of the 2013 Project, except such damages as may arise by reason of a breach of this Agreement by the Corporation.

(c) Term of Agreement. The term of this Agreement shall commence on the Closing Date and shall terminate upon the payment in full of the Installment Payments and any other amounts due and owing hereunder by the District to the Corporation.

Section 304. Pledge of Net Revenues; Installment Payments. All Net Revenues are hereby pledged to the payment of the Installment Payments and Debt Service on Bonds and other Contracts. So long as any Installment Payments remain unpaid, the Net Revenues shall not be used for any other purpose except as expressly permitted in this Agreement. This pledge shall constitute a first lien on the Net Revenues for the payment of Installment Payments and all Bonds and other Contracts. For the refinancing of the 2013 Project, the District shall pay to the Corporation, the purchase price by payment of the Installment Payments set forth in Exhibit "C" attached hereto and by this reference incorporated herein from Net Revenues.

The Installment Payments shall be payment for the refinancing of the 2013 Project. For each such annual period commencing with the period beginning on the date hereof, the District shall make Installment Payments on the Installment Payment Dates during said annual period as more particularly set forth in Exhibit "C".

Installment Payments for each annual payment period during the term of this Agreement shall constitute the total amount due for said payment period, and shall be paid by the District for and in consideration of the refinancing of the 2013 Project to the District.

An amount equal to the next succeeding Installment Purchase Payment shall be due from and payable by the District on each of the Installment Payment Dates specified in said Exhibit "C".

As additional consideration for the refinancing of the 2013 Project, the District agrees to pay such additional amounts due and owing hereunder.

Section 305. Interest Component. A portion of each Installment Purchase Payment is paid as, and represents the payment of a portion of the unpaid purchase price and interest on the unpaid purchase price and constitutes an Interest Component. The Interest Component of each Installment Purchase Payment is set forth in Exhibit "C".

Section 306. Payment in Lawful Money; No Set Off. Each Installment Payment shall be paid or caused to be paid by the District on each Installment Payment Date in lawful money of the United States of America, which at the time of payment is legal tender for the payment of public and private debts, to or upon the order of the Corporation at such place as the Corporation shall designate, in writing, to the District.

Notwithstanding any dispute between the District and the Corporation, the District shall make each and all Installment Payments when due and shall not withhold any Installment Payments pending the final resolution of such dispute nor shall the District assert any right of set off or counterclaim against its obligation to make Installment Payments as set forth herein.

The obligation of the District to pay the Installment Payments from the Net Revenues as herein provided is absolute and unconditional, and until such time as all of the Installment Payments have been fully paid, the District will not discontinue or suspend any Installment Payments required to be made by it under this section when due, whether or not the 2013 Project or any part thereof is operating or operable, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such payments shall not be subject to abatement because of any damage to, destruction or condemnation of the 2013 Project, and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

Section 307. Title. From and after the Closing Date, title to the 2013 Project, and each and every portion thereof, shall vest in the District, provided, however, that title to the 2013 Project and each and every portion thereof remaining in the District shall be subject to the subsequent payment of Installment Payments as described in Section 304 hereof.

Section 308. Prepayment of Installment Payments.

(a) The District may or shall, as the case may be, prepay from the Net Proceeds as provided in Sections 409 and 415 herein on any date, all or any part of the unpaid Installment Payments at a prepayment price equal to the sum of the Principal Components prepaid plus accrued interest thereon to the date of prepayment.

(b) The District, at its option, may prepay the Installment Payments in whole or in part on any date on and after _____. This option shall be exercised by the District by giving written notice to the Corporation, of the exercise of such option at least fifteen (15) days prior to the date of prepayment.

In the event of prepayment in part, the partial prepayment shall be applied by the Corporation against Installment Payments in the manner directed by the District, and the District shall cause to be provided to the Corporation a revised schedule of Installment Payments reflecting said partial prepayment.

Section 309. Rate Stabilization Fund. In order to avoid fluctuations in its water rates, the District has previously established a fund entitled the "Rate Stabilization Fund" to be held by the District or in an account of the District at an institution approved by the District, which the District hereby agrees and covenants to maintain so long as this Installment Purchase Agreement is in effect. The District may deposit in the Rate Stabilization Fund from time to time Revenues which the District, in its discretion, deems available for deposit in the Rate Stabilization Fund. From time to time, the amounts deposited in the Rate Stabilization Fund may be transferred by the District to pay any lawful expenses of the District, including but not limited to Debt Service and Maintenance and Operation Expenses. The Rate Stabilization Fund will not be held by the trustee for the benefit of other Bonds or Contracts but may be expressly pledged to the repayment of any Bonds or Contracts. Amounts in the Rate Stabilization Fund are hereby irrevocably pledged to the payment of the Installment Payments, the 2012 Installment Payments the 2013 Installment Payments and the 2018 Installment Payments on a parity basis.

Section 310. Closing Conditions. The District acknowledges that the Corporation's obligation to makes the payment pursuant to Section 301 is expressly conditioned upon the delivery to the Corporation of the following documents, in form and content satisfactory to the Corporation, duly executed (and acknowledged where necessary) by the appropriate parties thereto:

(a) This Agreement;

(b) A closing certificate of the District acceptable to the Corporation, including a copy of the resolution authorizing the execution and delivery of this Agreement, in a form acceptable to the Corporation;

(c) A legal opinion from special counsel to the District, acceptable to the Corporation, addressing the authorization and validity of the District's documents and the parity nature of this Agreement; and

(d) Such other documents and certificates as the Corporation may reasonably require.

ARTICLE IV

COVENANTS

Section 401. Compliance with Installment Purchase Agreement and Ancillary Agreements. The District will punctually pay the Installment Payments in strict conformity with the terms hereof, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it, and will not terminate this 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 2013 Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision of either or any failure of the 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.

It is expressly understood and agreed by and among the parties to this Agreement that, subject to Section 606 hereof, each of the agreements, conditions, covenants and terms contained in this Agreement is an essential and material term of the purchase of and payment for the 2013 Project by the District.

The District will faithfully observe and perform all the agreements, conditions, covenants and terms required to be observed and performed by it pursuant to all outstanding Contracts and Bonds as such may from time to time be executed or issued, as the case may be.

Section 402. Against Encumbrances. The District will not make any pledge of or place any lien on Revenues or the moneys in the Rate Stabilization Fund except as provided herein. The District may at any time, or from time to time, (i) execute Contracts or issue Bonds as permitted herein or (ii) incur evidences of indebtedness or incur other obligations for any lawful purpose which are payable from and secured by a pledge of and lien on Revenues and on any moneys in the Rate Stabilization Fund as may from time to time be deposited therein, provided that such pledge and lien shall be subordinate in all respects to the pledge of and lien thereon provided herein.

Section 403. Against Sale or Other Disposition of Property. The District will not enter into any agreement or lease which impairs the operation of the Water System or any part thereof necessary to secure adequate Revenues for the payment of the Installment Payments, or which would otherwise impair the rights of the Corporation hereunder or the operation of the Water System. Any real or personal property which has become nonoperative or which is not needed for the efficient and

proper operation of the Water System, or any material or equipment which has become worn out, may be sold if such sale will not impair the ability of the District to pay the Installment Payments provided that the proceeds of such sale shall constitute and be treated as Revenues.

Nothing herein shall restrict the ability of the District to sell any portion of the Water System if such portion is immediately repurchased by the District and if such arrangement cannot by its terms result in the purchaser of such portion of the Water System exercising any remedy which would deprive the District of or otherwise interfere with its right to own and operate such portion of the Water System.

Section 404. Against Competitive Facilities. To the extent permitted by law, the District covenants that it will not acquire, construct, maintain or operate and will not, to the extent permitted by law and within the scope of its powers, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the District any potable water system competitive with the Water System. The foregoing does not limit the ability of the District to construct, acquire, maintain or operate a recycled water system.

Section 405. Tax Covenants. Notwithstanding any other provision of this Agreement, absent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of the Interest Components will not be adversely affected, the District covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The District will not take or omit to take any action or make any use of the monies paid to the District by the Corporation or of any other moneys or property which would cause the District's obligations hereunder to be "private activity bonds" within the meaning of Section 141 of the Code.

(b) Arbitrage. The District will make no use of the monies paid by the Corporation or of any other amounts or property, regardless of the source, or take or omit to take any action which would cause the District's obligations hereunder to be "arbitrage bonds" within the meaning of Section 148 of the Code.

(c) Federal Guarantee. The District will make no use of the monies paid by the Corporation or take or omit to take any action that would cause the District's obligations hereunder to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(d) Information Reporting. The District will take or cause to be taken all necessary action to comply with the informational reporting requirements of Section 149(e) of the Code.

(e) Hedge Bonds. The District will make no use of the monies paid by the Corporation or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the District's obligations hereunder to be considered "hedge bonds" within the meaning of Section 149(g) of the Code unless the District takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of the Interest Components for federal income tax purposes.

(f) Miscellaneous. The District will take no action, or omit to take any action, inconsistent with the expectations stated in the Tax Certificate and will comply with the covenants and requirements stated therein and incorporated by reference herein.

Section 406. Maintenance and Operation of the Water System. The District will maintain and preserve the Water System in good repair and working order at all times and will operate the Water System in an efficient and economical manner and will pay all Maintenance and Operation Expenses as they become due and payable.

Section 407. Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Revenues or the funds or accounts created hereunder or on any funds in the hands of the District pledged to pay the Installment Payments prior or superior to the lien of the Installment Payments or which might impair the security of the Installment Payments.

Section 408. Compliance with Contracts. The District will neither take nor omit to take any action under any contract if the effect of such act or failure to act would in any manner impair or adversely affect the ability of the District to pay Installment Payments; and the District will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all other contracts affecting or involving the Water System, to the extent that the District is a party thereto.

Section 409. Insurance.

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

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

If such Net Proceeds exceed the costs of such reconstruction, repair or replacement portion of the Water System, and/or the cost of the construction of additions, betterments, extensions or improvements to the Water System, then the excess Net Proceeds may, at the option of the District, be applied in part to the prepayment of Installment Payments as provided in Section 308 and in part to such other fund or account as may be appropriate and used for the retirement of Bonds and Contracts in the same proportion which the aggregate unpaid principal balance of Installment Payments then bears to the aggregate unpaid principal amount of such Bonds and Contracts. If such Net Proceeds are sufficient to enable the District to retire the entire obligation evidenced hereby prior to the final due date of the Installment Payments as well as the entire obligations evidenced by Bonds and Contracts then remaining unpaid prior to their final respective due dates, the District may elect

not to reconstruct, repair or replace the damaged or destroyed portion of the Water System, and/or not to construct other additions, betterments, extensions or improvements to the Water System; and thereupon such Net Proceeds shall be applied to the prepayment of Installment Payments as provided in Section 308 and to the retirement of such Bonds and Contracts.

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

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

Section 410. Accounting Records; Financial Statements and Other Reports.

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

(b) The District will prepare and file with the Corporation annually within two hundred seventy (270) days after the close of each Fiscal Year (commencing with the Fiscal Year ending December 31, 2020) financial statements of the District for the preceding Fiscal Year prepared in accordance with generally accepted accounting principles, together with an Accountant's Report thereon.

(c) During each Fiscal Year, the District will deliver a copy of its operating budget, or evidence of the District's appropriation of moneys sufficient to pay the Installment Payments due in such Fiscal Year, to the Corporation annually within thirty (30) days after the commencement of such Fiscal Year.

(d) The District shall furnish at the Corporation's request such additional information that the Corporation may from time to time reasonably request.

Section 411. Protection of Security and Rights of the Corporation. The District will preserve and protect the security hereof and the rights of the Corporation to the Installment Payments hereunder and will warrant and defend such rights against all claims and demands of all persons.

Section 412. Payment of Taxes and Compliance with Governmental Regulations. The District will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Water System, or any part thereof or upon the Revenues when the same shall become due. The District will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Water System, or any part thereof, but the District shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

Section 413. Amount of Rates and Charges. The District, to the fullest extent permitted by law, shall fix, prescribe and collect Revenues for Water Service which will be at least sufficient to yield during each Fiscal Year Net Revenues equal to one hundred ten percent (110%) of Debt Service and one hundred percent (100%) of Policy Costs. The District may make adjustments from time to time in such Revenues and may make such classification thereof as it deems necessary, but shall not reduce the Revenues then in effect unless the Net Revenues from such reduced Revenues will at all times be sufficient to meet the requirements of this section.

Section 414. Collection of Rates and Charges. The District will have in effect at all times by-laws, rules and regulations requiring each customer to pay the rates and charges applicable to the Water Service and providing for the billing thereof and for a due date and a delinquency date for each bill.

Section 415. Eminent Domain Proceeds. If all or any part of the Water System shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied as follows:

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

(b) If the foregoing conditions are not met, then such Net Proceeds shall be applied by the District in part to the prepayment of Installment Payments as provided in Section 308 and in part to such other fund or account as may be appropriate and used for the retirement of Bonds and Contracts in the same proportion which the aggregate unpaid Principal Components of the Installment Payments then bears to the aggregate unpaid principal amount of such Bonds and Contracts.

Section 416. Further Assurances. The District will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Corporation of the rights and benefits provided to it herein.

Section 417. Enforcement of Contracts. The District will not voluntarily consent to or permit any rescission of, nor will it consent to any amendment to or otherwise take any action under or in connection with any contracts previously or hereafter entered into if such rescission or amendment would in any manner impair or adversely affect the ability of the District to pay Installment Payments.

Section 418. Additional Contracts and Bonds.

(a) The District may at any time execute any Contract or issue any Bonds, as the case may be, in accordance herewith; provided there shall be on file with the District either:

(i) A Certificate of the District demonstrating that, during the last audited Fiscal Year or any consecutive twelve (12) calendar month period during the immediately preceding eighteen (18) calendar month period, the Net Revenues were at least equal to 110% of Maximum Annual Debt Service and one hundred percent (100%) of any Policy Costs, including for purposes of said calculation the Contracts proposed to be executed or the Bonds proposed to be issued and excluding any Contracts or Bonds to be defeased with the proceeds of the Contracts or Bonds to be executed; provided, that for the purpose of providing this Certificate, the District may adjust the foregoing Net Revenues to reflect:

(A) An allowance for Net Revenues that would have been derived from each new connection to the Water System that, during all or any part of such Fiscal Year or twelve (12) calendar month period, was not in existence, in an amount equal to the estimated additional Net Revenues that would have been derived from each such connection if it had been made prior to the beginning of such Fiscal Year or twelve (12) calendar month period, and

(B) An allowance for Net Revenues that would have been derived from any increase in the rates, fees and charges fixed and prescribed for Water Service which, during all or any part of such Fiscal Year or twelve (12) calendar month period, was not in effect, in an amount equal to the estimated additional Net Revenues that would have been derived from such increase in rates, fees and charges if it had been in effect prior to the beginning of such Fiscal Year or twelve (12) calendar month period; or

(ii) A Certificate of the District or an Engineer's Report demonstrating that the estimated Net Revenues for each of the five (5) Fiscal Years next following the earlier of (i) the end of the period during which interest on the Contracts proposed to be executed, or the Bonds proposed to be issued (i) is to be capitalized or, if no interest is capitalized, the Fiscal Year in which the Contracts proposed to be executed, or the Bonds proposed to be issued, is executed or issued, or (ii) the date on which substantially all projects (including the 2013 Project) financed with the Contracts proposed to be executed, or the Bonds proposed to be issued, plus all projects (including the 2013 Project) financed with all existing Contracts and Bonds are expected to commence operations, will be at least equal to 110% of the Maximum Annual Debt Service and one hundred percent (100%) of any Policy Costs for such period; provided, that for the purpose of this section the foregoing estimated Net Revenues may be adjusted to reflect:

(A) An allowance for Net Revenues that are estimated to be derived from any increase in the rates, fees and charges for Water Service in effect and being charged or from any increase in the rates, fees and charges for Water Service that are expected to be charged; and

(B) An allowance for Net Revenues that are estimated to be derived from customers of the Water System anticipated to be served by the additions, betterments or improvements to the Water System to be financed by the Contracts proposed to be executed, or the Bonds proposed to be issued, together with any additional Contracts and Bonds expected to be executed or issued during such five (5) year period.

(iii) No event of default, or event which with the passage of time would constitute an event of default, shall exist hereunder.

Notwithstanding the foregoing provisions, the District may issue bonds and contracts the payment of which are subordinate to Bonds and Contracts and which are subordinate to the payment by the District of the Installment Payments without meeting the test provided in this Section 418.

Notwithstanding the foregoing provisions, the District may issue refunding Bonds and Contracts for the purpose of refunding any Bond or Contract without complying with the parity requirements set forth in (a)(i) and (a)(ii); provided that the Debt Service payable by the District for each Fiscal Year with respect to such refunding Contracts or Bonds is less than or equal to 105% of the Debt Service for each corresponding Fiscal Year for such Contracts or Bonds being refunded.

The District shall provide written notice to the Corporation upon the issuance of any additional Contracts and Bonds.

Section 419. Payments in Connection with the State Water Supply Contract. The District shall apply to the payments due for any Fiscal Year under that certain Water Supply Contract, by and between the District and the State of California Department of Water Resources, as amended, all amounts the District collects through the *ad valorem* assessment levied to pay such amounts.

ARTICLE V

EVENTS OF DEFAULT AND REMEDIES

Section 501. Events of Default Defined. The following shall be "events of default" under this Agreement and the terms "events of default" and "default" shall mean, whenever they are used in this Agreement, with respect to the 2013 Project, any one or more of the following events, namely:

(a) Failure by the District to pay any Installment Payment or other payment required to be paid hereunder at the time specified herein or a failure to make any payment required with respect to a Bond or a Contract when due;

(b) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in clause (a) of this Section, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Corporation; provided, however, that the Corporation may, upon written request of the District prior to the expiration of such thirty (30) day period, consent to an extension of such time in order to cure such failure if corrective action has been instituted by the District and is being diligently pursued and will, in the judgment of the Corporation, be diligently pursued until the default is corrected;

(c) A court having jurisdiction shall enter a decree or order for relief in respect of the District in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the District or for any substantial part of its property, or ordering the winding up or liquidation of its affairs, and such decree or order shall remain unstayed and in effect for a period of sixty (60) days; or

(d) The District shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or similar official) of the District for any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due or shall take any corporate action in furtherance of any of the foregoing.

Section 502. Remedies on Default; Suits at Law or in Equity and Mandamus; Payment of Interest at Default Rate.

(a) In case one or more of the events of default shall happen, then and in every such case, the Corporation may proceed to protect and enforce the rights vested in the Corporation by this Agreement by such appropriate judicial proceeding as the Corporation shall deem most effectual to protect and enforce any such right, either by suit in equity or by action at law, whether for the specific performance of any covenant or agreement contained in this Agreement or by law. The provisions of this Agreement and the duties of the District and of the officers, agents and employees thereof shall be enforceable by the Corporation by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction.

(b) Without limiting the generality of the foregoing, the Corporation shall have the right:

(i) Accounting. By action or suit in equity to require the District and its officers, agents and employees to account as the trustee of an express trust.

(ii) Injunction. By action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Corporation.

(iii) Mandamus. By mandamus or other suit, action or proceeding at law or equity to enforce its or their rights against the District and its and any of its officers, agents, and employees, and to compel it or them to perform and carry out its and their duties and obligations under the law and its and their covenants and agreements with the District as provided herein.

(c) Following an event of default under Section 501(a), in addition to the Interest Components, the District shall pay additional interest on the unpaid Principal Components at the rate of _____ percent (_____%) per annum so that the Corporation until such event of default is cured.

Section 503. Application of Funds Upon Default. Following an event of default as provided in Section 501, all Revenues thereafter received and all amounts in the Rate Stabilization Fund shall be applied in the following order -

First, to the payment, without preference or priority, and in the event of any insufficiency of such Revenues ratably without any discrimination or preference, of the fees, costs and expenses of the Corporation, and any trustee and/or insurer with respect to any Bonds and Contracts, including reasonable compensation to its accountants and counsel;

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

Third, to the payment of the entire principal amount of the unpaid Installment Payments and the unpaid principal amount of all Bonds and Contracts and the accrued interest thereon, with

interest on the overdue installments at the rate or rates of interest applicable to the unpaid Installment Payments and such Bonds and Contracts if paid in accordance with their respective terms.

Section 504. Non Waiver. Nothing in this Article V or in any other provision of this Agreement shall affect or impair the obligation of the District, which is to pay the Installment Payments, as herein provided. No delay or omission of the Corporation to exercise any right or power arising upon the happening of any event of default shall impair any such right or power or shall be construed to be a waiver of any such event of default or any acquiescence therein, and every power and remedy given by this Article V to the Corporation may be exercised from time to time and as often as shall be deemed expedient by the Corporation.

Section 505. Remedies Not Exclusive. No remedy herein or by law conferred upon or reserved to the Corporation is intended to be exclusive of any other remedy, but each such remedy is cumulative and in addition to every other remedy, and every remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise may be exercised without exhausting and without regard to any other remedy conferred or by any law. If any remedial action is discontinued or abandoned, the Corporation shall be restored to its former position.

Section 506. Status Quo. In case any suit, action or proceeding to enforce any right or exercise any remedy shall be brought or taken and then discontinued or abandoned, or shall be determined adversely to the Corporation, then, and in every such case, the Corporation shall be restored to its former position and rights and remedies as if no such suit, action or proceedings had been brought or taken.

ARTICLE VI

MISCELLANEOUS

Section 601. Liability of District Limited to Revenues. Notwithstanding anything contained herein, the District shall not be required to advance any moneys derived from any source of income other than the Revenues and the Rate Stabilization Fund for the payment of amounts due hereunder 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 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 of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Section 602. Benefits of Installment Purchase Agreement Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the District or the Corporation any right, remedy or claim under or pursuant hereto, and any agreement or covenant required herein to be performed by or on behalf of the District or the Corporation shall be for the sole and exclusive benefit of the other party.

Section 603. 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 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 thereof whether so expressed or not.

Section 604. 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, but nothing contained herein shall relieve any director, officer or employee of the District from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 605. 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 606. 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 607. Assignment. The Corporation's right, title and interest in and to this Agreement may be assigned and reassigned by the Corporation in whole to one or more subsequent assignees, subject to the limitations set forth in this Section 607, without the necessity of obtaining the consent of the District. The Corporation acknowledges and agrees that the restrictions and limitations on transfer as provided in this Section 607 shall apply to the first and subsequent assignees of any of Corporation's right, title and interest in, to and under this Agreement.

Any such assignment, transfer or conveyance (i) shall be made only to an investor which is a "qualified institutional buyer" as defined in Rule 144A(a)(1) promulgated under the Securities Act of 1933, as amended, and is purchasing its right, title and interest in and to this Agreement for its own account with no present intention to resell its interest herein; (ii) shall not require the District to make Installment Payments to, send notices to or otherwise deal with respect to matters arising under the Installment Purchase Agreement with any entity other than Corporation or a subsequent entity to whom the Corporation transfers its right, title and interest hereunder in whole, and (iii) shall be made only to investors who complete and submit to the District a letter substantially in the form attached hereto as Exhibit D. Neither the Corporation nor any subsequent assignee my participate out any interest held by it in this Agreement and the Installment Payments other than in accordance with this

Section 607. The Corporation hereby acknowledges and agrees that the restrictions and limitations on transfer as provided in this Section 607 shall apply to each and every assignee of any rights hereunder. No assignment, transfer or conveyance of any of the Corporation's rights hereunder shall be effective until such subsequent assignee has executed a letter substantially in the form attached hereto as Exhibit D and delivered it to the District.

No assignment, transfer or conveyance of the Corporation's rights in whole permitted by this Section 607 shall be effective until the District shall have received a written notice of assignment that discloses the name and address of such assignee.

Section 608. California Law. THE INSTALLMENT PURCHASE AGREEMENT SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

Section 609. Notices. All written notices to be given hereunder shall be given by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other party in writing from time to time, namely:

If to the District: Palmdale Water District
2029 East Avenue Q
Palmdale, California 93550
Attention: General Manager

If to the Corporation: _____
_____
_____
Attention: _____

Section 610. Effective Date. This Agreement shall become effective upon its execution and delivery, and shall terminate when the Installment Payments shall have been fully paid (or provision for the payment thereof shall have been made to the written satisfaction of the Corporation).

Section 611. Indemnification of Corporation. The District hereby agrees to indemnify and hold harmless the Corporation if and to the extent permitted by law, from and against all claims, advances, damages and losses, including legal fees and expenses, arising out of or in connection with the acceptance or the performance of its duties hereunder; provided that no indemnification will be made for willful misconduct, negligence or breach of an obligation hereunder by the Corporation.

Section 612. Amendments Permitted. This Agreement and the rights and obligations of the Corporation and the District may be modified or amended at any time by an amendment hereto which shall become binding upon execution by the Corporation and the District.

Section 613. Execution in Counterparts. 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.

Section 614. Attorneys' Fees. If the Corporation prevails in any action brought to enforce any of the terms and provisions of this Agreement following a default hereunder by the District, the

District agrees to pay reasonable attorneys' fees incurred by the Corporation in attempting to enforce any of the remedies available to the Corporation hereunder, whether or not a lawsuit has been filed and whether or not any lawsuit culminates in a judgment.

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

_____, as the Corporation

By: _____
Authorized Officer

PALMDALE WATER DISTRICT

By: _____
General Manager

ATTEST:

_____
Secretary

EXHIBIT "A"

DEFINITIONS

Agreement or the Installment Purchase Agreement. The term "Agreement" or "Installment Purchase Agreement" means the Installment Purchase Agreement, dated as of June 1, 2020, by and between the District and the Corporation, as supplemented or amended from time to time.

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

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

(B) Interest on Variable Interest Rate Contracts. Interest deemed to be payable on any Variable Interest Rate Contract for periods when the actual interest rate can be determined shall be the actual Variable Interest Rates and for periods when the actual interest rate cannot yet be determined shall be calculated on the assumption that the interest rate on such Variable Interest Rate Contract would be equal to (i) the average rate that accrued on such Variable Interest Rate Contract over the preceding 12 months, or (ii) if the Variable Interest Rate Contract has not been accruing interest at a variable rate for 12 months, the average interest rate that accrued on an outstanding Variable Interest Rate Contract of the District for which interest is computed on substantially the same basis during the preceding twelve month period, or (iii) if no such comparable Variable Interest Rate Contract was outstanding during the 12 months preceding the date of calculation, then (x) if the interest on such Variable Interest Rate Contract is excluded from gross income for purposes of Federal income taxation, 90% of the average rate of interest for The Bond Buyer Revenue Bond Index over the preceding 12 months, or, if that index is no longer published, a similar index selected by the District and acceptable to each credit enhancer providing credit enhancement for an outstanding Contracts or Bonds, or, if the District fails to select a replacement index, an interest rate equal to 80% of the yield for outstanding United States Treasury bonds having an equivalent maturity as the Variable Rate Interest Contract, or if there are no such Treasury Bonds having equivalent maturities, 80% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets, and (y) if interest on such Variable Interest Rate Contract is not excluded from gross income for purposes of Federal income taxation, 110% of the yield for outstanding United States Treasury bonds having an equivalent maturity as the Variable Rate Interest Contract, or if there are no such United States Treasury Bonds having equivalent maturities, 110% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets;

(C) Interest on Obligations with respect to which a Payment Agreement is in Force. Interest deemed to be payable on any Contracts or Bonds with respect to which a Payment Agreement is in force shall be based on the net economic effect on the District expected to be produced by the terms of such Contracts or Bonds and such Payment Agreement, including but not limited to the effects that (i) such Contracts or Bonds would, but for such Payment Agreement, be treated as an obligation bearing interest at a Variable Interest Rate instead shall be treated as an

obligation bearing interest at a fixed interest rate, and (ii) such Contracts or Bonds would, but for such Payment Agreement, be treated as an obligation bearing interest at a fixed interest rate instead shall be treated as an obligation bearing interest at a Variable Interest Rate; and accordingly, the amount of interest deemed to be payable on any Contracts or Bonds with respect to which a Payment Agreement is in force shall be an amount equal to the amount of interest that would be payable at the rate or rates stated in such Contracts or Bonds plus the Payment Agreement Payments minus the Payment Agreement Receipts, and for the purpose of calculating as nearly as practicable the Payment Agreement Receipts and the Payment Agreement Payments under such Contracts or Bonds, the following assumptions shall be made:

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

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

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

Contracts or Bonds is not excluded from gross income for purposes of Federal income taxation, the rate equal to 110% of the yield for outstanding United States Treasury bonds having an equivalent maturity as the Balloon Contract, or, if there are no such United States Treasury Bonds having equivalent maturities, 110% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets;

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

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

Authority. The term "Authority" means the Palmdale Water District Public Financing Authority.

Authorized Officer. The term "Authorized Officer", when used with respect to the District, means the President, Vice President or Secretary of the Board of Directors, General Manager or any deputy or assistant of the General Manager designated by the General Manager or any other officer of the District which is designated by the Board of Directors of the District as an Authorized Officer. The term "Authorized Officer", when used with respect to the Corporation, means the _____ of the Corporation or any other officer of the Corporation which is designated by the _____ of the Corporation as an Authorized Officer.

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

Balloon Installment Payments. The term "Balloon Installment Payments" means any Parity Payments designated as such in any Balloon Contract.

Bond Counsel. The term "Bond Counsel" means a nationally recognized law firm specializing in the area of tax exempt municipal finance.

Bonds. The term "Bonds" means all revenue bonds or notes of the District authorized, executed, issued and delivered by the District, the payments of which are on a parity with the Installment Payments and which are secured by the Net Revenues of the District. The term Bonds does not include bonds heretofore or hereafter issued required by law to be paid from the District assessments.

Certificate of the District. The term "Certificate of the District" means an instrument in writing signed by the General Manager of the District, or by any other officer of the District duly authorized by the Board of Directors for that purpose.

Closing Date. The term "Closing Date" means the date the Corporation pays the amount specified in Section 301 hereof.

Code. The term "Code" means the Internal Revenue Code of 1986, as amended, and any regulations, rulings, judicial decisions, notices, announcements, and other releases of the United States Treasury Department or Internal Revenue Service interpreting and construing it.

Contracts. The term "Contracts" means the Installment Purchase Agreement and any amendments and supplements thereto, and all contracts of the District, including Payment Agreements, authorized and executed by the District, the payments under which are on a parity with the Installment Payments and which are secured by the Net Revenues of the District. The term Contracts does not include the contract with the State of California for the State Water Project.

Corporation. The term "Corporation" means _____.

Debt Service. The term "Debt Service" shall mean, for any Fiscal Year, the sum of (1) the interest paid during such Fiscal Year on all outstanding Bonds, assuming that all outstanding serial Bonds are retired as scheduled and that all outstanding term Bonds are prepaid or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any Bonds), (2) that portion of the principal amount of all outstanding serial Bonds paid during such Fiscal Year, (3) that portion of the principal amount of all outstanding term Bonds required to be paid during such Fiscal Year, and (4) that portion of any payments, including the Installment Payments, required to be made at the times provided in the Contracts during such Fiscal Year.

For purposes of this definition, interest on any Contracts or Bonds executed or issued by the District shall be calculated based upon the Assumed Interest Rate.

District. The term "District" means Palmdale Water District.

Engineer's Report. The term "Engineer's Report" means a report signed by an Independent Engineer.

Fiscal Year. The term "Fiscal Year" means the twelve (12) months beginning on January 1st and ending on the following December 31st.

Independent Engineer. The term "Independent Engineer" means any registered engineer or firm of registered engineers of national reputation generally recognized to be well qualified in engineering matters relating to water delivery and wastewater collection systems, appointed and paid by the District, and who or each of whom –

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

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

(3) is not connected with the District as a director, officer or employee of the District, but may be regularly retained to make reports to the District.

Installment Payment Dates. The term "Installment Payment Dates" shall mean the dates set forth in Exhibit "C" hereto.

Installment Payments. The term "Installment Payments" means Installment Payments payable by the District to the Corporation pursuant to the Agreement as more particularly set forth in Exhibit "C" attached to the Agreement.

Interest Components. The term "Interest Components" means the portion of the Installment Payments constituting the interest due on the unpaid Principal Components as specified in Exhibit "C" hereto.

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

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

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

Net Revenues. The term "Net Revenues" means, for any Fiscal Year, the Revenues for such Fiscal Year less the Maintenance and Operation Expenses for such Fiscal Year.

Parity Payment Agreement. The term "Parity Payment Agreement" means a Payment Agreement which is a Contract.

Parity Payments. The term "Parity Payments" means all installment payments and other debt service payments scheduled to be paid by the District under all Contracts or Bonds.

Parity Payments Date. The term "Parity Payments Date" means the date on which any Parity Payments are due on Contracts or Bonds.

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

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

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

Payment Dates. The term "Payment Dates" means April 1 and October 1 of each year, commencing _____.

Policy Costs. The term "Policy Costs" means the annual amount due with respect to any policy or surety bond in lieu of depositing cash in any reserve fund established for any Bonds or Contracts.

Principal Components. The term "Principal Components" means the portion of the Installment Payments constituting the unpaid principal due hereunder as specified in Exhibit "C" hereto.

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

Rate Stabilization Fund. The term "Rate Stabilization Fund" means the Rate Stabilization Fund described in Section 309 hereof.

Refinanced Maturities. The term "Refinanced Maturities" shall have the meaning set forth in the recitals to the Agreement.

Revenues. The term "Revenues" means for any Fiscal Year, all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the District's Water System, including, without limiting the generality of the foregoing, (1) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the District from the sale, furnishing and supplying of the water or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Water System, plus (2) proceeds of the District's share of Los Angeles County's 1% property tax received by the District, if any, plus (3) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, or other moneys, including District reserves and the Reserve Fund, plus (4) the proceeds of any stand by or water availability charges collected by the District, but excluding in all cases customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District, and excluding any proceeds of any taxes or assessments required by law to be used by the District to pay bonds heretofore or hereafter issued and any assessments levied and collected by the District to pay any contract payments due under the State Water Supply Contract, plus (5) money withdrawn from the Rate Stabilization Fund in such Fiscal Year, minus (6) any Revenues transferred to the Rate Stabilization Fund in such Fiscal Year.

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

State Water Supply Contract. The term "State Water Supply Contract" means that certain contract between the State and the District by which the District obtains water from the California State Water Project.

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

Trustee. The term "Trustee" means The Bank of New York Mellon Trust Company, N.A. at its corporate trust office in Los Angeles, California, or its successor in interest acting as trustee under the 2013 Indenture of Trust.

2012 Installment Purchase Agreement. The term "2012 Installment Purchase Agreement" means that certain Installment Purchase Agreement, dated as of November 1, 2012, by and between the District and the Palmdale Water District Public Facilities Corporation.

2013 Bonds. The term "2013 Bonds" means the Palmdale Water District Public Financing Authority's Water Revenue Bonds, Series 2013A issued pursuant to the 2013 Indenture of Trust.

2013 Installment Payments. The term "2013 Installment Payments" means the remaining installment payments scheduled to be paid by the District under and pursuant to the 2013 Installment Purchase Agreement.

2013 Installment Purchase Agreement. The term "2013 Installment Purchase Agreement" means that certain Installment Purchase Agreement dated as of May 1, 2013, by and between the District and the Authority, relating to the 2013 Bonds.

2013 Indenture of Trust. The term "2013 Indenture of Trust" means that certain Indenture of Trust dated as of May 1, 2013, by and between the Authority and the Trustee.

2013 Project. The term "2013 Project" means the improvements to the Water System consisting, as more fully described in Exhibit "B" hereto, being refinanced under the Agreement.

2018 Installment Payments. The term "2018 Installment Payments" means the installment payments scheduled to be paid by the District under and pursuant to the 2018 Installment Purchase Agreement.

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

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

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

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

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

EXHIBIT B

DESCRIPTION OF THE 2013 PROJECT

Certain improvements to the District's existing Water System, including the replacement of various water mains, funding a feasibility study for the Littlerock Creek Recharge and Recovery Project, funding environmental designs and permits related to the Littlerock Reservoir Sediment Removal Project, and funding the District's share of the Upper Amargosa Recharge Project.

EXHIBIT C

Installment Purchase Payment Date	*Principal Component*	*Interest Component*	*Total Payment*
	$	$	$
TOTAL	$	$	$

EXHIBIT D

FORM OF INVESTOR LETTER

[Date]

Palmdale Water District
Palmdale, California 93550

Re: Palmdale Water District 2020 Installment Purchase Agreement (the "Agreement")

Ladies and Gentlemen:

The undersigned, [name of purchaser] (the "Purchaser") hereby represents and warrants to you as follows:

1. The Purchaser has loaned to the Palmdale Water District (the "District") on the date hereof $_____ for the purpose of refinancing the 2013 Project pursuant to the Agreement.

2. The Purchaser has sufficient knowledge and experience in business and financial matters in general to enable the Purchaser to evaluate the Agreement, the credit of the District, the collateral and the terms and that the Purchaser will make its own independent credit analysis and decision to enter into the Agreement based on independent examination and evaluation of the transaction and the information deemed appropriate, without reliance on any other parties.

3. The Purchaser acknowledges that no CUSIP or credit rating has been sought or obtained with respect to the Agreement.

4. The Purchaser acknowledges that no official statement has been prepared for the Agreement, and that the District will not be entering into a continuing disclosure agreement to provide ongoing disclosure respecting the Agreement; provided, however, that the District has agreed to provide certain ongoing information to the Purchaser. The Purchaser has been offered copies of or full access to all documents relating to the Agreement and all records, reports, financial statements and other information concerning the District and pertinent to the source of payment for the Installment Payments as deemed material by the Purchaser, which the Purchaser as a commercial lender, has requested and to which the Purchaser, as a commercial lender, would attach significance in making its lending decision.

5. The Purchaser confirms that it is able to bear the economic risk of its entering into the Agreement, including a complete loss thereunder.

6. The Purchaser states that it is a "Qualified Institutional Buyer" as defined in Rule 144A under the Securities Act of 1933, as amended (the "1933 Act"); and (a) it is capable of evaluating risks and market value independently, both in general and with regard to transactions similar to the Agreement, and (c) the Purchaser has timely access to material information that is available publicly through established industry sources as defined in Municipal Securities Rulemaking Board (MSRB) Rule G-47;[1]

[1] Pursuant to MSRB Rule G-47 established industry sources shall include the MSRB's Electronic Municipal Market Access("EMMA"®) system, rating agency reports, and other sources of information relating to municipal securities transactions generally used by brokers, dealers, and municipal securities dealers that effect transactions in the type of municipal securities at issue.

7. The Purchaser is entering into the Agreement solely for its own account with a present intent to continue as a party to the Agreement until the termination thereof, and not with a view to, or in connection with, any distribution, resale, pledging, fractionalization, subdivision or other disposition thereof (subject to the understanding that disposition of Purchaser's property will remain at all times within its control); provided, however, that the Purchaser shall not be precluded from transferring or assigning its interest in the Agreement in accordance with the terms and conditions set forth in the Agreement.

8. The Purchaser understands that the Agreement (i) has not been registered under the 1933 Act, and (ii) has not been registered or qualified under any state securities or "Blue Sky" laws, and that the Agreement has not been qualified under the Trust Indenture Act of 1939, as amended.

9. The Purchaser acknowledges that in connection with the offering of the Bonds it has had the opportunity to consult with its own legal counsel and to negotiate this Letter prior to execution.

10. The Purchaser understands that the District and Bond Counsel will rely upon the accuracy and truthfulness of the representations and warranties contained herein and hereby consents to such reliance.

11. The signatory of this Letter is a duly authorized officer of the Purchaser with the authority to sign this Letter on behalf of the Purchaser, and this Letter has been duly authorized, executed and delivered.

Very truly yours,

_____

By:_____
Name:_____
Title:

Table of Contents

Page

ARTICLE I

REPRESENTATIONS AND WARRANTIES

Section 101. Representations by the District 1
Section 102. Representations and Warranties by the Corporation 2

ARTICLE II

DEFINITIONS AND GENERAL PROVISIONS

Section 201. Definitions in General 2
Section 202. Rules of Construction 2
Section 203. Public Benefit 3

ARTICLE III

SALE AND PURCHASE OF PROJECT; PURCHASE PRICE

Section 301. Deposit of Moneys 3
Section 302. Refinancing of the 2013 Project 3
Section 303. Ownership of the 2013 Project; Term 3
Section 304. Pledge of Net Revenues; Installment Payments 4
Section 305. Interest Component 4
Section 306. Payment in Lawful Money; No Set Off 4
Section 307. Title 5
Section 308. Prepayment of Installment Payments 5
Section 309. Rate Stabilization Fund 5
Section 310. Closing Conditions 5

ARTICLE IV

COVENANTS

Section 401. Compliance with Installment Purchase Agreement and Ancillary Agreements 6
Section 402. Against Encumbrances 6
Section 403. Against Sale or Other Disposition of Property 6
Section 404. Against Competitive Facilities 7
Section 405. Tax Covenants 7
Section 406. Maintenance and Operation of the Water System 8
Section 407. Payment of Claims 8
Section 408. Compliance with Contracts 8
Section 409. Insurance 8
Section 410. Accounting Records; Financial Statements and Other Reports 9
Section 411. Protection of Security and Rights of the Corporation 9
Section 412. Payment of Taxes and Compliance with Governmental Regulations 9

Table of Contents
(continued)

Page

Section 413. Amount of Rates and Charges 10
Section 414. Collection of Rates and Charges 10
Section 415. Eminent Domain Proceeds 10
Section 416. Further Assurances 10
Section 417. Enforcement of Contracts 10
Section 418. Additional Contracts and Bonds 11
Section 419. Payments in Connection with the State Water Supply Contract 12

ARTICLE V

EVENTS OF DEFAULT AND REMEDIES

Section 501. Events of Default Defined 12
Section 502. Remedies on Default; Suits at Law or in Equity and Mandamus; Payment of Interest at Default Rate 13
Section 503. Application of Funds Upon Default 13
Section 504. Non Waiver 14
Section 505. Remedies Not Exclusive 14
Section 506. Status Quo 14

ARTICLE VI

MISCELLANEOUS

Section 601. Liability of District Limited to Revenues 14
Section 602. Benefits of Installment Purchase Agreement Limited to Parties 14
Section 603. Successor Is Deemed Included in all References to Predecessor 15
Section 604. Waiver of Personal Liability 15
Section 605. Article and Section Headings, Gender and References 15
Section 606. Partial Invalidity 15
Section 607. Assignment 15
Section 608. California Law 16
Section 609. Notices 16
Section 610. Effective Date 16
Section 611. Indemnification of Corporation 16
Section 612. Amendments Permitted 16
Section 613. Execution in Counterparts 16
Section 614. Attorneys' Fees 16

Signatures S-1

Exhibit A: Definitions A-1
Exhibit B: Description of the 2013 Project B-1
Exhibit C: Schedule of Installment Payments C-1
Exhibit D: Form of Investor Letter D-1

RESOLUTION NO. 20-7

RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT, APPROVING AN INSTALLMENT PURCHASE AGREEMENT TO REFUND A PORTION OF THE PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY'S WATER REVENUE BONDS, SERIES 2013A, AND AUTHORIZING THE EXECUTION AND DELIVERY OF SAID INSTALLMENT PURCHASE AGREEMENT AND RELATED DOCUMENTS

WHEREAS, the Palmdale Water District, a California irrigation district organized and existing under the laws of the State of California (the "District"), is authorized to enter into agreements and to finance and refinance the acquisition and construction of improvements to the District's water system (the "System"); and

WHEREAS, the District and the Palmdale Water District Public Financing Authority (the "Authority") entered into an Installment Purchase Agreement dated as of May 1, 2013 (the "2013 Installment Purchase Agreement") for the purpose of securing the payment of the principal of and interest on the Authority's Water Revenue Bonds, Series 2013A (the "2013 Bonds"), which 2013 Bonds were issued pursuant to an Indenture of Trust dated as of May 1, 2013, by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee; and

WHEREAS, a portion of the proceeds from certain of the maturities (the "Refinanced Maturities") of the 2013 Bonds was used to finance the construction of improvements to the Water System (the "2013 Project"); and

WHEREAS, the District now desires to enter into an Installment Purchase Agreement (the "2020 Installment Purchase Agreement") with _____ for the purpose of refinancing the 2013 Project by redeeming the Refinanced Maturities; and

WHEREAS, for this refinancing there has been presented to the District the forms of the 2020 Installment Purchase Agreement, an Escrow Agreement relating to the Refinanced Maturities (the "Escrow Agreement") and an agreement for services from bond counsel to the District (the "Agreement for Services") for approval; and

WHEREAS, the 2020 Installment Purchase Agreement, the Escrow Agreement and the Agreement for Services are necessary to accomplish the redemption of the Refinanced Maturities;

WHEREAS, as a result of refunding the Refinanced Maturities, the District will need to amend that certain Installment Payment Agreement, dated as of May 1, 2013, by and between the District and the Authority by executing a First Amendment to Installment Purchase Agreement (the "First Amendment"); and

WHEREAS, in compliance with SB 450, the District has obtained from NHA Advisors, its Municipal Advisor (the "Municipal Advisor"), the required good faith estimates and such estimates are disclosed and set forth in Exhibit A hereto; and

NOW, THEREFORE, the Board of Directors of the Palmdale Water District does hereby RESOLVE, DETERMINE and ORDER as follows:

Section 1. Each of the above recitals is true and correct and is adopted by the legislative body of the District.

Section 2. The forms of the 2020 Installment Purchase Agreement, the Escrow Agreement, the First Amendment and the Agreement for Services are hereby approved and each of the President of the District, the General Manager of the District or their written designees (the "Authorized Officers"), acting alone, is hereby authorized and directed to execute and deliver the 2020 Installment Purchase Agreement (subject to the limitations set forth in the following sentence), the Escrow Agreement, the First Amendment and the Agreement for Services in the name of and on behalf of the District, in substantially the form and content now before this meeting, but with such changes, modifications, additions and deletions therein as shall be deemed necessary, desirable or appropriate by the Authorized Officer or Authorized Officers executing the same, such approval to be conclusively evidenced by the execution and delivery thereof by one or more of the Authorized Officers. The 2020 Installment Purchase Agreement shall be executed only if the total principal components due thereunder do not exceed $_____, the maximum interest rate for the interest components due thereunder shall not exceed ___% per annum and the net present value savings to the District, as calculated by the District's Municipal Advisor, shall not be less than ___% of the outstanding principal amount of the Refinanced Maturities.

Section 3. In accordance with Government Code section 5852.1, good faith estimates of the following have been obtained from the Municipal Advisor and are set forth on Exhibit A attached hereto: (a) the true interest cost of the 2020 Installment Purchase Agreement, (b) the sum of all fees and charges paid to third parties with respect to the 2020 Installment Purchase Agreement, including an estimate of the costs of issuance, (c) the amount of proceeds expected to be received in connection with the 2020 Installment Purchase Agreement net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds received under the 2020 Installment Purchase Agreement, and (d) the sum total of all debt service payments due on the 2020 Installment Purchase Agreement calculated through the term of the 2020 Installment Purchase Agreement plus the fees and charges paid to third parties not paid with the proceeds received under the 2020 Installment Purchase Agreement. The Board of Directors finds and determines that the provisions of Government Code section 5852.1 have been satisfied with respect to the authorization of the 2020 Installment Purchase Agreement.

Section 4. The President of the Board of Directors, the Secretary of the Board of Directors, the General Manager and any other proper officer of the District are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents necessary or proper for carrying out the transactions contemplated by this Resolution.

ADOPTED, SIGNED and APPROVED at a regular meeting of the District this _____ day of May, 2020.

_____
President

ATTEST:

_____
Secretary

FIRST AMENDMENT TO INSTALLMENT PURCHASE AGREEMENT

This FIRST AMENDMENT TO INSTALLMENT PURCHASE AGREEMENT (this "First Amendment"), dated as of June 1, 2020 is by and between PALMDALE WATER DISTRICT, an irrigation district duly organized and existing under and by virtue of the laws of the State of California (the "District"), and PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under and by virtue of the laws of the State of California (the "Authority"), and amends that certain INSTALLMENT PURCHASE AGREEMENT, dated as of May 1, 2013 (the "Original Agreement" and, together with this First Amendment, the "Agreement").

RECITALS

WHEREAS, the District and the Authority previously entered into the Original Agreement to provide for installment payments (the "Installment Payments") that secure the payments of principal of and interest on the Authority's Water Revenue Bonds, Series 2013A (the "2013 Bonds"), which bonds were issued to refinance a capital project initially undertaken by the District in 2004 (the 2004 Project") and to finance a new project undertaken by the District in 2013 (the "2013 Project"); and

WHEREAS, the maturities of the 2013 Bonds maturing on October 1, 2038 and October 1, 2043 (the "Refinanced Maturities") were issued to provide the financing for the 2013 Project; and

WHEREAS, the District desires to refinance the 2013 Project by redeeming the Refinanced Maturities; and

WHEREAS, in connection therewith, the District and the Authority desire to amend the Original Agreement to, among other things, remove the 2013 Project as security thereunder and revise the schedule of Installment Payments to strike those Installment Payments that secure the Refinanced Maturities; and

WHEREAS, the consent of Assured Guaranty Municipal Corp. (the "Insurer") is required in order for this First Amendment to become effective, under that Indenture of Trust, dated as of May 1, 2013, by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee, pursuant to which the 2013 Bonds were issued;

NOW, THEREFORE, the District and the Authority, for and in consideration of the promises of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, hereby consent and agree as follows:

SECTION 1. This First Amendment hereby incorporates by reference all terms and conditions set forth in the Original Agreement unless specifically modified by this First Amendment. All terms and conditions set forth in the Original Agreement which are not specifically modified by this First Amendment shall remain in full force and effect.

SECTION 2. The capitalized terms set forth in this First Amendment not otherwise defined herein shall have the meanings set forth in the Original Agreement.

SECTION 3. Section 1.1 of the Original Agreement is hereby amended to revise the following definition as follows:

"Project

The term "Project" means the 2004 Project."

SECTION 4. Exhibit B of the Original Agreement is hereby amended to read, in its entirety, as follows:

EXHIBIT B

PURCHASE PRICE

1. The principal amount of the installment payments to be made by the District hereunder is $31,875,000.

2. The installment payments of principal and interest are payable in the amounts and on the Series 2013A Installment Payment Dates as follows:

Series 2013A Installment Payment Date	***Amount Attributable to Principal***	***Amount Attributable to Interest***	***Total***
Tenth Day Prior To:			
October 1, 2020	$ 535,000.00	$ 728,912.50	$ 1,263,912.50
April 1, 2021	--	715,537.50	715,537.50
October 1, 2021	565,000.00	715,537.50	1,280,537.50
April 1, 2022	--	701,412.50	701,412.50
October 1, 2022	595,000.00	701,412.50	1,296,412.50
April 1, 2023	--	686,537.50	686,537.50
October 1, 2023	620,000.00	686,537.50	1,306,537.50
April 1, 2024	--	676,987.50	676,987.50
October 1, 2024	2,145,000.00	676,987.50	2,821,987.50
April 1, 2025	--	644,312.50	644,312.50
October 1, 2025	2,210,000.00	644,312.50	2,854,312.50
April 1, 2026	--	589,062.50	589,062.50
October 1, 2026	2,325,000.00	589,062.50	2,914,062.50
April 1, 2027	--	530,937.50	530,937.50
October 1, 2027	2,435,000.00	530,937.50	2,965,937.50
April 1, 2028	--	470,062.50	470,062.50
October 1, 2028	2,560,000.00	470,062.50	3,030,062.50
April 1, 2029	--	406,062.50	406,062.50
October 1, 2029	2,690,000.00	406,062.50	3,096,062.50
April 1, 2030	--	358,987.50	358,987.50
October 1, 2030	2,785,000.00	358,987.50	3,143,987.50
April 1, 2031	--	310,250.00	310,250.00
October 1, 2031	2,880,000.00	310,250.00	3,190,250.00
April 1, 2032	--	238,250.00	238,250.00
October 1, 2032	3,020,000.00	238,250.00	3,258,250.00
April 1, 2033	--	162,750.00	162,750.00
October 1, 2033	3,175,000.00	162,750.00	3,337,750.00
April 1, 2034	--	83,375.00	83,375.00
October 1, 2034	3,335,000.00	83,375.00	3,418,375.00
TOTAL	$31,875,000.00	$13,877,962.50	$45,752,962.50

SECTION 5. This First Amendment shall become effective upon its execution and delivery.

SECTION 6. This First Amendment may be executed in several counterparts, each of which shall be deemed as an original, all of which shall constitute but one of the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be duly executed and acknowledged all as of the day and year first above written.

PALMDALE WATER DISTRICT

By: _____
General Manager

(SEAL)

Attest:

_____
Secretary

PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY

By: _____
Executive Director

Attest:

_____
Secretary

CONSENTED TO:

ASSURED GUARANTY MUNICIPAL CORP.

_____
Authorized Officer

ESCROW AGREEMENT

THIS ESCROW AGREEMENT is dated as of June 1, 2020, by and among the PALMDALE WATER DISTRICT (the "District"), the PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY (the "Authority"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, acting in its capacity as Escrow Bank (the "Escrow Bank") pursuant to this Escrow Agreement (the "Agreement").

W I T N E S S E T H:

WHEREAS, the Authority issued its Water Revenue Bonds, Series 2013A (the "Prior Bonds"), pursuant to an Indenture of Trust (the "Prior Indenture"), dated as of May 1, 2013, by and between the Authority and the Escrow Bank, acting as trustee (the "Prior Trustee"); and

WHEREAS, the District and the Authority have determined that it is in its best interests and desirable that the outstanding Prior Bonds maturing on October 1, 2038 and October 1, 2043 (collectively, the "Defeased Bonds"), as more particularly described in Schedule A hereto, be defeased and redeemed on _____, 2020 at a redemption price equal to the principal amount thereof plus accrued interest to such date, without premium; and

WHEREAS, the District expects to provide funds necessary to defease the Defeased Bonds from a portion of the proceeds received by the District in connection with its execution and delivery of an Installment Purchase Agreement (the "Installment Purchase Agreement"), as described herein; and

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the District, the Authority and the Escrow Bank agree as follows.

SECTION 1. Creation of Escrow.

(a) The Escrow Bank agrees to establish and maintain the Escrow Fund until final payment of the Defeased Bonds has been paid in full and to hold the moneys therein at all times as a special and separate escrow fund (wholly segregated from all other moneys on deposit with the Escrow Bank). The District shall deposit with the Escrow Bank $_____ of proceeds received under the Installment Purchase Agreement along with $_____ held by the Prior Trustee in connection with the Defeased Bonds. All moneys in the Escrow Fund are hereby irrevocably pledged, subject to the provisions of Section 2 hereof, to secure the payment of the Defeased Bonds. The Escrow Bank shall hold the amounts in the Escrow Fund uninvested in cash.

(b) The Escrow Bank hereby acknowledges receipt of the verification report of [Causey Demgen & Moore, P.C.], dated _____, 2020 (the "Verification Report") with respect to the District's defeasance of the Defeased Bonds in the manner and to the extent provided by law and in Section 10.01 of the Prior Indenture.

SECTION 2. [Reserved].

SECTION 3. Payment of the Defeased Bonds. The District hereby requests and irrevocably instructs the Escrow Bank, and the Escrow Bank hereby agrees, from amounts on deposit in the Escrow Fund, to make the payment of the Defeased Bonds at the places and in the manner

stipulated in the Defeased Bonds and in the Prior Indenture. The Trustee previously provided a Notice of Redemption to the owners of the Defeased Bonds pursuant to Section 4.03 of the Prior Indenture with respect to the redemption of the Defeased Bonds on _____, 2020. In accordance with Sections 4.01 and 10.01 of the Prior Indenture, the Escrow Bank is irrevocably instructed to redeem the Defeased Bonds on _____, 2020 at a redemption price equal to the principal amount thereof, together with accrued interest thereon, without premium. Upon payment in full of the Defeased Bonds, the Escrow Bank shall transfer any moneys remaining in the Escrow Fund to the District and this Agreement shall terminate. The Escrow Fund cash flow is set forth in Schedule D attached hereto.

SECTION 4. Possible Deficiencies; Amounts in Excess of Required Cash Balance.

(a) If at any time the Escrow Bank has actual knowledge that the moneys in the Escrow Fund will not be sufficient to make all payments required by Section 3 hereof, the Escrow Bank shall notify the District in writing as soon as is reasonably practicable, of such fact, the amount of such deficiency and the reason therefor solely to the extent actually known to it.

(b) The Escrow Bank shall in no manner be responsible for any deficiency in the Escrow Fund.

SECTION 5. Fees and Costs.

(a) The District shall pay to the Escrow Bank from time to time reasonable compensation for all services rendered under this Agreement and shall reimburse the Escrow Bank for all out of pocket expenses (including reasonable legal fees and expenses) incurred hereunder.

(b) The fees of and the costs incurred by the Escrow Bank shall in no event be deducted or payable from, or constitute a lien against, the Escrow Fund.

SECTION 6. Merger or Consolidation. Any company into which the Escrow Bank may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Escrow Bank may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under this Agreement, shall be the successor to such Escrow Bank without the execution or filing of any paper or any further act, notwithstanding anything herein to the contrary.

SECTION 7. Indemnity. To the maximum extent permitted by law, the District hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Bank and its respective successors, assigns, directors, officers, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Bank at any time (whether or not also indemnified against the same by the District or any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Agreement, the establishment hereunder of the Escrow Fund, the acceptance of the funds deposited therein and any payment, transfer or other application of moneys by the Escrow Bank in accordance with the provisions of this Agreement; provided, however, that

the District shall not be required to indemnify the Escrow Bank against the Escrow Bank's own negligence or willful misconduct or the negligent or willful misconduct of the Escrow Bank's respective successors, assigns, agents and employees or the material breach by the Escrow Bank of the terms of this Agreement. In no event shall the District or the Escrow Bank be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this section. The indemnities contained in this section shall survive the termination of this Agreement and the resignation or removal of the Escrow Bank.

SECTION 8. Responsibilities of the Escrow Bank. The Escrow Bank and its respective successors, assigns, agents and servants shall not be held to any personal liability whatsoever, in tort, contract, or otherwise, in connection with the execution and delivery of this Agreement, the establishment of the Escrow Fund, the acceptance of the moneys deposited therein, the sufficiency of the amounts on deposit in the Escrow Fund to accomplish the defeasance of the Defeased Bonds or any payment, transfer or other application of moneys or obligations by the Escrow Bank in accordance with the provisions of this Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Bank made in good faith in the conduct of its duties. The recitals of fact contained in the "Whereas" clauses herein shall be taken as the statements of the District and the Escrow Bank assumes no responsibility for the correctness thereof. The Escrow Bank makes no representation as to the sufficiency of the amounts on deposit in the Escrow Fund to accomplish the defeasance of the Defeased Bonds or to the validity of this Agreement as to the District and, except as otherwise provided herein, the Escrow Bank shall incur no liability with respect thereto. The Escrow Bank shall not be liable in connection with the performance of its duties under this Agreement except for its own negligence or willful misconduct, and the duties and obligations of the Escrow Bank shall be determined by the express provisions of this Agreement and no implied covenants or obligations shall be read against the Escrow Bank hereunder. The Escrow Bank 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 with respect to any action taken, suffered or omitted by it in good faith in accordance therewith. No provisions of this Agreement shall require the Escrow Bank to expend or risk its own funds or otherwise incur any financial liability by the performance or exercise of its rights or powers. Whenever the Escrow Bank shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an authorized officer of the District.

The Escrow Bank may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Escrow Bank may execute any of the trusts or powers hereunder or 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.

Anything in this Agreement to the contrary notwithstanding, in no event shall the Escrow Bank be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Escrow Bank has been advised of the likelihood of such loss or damage and regardless of the form of action. The Escrow Bank shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence

that is beyond the control of the Escrow Bank and could not have been avoided by exercising due care. Force majeure shall include acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

The Escrow Bank 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 ("Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Escrow Bank, or another method or system specified by the Escrow Bank as available for use in connection with its services hereunder); provided, however, that the District shall provide to the Escrow Bank 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 Bank Instructions using Electronic Means and the Escrow Bank in its discretion elects to act upon such Instructions, the Escrow Bank's understanding of such Instructions shall be deemed controlling. The District understands and agrees that the Escrow Bank cannot determine the identity of the actual sender of such Instructions and that the Escrow Bank shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Escrow Bank have been sent by such Authorized Officer. The District shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Escrow Bank 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/or authentication keys upon receipt by the District. The Escrow Bank shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Bank'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 Bank, including without limitation the risk of the Escrow Bank 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 Bank 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 Bank immediately upon learning of any compromise or unauthorized use of the security procedures.

The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The Escrow Bank will furnish the District periodic cash transaction statements which include detail for all investment transactions made by the Escrow Bank hereunder.

The Escrow Bank shall have no liability or responsibility for any loss resulting from any investment made in accordance with the provisions of this Agreement.

The Escrow Bank shall not be liable for the accuracy of any calculations provided as to the sufficiency of the moneys deposited with it to pay the principal, interest, or premiums, if any, on the Bonds.

SECTION 9. Amendments. This Agreement is made for the benefit of the District, the Authority and the owners from time to time of the Defeased Bonds and it shall not be repealed, revoked, altered or amended without the written consent of all such owners, the Escrow Bank and the District; provided, however, that if the District and the Escrow Bank receive an opinion of nationally recognized bond attorneys to the effect that the receipt of the Subsidy Payments with respect to the Prior Bonds, if any, will not be adversely affected thereby, they may, without the consent of, or notice to, such owners, amend this Agreement or enter into such agreements supplemental to this Agreement as shall not materially adversely affect the rights of such owners and as shall not be inconsistent with the terms and provisions of this Agreement, for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Agreement; (ii) to grant to, or confer upon, the Escrow Bank for the benefit of the owners of the Defeased Bonds any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such owners or the Escrow Bank; (iii) to include under this Agreement additional funds, securities or properties (but only if the sufficiency of the Escrow Fund for the purpose herein set forth is verified by a nationally recognized firm of independent certified public accountants) and shall hold funds received by it uninvested. The Escrow Bank shall be entitled to rely conclusively upon an unqualified opinion of nationally recognized municipal bond attorneys with respect to compliance with this Section 9, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the owners of the Defeased Bonds or that any instrument executed hereunder complies with the conditions and provisions of this Section 9.

SECTION 10. Resignation or Removal of Escrow Bank.

(a) The Escrow Bank may resign by giving not less than 30 days' notice in writing to the District, which notice shall be mailed to the owners of the Defeased Bonds remaining unpaid. The Escrow Bank may be removed upon 30 days' prior notice (1) by (i) filing with the District of an instrument or instruments executed by the owners of at least 51% in aggregate principal amount of the Defeased Bonds then remaining unpaid, and (ii) the delivery of a copy of the instruments filed with the District to the Escrow Bank, or (2) by a court of competent jurisdiction for failure to act in accordance with the provisions of this Agreement upon application by the District or the owners of 5% in aggregate principal amount of the Defeased Bonds then remaining unpaid.

(b) If the position of Escrow Bank becomes vacant due to resignation or removal of the Escrow Bank or any other reason, a successor Escrow Bank may be appointed by the District. Notice of such appointment shall be mailed by first class mail, postage prepaid, to the registered owners of the Defeased Bonds. Within one year after a vacancy, the owners of a majority in principal amount of the Defeased Bonds then remaining unpaid may, by an instrument or instruments filed with the District, appoint a successor Escrow Bank who shall supersede any Escrow Bank theretofore appointed by the District. If no successor Escrow Bank is appointed by the District or the owners of such Defeased Bonds then remaining unpaid, within 45 days after any such resignation or removal, the Escrow Bank may petition the appropriate court having jurisdiction for the appointment of a successor Escrow Bank. The responsibilities of the Escrow Bank under this Escrow Agreement will not be discharged until a new Escrow Bank is appointed and until the cash and investments held under this Escrow Agreement are transferred to the new Escrow Bank.

SECTION 11. Severability. If any section, paragraph, sentence, clause or provision of this Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, sentence, clause or provision shall not affect any of the remaining provisions of this Agreement.

SECTION 12. Execution of Counterparts. This Agreement may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original and all of which shall together constitute but one and the same instrument.

SECTION 13. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

SECTION 14. Definitions. Any capitalized term used but not otherwise defined in this Agreement shall have the meaning assigned to such term in the Prior Trust Agreement and the Indenture.

SECTION 15. Assignment. This Agreement shall not be assigned by the Escrow Bank or any successor thereto without the prior written consent of the District provided, however, that an assignment made pursuant to Section 6 hereof shall not require prior written consent.

SECTION 16. Holidays. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Agreement, shall be a legal holiday or a day on which banking institutions in which the corporate trust office of the Escrow Bank is located are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which such banking institutions are authorized by law to remain closed, with the same force and effect as if done on the nominal date provided in this Agreement; and no interest shall accrue for the period from and after such nominal date.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

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

PALMDALE WATER DISTRICT

By: _____
General Manager

(SEAL)

Attest:

_____
Secretary

PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY

By: _____
Executive Director

Attest:

_____
Secretary

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

By: _____
Authorized Officer

SCHEDULE A

Defeased Bonds

Maturity (October 1)	*Principal Amount*
2038	$
2043	

SCHEDULE B

[RESERVED]

SCHEDULE C

IRREVOCABLE INSTRUCTIONS AND REQUEST TO TRUSTEE AND ESCROW BANK

_____, 2020

The Bank of New York Mellon Trust Company, N.A.
400 South Hope Street, Suite 400
Los Angeles, California 90071
Attention: Corporate Trust Department

$44,350,000
PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY
WATER REVENUE BONDS, SERIES 2013A

Ladies and Gentlemen:

As Trustee under that certain Indenture of Trust, dated as of May 1, 2013, by and between the Palmdale Water District Public Financing Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee (the "Indenture"), you are hereby notified of the irrevocable election of the Palmdale Water District to defease the outstanding above-captioned Bonds maturing on October 1, 2038 and October 1, 2043 in accordance with Section 10.01 of the Indenture and to redeem said Bonds on _____, 2020. You are further requested to transfer all moneys held in connection with the above-captioned Bonds to the escrow fund established under that certain Escrow Agreement dated as of June 1, 2020 and executed in connection with the refunding of the above-captioned Bonds.

[Remainder of this page left intentionally blank]

PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY

By: _____
Its: Executive Director

PALMDALE WATER DISTRICT

By: _____
Its: City Manager

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

By: _____
Its: Authorized Officer

SCHEDULE D

ESCROW FUND CASH FLOW

RESOLUTION NO. 2020-1

RESOLUTION OF THE PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY AUTHORIZING THE EXECUTION AND DELIVERY OF A FIRST AMENDMENT TO INSTALLMENT PURCHASE AGREEMENT AND AN ESCROW AGREEMENT, AND APPROVING CERTAIN ACTIONS IN CONNECTION THEREWITH

WHEREAS, the Palmdale Water District Public Financing Authority (the "Authority") is a joint exercise of powers authority duly organized and existing under and pursuant to the Constitution and laws of the State of California (the "State"); and

WHEREAS, the Authority previously issued its Water Revenue Bonds, Series 2013A (the "2013 Bonds") pursuant to an Indenture of Trust, dated as of May 1, 2013, by and between the Authority and the Palmdale Water District (the "District"); and

WHEREAS, the District and the Authority entered into an Installment Purchase Agreement, dated as of May 1, 2013 (the "2013 Installment Purchase Agreement"), for the purpose of securing the payments of principal of and interest on the 2013 Bonds; and

WHEREAS, the District has determined that it is in the best interest of the District to authorize the execution and delivery of an Installment Purchase Agreement (the "2020 Installment Purchase Agreement") with _____, for the purpose of refinancing certain of the maturities of the 2013 Bonds (the "Refinanced Maturities"), and paying related costs; and

WHEREAS, the redemption of the Refinanced Maturities will require the execution and delivery of an Escrow Agreement, by and among the District, the Authority and The Bank of New York Mellon Trust Company, N.A., as escrow agent; and

WHEREAS, as a result of refunding the Refinanced Maturities, the District and the Authority will need to amend the 2013 Installment Purchase Agreement by executing a First Amendment to Installment Purchase Agreement (the "First Amendment"); and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of the Escrow Agreement and the First Amendment authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the Authority is now duly authorized and empowered, pursuant to each and every requirement of law, to execute and deliver such documents for the purpose, in the manner and upon the terms herein provided;

NOW, THEREFORE, the Board of Directors of the Palmdale Water District Public Financing Authority does hereby resolve as follows:

1. The Escrow Agreement and the First Amendment, in substantially the form on file at this meeting and, upon execution as authorized below, made a part hereof as though set

forth in full herein, are hereby approved. The President of the Board of Directors or the Executive Director of the Authority, or the designee thereof, is hereby authorized and directed to execute and deliver such documents with such changes, insertions and omissions as may be approved by the officers executing the same, said execution being conclusive evidence of such approval.

2. The President of the Board of Directors or the Executive Director of the Authority, or the designee, and any other proper officer of the Authority, acting singly, is each hereby 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 transactions contemplated by the Escrow Agreement and the First Amendment, and this resolution.

3. Unless otherwise defined herein, all terms used herein and not otherwise defined shall have the meanings given such terms in the Escrow Agreement and the First Amendment, as applicable, unless the context otherwise clearly requires.

4. This resolution shall take effect immediately.

PASSED AND ADOPTED by this ___ day of May, 2020, by the following vote:

Ayes:
Noes:
Abstain:
Absent:

_____
President

Attest:

_____
Secretary