

# PRELIMINARY OFFICIAL STATEMENT DATED MAY 21, 2024

## NEW ISSUE—FULL BOOK ENTRY

RATING:  
S&P: “ ”  
See “RATING” herein.

In the opinion of Stradling Yocca Carlson & Rauth, LLP, Newport Beach, California, Bond Counsel, subject to compliance by the Authority with certain covenants, under present law, interest on Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals under the Internal Revenue Code of 1986, as amended. Interest on the Bonds may affect the corporate alternative minimum tax for certain corporations. In addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California. See “TAX MATTERS” herein.



## \$ \_\_\_\_\_ \* INDIAN WELLS VALLEY GROUNDWATER AUTHORITY Revenue Bonds, Series 2024 (Water Rights Acquisition Financing Project)

**Dated: As of Date of Delivery**

**Due: December 1, as shown on the inside cover**

The \$ \_\_\_\_\_ \* Indian Wells Valley Groundwater Authority Revenue Bonds, Series 2024 (Water Rights Acquisition Financing Project) (the “Bonds”) are being issued by the Indian Wells Valley Groundwater Authority (the “Authority”), in fully registered form without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York (“DTC”). Payments of the principal of and interest on the Bonds will be made by U.S. Bank Trust Company, National Association, as trustee for the Bonds (the “Trustee”), to DTC, which is obligated in turn to remit such principal and interest to DTC participants for subsequent disbursement to the beneficial owners of the Bonds. The Bonds are being issued pursuant to an Indenture of Trust, dated as of June 1, 2024 (the “Indenture”), by and between the Authority and the Trustee. Interest on the Bonds will be payable semi-annually on each June 1 and December 1, commencing on December 1, 2024.

The Authority is a joint exercise of powers authority formed in 2016 by the City of Ridgecrest, the County of Inyo, the County of Kern, the County of San Bernardino and the Indian Wells Valley Water District (the “District”) to provide for the sustainable management of groundwater in the Indian Wells Valley Groundwater Basin.

The Bonds are being issued to provide funds to (a) acquire water rights for the groundwater needs of the Authority’s Indian Wells Valley Groundwater Basin (the “Basin”), (b) fund a reserve account for the Bonds, and (c) pay the costs of issuing the Bonds.

The principal of and interest on the Bonds is payable from Net Replenishment Fee Revenues. The Net Replenishment Fee Revenues are Gross Replenishment Fee Revenues less Authority expenses allocable to the Replenishment Fee. Gross Replenishment Fee Revenues means (a) the Replenishment Fee revenues, (b) transfers from the Rate Stabilization Fund, if any (as described herein), and (c) all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to the Indenture; but excluding any Additional Payments (as described herein). The Replenishment Fee is a basin replenishment fee in an amount, payable monthly, equal to \$2,130 per acre foot, or portion thereof, of groundwater extracted from the Basin in excess of an allotment assigned to each payor from the Basin’s sustainable safe yield, as proscribed by Ordinance No. 03-20 adopted by the Authority on August 21, 2020. Such excluded amount may be subject to adjustment to account for changes in pumping, consolidation of water providers and/or other factors deemed necessary and appropriate for adjustment by the Authority. Currently, the District is the only entity paying the Replenishment Fee to the Authority. The District pays the Replenishment fee in excess of its excluded amount of 4,390 acre feet. The District includes the Replenishment Fee as a component in the commodity fees charged to its customers.

The Net Replenishment Fee Revenues are pledged, as a first and prior lien thereon, to pay the principal of and premium, if any, and interest on the Bonds and any parity obligations issued or incurred by the Authority, as described herein (the “Parity Obligations”), hereafter issued or incurred by the Authority. See “SECURITY FOR THE BONDS” herein. In addition, the Authority covenants to fix, prescribe and collect the Replenishment Fee at such level during each Fiscal Year to yield Net Replenishment Fee Revenues at least equal to one hundred twenty-five percent (125%) of the amounts payable for the allocable costs of the Authority relating to the Replenishment Fee and all debt service requirements of the Bonds and any Parity Obligations.

**The Bonds are subject to redemption prior to maturity as described herein. See “THE BONDS—Redemption.”**

NEITHER THE BONDS NOR THE OBLIGATION TO PAY PRINCIPAL OF OR INTEREST THEREON CONSTITUTES A DEBT OR A LIABILITY OF THE AUTHORITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION ON INDEBTEDNESS, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE AUTHORITY. THE BONDS ARE SECURED SOLELY BY THE PLEDGE OF REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE. THE BONDS ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE AUTHORITY.

### MATURITY SCHEDULE

SEE THE INSIDE COVER

The following firm, serving as financial advisor to the Authority, has structured this issue:



THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE OF BONDS. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE PURCHASE OF THE BONDS.

*The Bonds will be offered when, as and if delivered and received by the Underwriter subject to approval by Stradling Yocca Carlson & Rauth, LLP, Newport Beach, , California, as Bond Counsel. Certain matters will be passed upon for the Authority by Stradling Yocca Carlson & Rauth, LLP, Newport Beach, , California, as Disclosure Counsel. Certain matters will be passed upon for the Underwriter by Kutak Rock LLP, Irvine, California. It is anticipated that the Bonds will be available for delivery to DTC in New York, New York, on or about June 13, 2024.*



The date of this Official Statement is May \_\_, 2024

\*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

\$ \_\_\_\_\_ \*

**INDIAN WELLS VALLEY GROUNDWATER AUTHORITY**  
**Revenue Bonds, Series 2024**  
**(Water Rights Acquisition Financing Project)**

**MATURITY SCHEDULE\***

\$ \_\_\_\_\_ **Serial Bonds**

CUSIP† Prefix: \_\_\_\_\_

Maturity (December 1)	Principal Amount	Interest Rate	Price	Yield	CUSIP† Suffix
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\$ \_\_\_\_\_ % **Term Bonds maturing December 1, \_\_\_\_\_**; **Price: \_\_\_\_\_%**, **to yield \_\_\_\_\_%**; **CUSIP† \_\_\_\_\_**

\$ \_\_\_\_\_ % **Term Bonds maturing December 1, \_\_\_\_\_**; **Price: \_\_\_\_\_%**, **to yield \_\_\_\_\_%**; **CUSIP† \_\_\_\_\_**

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No dealer, broker, salesperson or other person has been authorized by the Authority or the Underwriter to give any information or to make any representations other than as set forth herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement that involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

The information set forth in this Official Statement has been obtained from official sources and other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation of the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the Authority’s forecasts in any way, regardless of the level of optimism communicated in the information. The Authority is not obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur. See “CONTINUING DISCLOSURE” herein.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING TRANSACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE OF THIS OFFICIAL STATEMENT, AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

The execution, sale and delivery of the Bonds has not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)(2) and 3(a)(12), respectively, for the issuance and sale of municipal securities.

The Authority maintains a website. Unless specifically indicated otherwise, the information presented on such website is *not* incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds.

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## INDIAN WELLS VALLEY GROUNDWATER AUTHORITY

100 West California Avenue  
Ridgecrest, CA 93555  
(415) 388-4033  
<https://iwvga.org/>

### BOARD OF DIRECTORS

Phillip Peters, *Chair*, Kern County  
Scott Hayman, *Vice Chair*, City of Ridgecrest  
Chuck Griffin, *Board Member*, Indian Wells Valley Water District  
Matt Kingsley, *Board Member*, Inyo County  
Paul Cook, *Board Member*, San Bernardino County  
Commander Benjamin Turner, *Board Member*, Department of the Navy\* DoD Liaison  
Emma Lynch, *Board Member*, Bureau of Land Management (BLM)\*

### AUTHORITY OFFICIALS

Carol Thomas-Keefer, *General Manager*  
Steve Johnson, *Water Resources Manager*  
April Keigwin, *Clerk of the Board*  
Keith Lemieux, Esq., *Authority Counsel*  
Phillip W. Hall, Esq., \_\_\_\_\_

### SPECIAL SERVICES

**Bond Counsel and Disclosure Counsel**  
Stradling Yocca Carlson & Rauth, LLP  
*Newport Beach, California*

**Municipal Advisor**  
Wulff, Hansen & Co.  
*San Rafael, California*

**Trustee**  
U.S. Bank Trust Company, National Association  
*Los Angeles, California*

\* Nonvoting member.

# OFFICIAL STATEMENT

\$ \_\_\_\_\_ \*

**INDIAN WELLS VALLEY GROUNDWATER AUTHORITY**  
**Revenue Bonds, Series 2024**  
**(Water Rights Acquisition Financing Project)**

## INTRODUCTION

### General

This Official Statement, which includes the cover page and appendices hereto, provides information in connection with the sale of the Revenue Bonds, Series 2024 (Water Rights Acquisition Financing Project) (the “Bonds”), being issued by the Indian Wells Valley Groundwater Authority, California (the “Authority”), in the aggregate principal amount of \$ \_\_\_\_\_.\*

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

Capitalized terms used, but not otherwise defined herein, shall have the meanings assigned thereto as set forth in APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Certain Definitions.

### The Authority

The Authority is a joint powers entity duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement, dated July 15, 2016, by and among the City of Ridgecrest, the County of Inyo, the County of Kern, the County of San Bernardino and the Indian Wells Valley Water District (the “District”) (collectively, the “Members”) to provide for the sustainable management of groundwater in the Indian Wells Valley Groundwater Basin (the “Basin”), and under the provisions of Articles 1 through 4 (commencing with section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the “Act”), and is authorized pursuant to Article 4 of the Act to issue bonds and other obligations in furtherance of its goals;

The Authority was formed in July 2016 in response to the 2014 Sustainable Groundwater Management Act (the “SGMA”) for the purpose of achieving groundwater sustainability in the Basin. The SGMA requires groundwater basins to form a groundwater sustainability agency, which is then required to develop and implement a groundwater sustainability plan (the “Plan”) and achieve sustainable groundwater management within 20 years of Plan adoption. The Authority received approval for the Plan from the Department of Water Resources in January 2022.

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\* Preliminary, subject to change.

For additional information about the Authority, see “THE AUTHORITY” and APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY FOR THE YEAR ENDED DECEMBER 31, 2022.

### **Purpose of the Bonds**

The Bonds are being issued to provide funds to (a) purchase 3,250 acre feet (“AF”) of adjudicated ground water rights at a price of [\$9,500] per AF along with 5,000 AF of stored water to be purchased at a price of [\$550] per AF for a total of [\$33,625,000], which 3,250 AF of adjudicated ground water rights will then be exchanged with the Palmdale Water District for 3,250 AF of annual Table A surface water rights and the water will be wheeled by the Antelope Valley–East Kern Water Agency (“AVEK”) to the Authority for delivery to California City and the Authority will then pump the water from California City to the Basin (the “Project”), (b) fund a bond served fund, and (c) pay expenses of the transaction. See “THE PROJECT.”

### **Authority for Issuance**

The Bonds are authorized pursuant to the provisions of the Act, a resolution adopted by the Board of Directors of the Authority on May 8, 2024 (the “Resolution”), and an Indenture of Trust, dated as of June 1, 2024 (the “Indenture”), by and between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”).

### **Security for the Bonds**

The principal of and interest on the Bonds is payable from Net Replenishment Fee Revenues.

The Net Replenishment Fee Revenues are Gross Replenishment Fee Revenues less Authority expenses allocable to the Replenishment Fee.

“*Gross Replenishment Fee Revenues*” means (a) the Replenishment Fee revenues, (b) transfers from the Rate Stabilization Fund, if any, and (c) all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to the Indenture; but excluding any Additional Payments.

“*Replenishment Fee*” is a basin replenishment fee in an amount, payable monthly, equal to \$2,130 per acre foot, or portion thereof, of groundwater extracted from the Basin in excess of an allotment assigned to each payor from the Basin’s sustainable safe yield, as proscribed by Ordinance No. 03-20 adopted by the Authority on August 21, 2020. Such excluded amount may be subject to adjustment to account for changes in pumping, consolidation of water providers and/or other factors deemed necessary and appropriate for adjustment by the Authority. Currently, the District is the only entity paying the Replenishment Fee to the Authority. The District pays the Replenishment fee in excess of its excluded amount of 4,390 acre feet. The District includes the Replenishment Fee as a component in the commodity fees charged to its customers.

The Net Replenishment Fee Revenues are pledged, as a first and prior lien thereon, to pay the principal of and premium, if any, and interest on the Bonds and any parity obligations issued or incurred by the Authority, as described herein (the “Parity Obligations”).

See “SECURITY FOR THE BONDS—Pledge of Net Replenishment Fee Revenues.”



## **Additional Obligations**

Additional obligations and bonds issued or incurred on a parity with or subordinate to the Bonds may be issued pursuant to the Indenture provided that certain conditions are met. See “SECURITY FOR THE BONDS—Limitations on Future Obligations Secured by Revenues.”

## **Payment**

Principal of the Bonds will be payable in each of the years and in the amounts set forth on the cover page hereof. Initially, principal of and interest on the Bonds will be payable when due by wire of the Trustee to The Depository Trust Company, New York, New York (“DTC”), which will in turn remit such interest and principal to DTC Participants (as defined herein), which will in turn remit such interest and principal to Beneficial Owners (as defined herein) of the Bonds. See “THE BONDS—Book-Entry Only System.”

## **Redemption**

The Bonds are subject to redemption prior to their stated maturity dates, as provided herein. See “THE BONDS—Optional Redemption.”

## **Form of Bonds**

The Bonds will be dated as of their date of delivery and will be issued in fully registered form, without coupons, in the minimum denominations of \$5,000 or any integral multiple thereof. Any Bond may, in accordance with its terms, be transferred or exchanged, pursuant to the provisions of the Indenture. See “THE BONDS—General.”

## **Book-Entry System**

The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in denominations of \$5,000 or any integral multiple thereof, in book-entry form only. Upon receipt of payments of principal of and interest on the Bonds, DTC will in turn remit such principal and interest to the participants in DTC for subsequent disbursement to the beneficial owners of the Bonds. See “THE BONDS—Book-Entry Only System” below and APPENDIX E—BOOK-ENTRY ONLY SYSTEM.

## **Risks of Investment**

The Bonds are repayable only from certain money available to the Authority from the Net Replenishment Fee Revenues. For a discussion of some of the risks associated with the purchase of the Bonds, see “RISKS RELATING TO THE BONDS”

NEITHER THE BONDS NOR THE OBLIGATION TO PAY PRINCIPAL OF OR INTEREST THEREON CONSTITUTES A DEBT OF THE AUTHORITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION ON INDEBTEDNESS, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE

AUTHORITY. THE BONDS ARE SECURED SOLELY BY THE PLEDGE OF NET REPLENISHMENT FEE REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE.

### **Tax Matters**

In the opinion of Stradling Yocca Carlson & Rauth, LLP, Newport Beach, California, Bond Counsel, subject to compliance by the Authority with certain covenants, under present law, interest on Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals under the Internal Revenue Code of 1986, as amended. Interest on the Bonds may affect the corporate alternative minimum tax for certain corporations. In addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California. See “TAX MATTERS.”

### **Continuing Disclosure**

The Authority has covenanted, for the benefit of the owners and beneficial owners of the Bonds, to provide certain financial information and operating data relating to the Authority by not later than nine months following the end of each Fiscal Year (currently December 31), and to provide notices of the occurrence of certain enumerated events. See “CONTINUING DISCLOSURE” herein and APPENDIX C—FORM OF CONTINUING DISCLOSURE CERTIFICATE.

### **Forward-Looking Statements**

This Official Statement, and particularly the information contained under the headings entitled “THE AUTHORITY,” “THE PROJECT,” “ESTIMATED SOURCES AND USES OF FUNDS” “SECURITY FOR THE BONDS,”, contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 2000. When used in this Official Statement, the words “estimate,” “forecast,” “intend,” “expect” and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The Authority is not obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur. See “RISK FACTORS RELATING TO THE BONDS.”

### **Other Matters**

There follows in this Official Statement brief descriptions of the Bonds, the security for the Bonds, the Indenture, the Authority and certain other information relevant to the issuance of the Bonds. The descriptions and summaries of documents herein do not purport to be comprehensive or definitive, and reference is made to each such document for the complete details of all its respective terms and conditions. All statements herein with respect to such documents are qualified in their entirety by reference to each such document for the complete details of all of their respective terms and conditions. All statements herein with respect to certain rights and remedies are qualified by reference to laws and principles of equity relating to or affecting creditors’ rights generally. Copies of the Indenture are available for inspection during business hours at the corporate trust office of the Trustee.

The information and expressions of opinion herein speak only as of the date of this Official Statement and are subject to change without notice. Neither delivery of this Official Statement nor any sale made hereunder, nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof.

All financial and other information presented in this Official Statement has been provided by the Authority from its records, except for information expressly attributed to other sources. The presentation of information, including the table of receipts from taxes and other revenues, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial or other affairs of the Authority. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

### Other Information

This Official Statement speaks only as of its date and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available for inspection at the office of the Clerk of the Board, Indian Wells Valley Groundwater Authority, 100 West California Avenue, Ridgecrest, CA 93555 (415) 388-4033. The Authority may impose a charge for copying, mailing and handling.

### ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds are as follows:

<u>Sources:</u>	
Principal Amount of Bonds	
Plus: Original Issue Premium/Discount	
TOTAL SOURCES	<hr/> <hr/>
 <u>Uses:</u>	
Deposit to Project Fund	
Deposit to Reserve Account <sup>(1)</sup>	
Costs of Issuance <sup>(2)</sup>	
TOTAL USES	<hr/> <hr/>

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(1) Equal to the Reserve Requirement.

(2) Costs of Issuance include the underwriter's discount, legal and municipal advisor fees, printing costs, rating agency fees and other miscellaneous expenses.

### THE PROJECT

Proceeds of the Bonds will be used to (a) finance the Project, (b) fund the Reserve Account, and (c) pay the costs incurred in connection with the execution, delivery and sale of the Bonds.

## DEBT SERVICE REQUIREMENTS

Annual debt service on the Bonds (assuming no early redemption of the Bonds) is presented below.

Maturity (December 1)	Principal <sup>(1)</sup>	Interest <sup>(2)</sup>	Total
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
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2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
2052			
2053			
2054			
TOTALS			

(1) Includes mandatory sinking fund payments.

(2) Interest is payable on each June 1 and December 1, commencing December 1, 2024.

## THE BONDS

### Authority for Issuance

The Bonds are authorized pursuant to the provisions of the Act, the Resolution and the Indenture.

### General Provisions

The Bonds will be dated as of their date of delivery and issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no Bond shall have more than one maturity date. The Bonds will mature in the amounts and on the dates, and bear interest at the rates per annum, set forth on the cover page of this Official Statement.

*Repayment of the Bonds.* Interest on the Bonds will be payable on June 1 and December 1 in each year, beginning December 1, 2024 (each an “Interest Payment Date”), to the person whose name appears on the Bond Registration Books as the Owner thereof as of the date (the “Record Date”) immediately preceding each such Interest Payment Date, such interest to be paid by check or draft of the Trustee mailed by first class mail to the Owner or, at the option of any Owner of at least \$1,000,000 aggregate principal amount of the Bonds with respect to which written instructions have been filed with the Trustee prior to the Record Date, by wire transfer, at the address of such Owner as it appears on the Bond Registration Books. In the event there exists a default in payment of interest due on such Interest Payment Date, such interest will be payable on a payment date established by the Trustee to the persons in whose names the Bonds are registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Trustee to the registered Owners of the Bonds not less than 15 days preceding such special record date. Principal of any Bond will be paid upon presentation and surrender thereof at the Principal Corporate Trust Office of the Trustee in St. Paul, Minnesota. Both the principal of and interest on the Bonds will be payable in lawful money of the United States of America.

The Bonds will bear interest based on a 360-day year comprised of twelve 30-day months from the Interest Payment Date next preceding the date of authentication thereof, unless said date of authentication is an Interest Payment Date, in which event such interest is payable from such date of authentication, and unless said date of authentication is prior to November 15, 2024, in which event such interest is payable from their date of delivery; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond will bear interest from the date to which interest has previously been paid or made available for payment thereon in full.

*DTC as Registered Owner.* The Bonds will initially be issued in book-entry only form, registered in the name of Cede & Co., as nominee of DTC. Purchasers of the Bonds will not receive certificates representing their interests therein, which will be held at DTC. See “THE BONDS—Book-Entry Only System.”

### Redemption

*Optional Redemption.* The Bonds maturing prior to December 1, \_\_\_\_, are non-callable. The Bonds maturing on and after December 1, \_\_\_\_, are callable for redemption prior to their stated maturity date at the option of the Authority, as a whole, or in part on any date on or after December 1, \_\_\_\_ (in such maturities as are designated by the Authority, or, if the Authority fails to designate such maturities, in

inverse order of maturity), and may be redeemed prior to the maturity thereof by payment of all principal, plus accrued interest to date of redemption, without premium.

*Sinking Fund Redemption.* The Bonds maturing on December 1, \_\_\_\_\_ (the “\_\_\_\_\_ Term Bonds”) are subject to mandatory redemption, in part by lot, from Sinking Account payments set forth in the following schedule on December 1, \_\_\_\_\_, and on each December 1 thereafter to and including December 1, \_\_\_\_\_, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; *provided, however*, that if some but not all of the \_\_\_\_\_ Term Bonds have been redeemed pursuant to subsection (a) above, the total amount of Sinking Account payments to be made subsequent to such redemption shall be reduced in an amount equal to the principal amount of the \_\_\_\_\_ Term Bonds so redeemed by reducing each such future Sinking Account payment on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, as shall be designated pursuant to written notice filed by the Authority with the Trustee.

Sinking Account Redemption Date (December 1)	Principal Amount to be Redeemed
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†Maturity

The Bonds maturing on December 1, \_\_\_\_\_ (the “\_\_\_\_\_ Term Bonds”) are subject to mandatory redemption, in part by lot, from Sinking Account payments set forth in the following schedule on December 1, \_\_\_\_\_, and on each December 1 thereafter to and including December 1, \_\_\_\_\_, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; *provided, however*, that if some but not all of the \_\_\_\_\_ Term Bonds have been redeemed pursuant to subsection (a) above, the total amount of Sinking Account payments to be made subsequent to such redemption shall be reduced in an amount equal to the principal amount of the \_\_\_\_\_ Term Bonds so redeemed by reducing each such future Sinking Account payment on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, as shall be designated pursuant to written notice filed by the Authority with the Trustee.

Sinking Account Redemption Date (December 1)	Principal Amount to be Redeemed
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†Maturity

*Notice of Redemption.* Written notice of redemption shall be given by the Authority to the Trustee at least thirty (30) days prior to the date of redemption (unless a shorter time shall be acceptable to the Trustee in the sole determination of the Trustee). Unless waived by the Owner, notice of any such redemption shall be given by the Trustee on behalf of the Authority at least 20 days (or such longer period, up to 30 days, if required by The Depository Trust Company, any nominee, successor or substitute

depository pursuant to the Indenture) and not more than 60 days prior to the date fixed for redemption to the Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Registration Books.

All notices of redemption shall be dated and shall state: (i) the redemption date, (ii) the redemption price, (iii) if less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed, (iv) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and (v) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the Trust Office.

Notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the Authority shall default in the payment of the redemption price) interest with respect to such Bonds or portions of Bonds shall cease to accrue and be payable. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Trustee at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the Owner a new Bond or Bonds of the same maturity in the amount of the unredeemed principal. All Bonds which have been redeemed shall be canceled and destroyed by the Trustee and shall not be reissued.

Notice of redemption of Bonds shall be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

Notwithstanding the foregoing, in the case of any optional redemption of the Bonds, the notice of redemption may state that the redemption is conditioned upon receipt by the Trustee of sufficient moneys to redeem the Bonds to be redeemed on the anticipated redemption date, and that the optional redemption shall not occur if, by no later than the scheduled redemption date, sufficient moneys to redeem such Bonds have not been deposited with the Trustee. In the event that the Trustee does not receive sufficient funds by the scheduled optional redemption date to so redeem the Bonds to be optionally redeemed, such event shall not constitute an Event of Default; the Trustee shall send written notice to the Owners, to the effect that the redemption did not occur as anticipated, and the Bonds for which notice of optional redemption was given shall remain Outstanding for all purposes of the Indenture.

### **Book-Entry Only System**

The Bonds will be registered in the name of Cede & Co., as registered owner and nominee of DTC. DTC will act as securities depository for the Bonds so purchased. Individual purchases will be made in book-entry form. One fully registered Bond certificate will be issued for each series and maturity of the Bonds having the same interest rate, in the aggregate principal amount of such maturity and will be deposited with DTC. Purchasers will not receive a certificate representing their beneficial ownership interest in Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bondowners or registered owners will mean Cede & Co. as aforesaid, and will not mean the “Beneficial Owners” of the Bonds. In this Official Statement, the term “Beneficial Owner” will mean the person for whom a DTC Participant acquires an interest in the Bonds. See APPENDIX E—BOOK-ENTRY ONLY SYSTEM.

So long as Cede & Co. is the registered owner of the Bonds, principal of and interest on the Bonds are payable by wire transfer of same day funds by the Trustee to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC Participants for subsequent disbursement to the Beneficial Owners. See APPENDIX E—BOOK-ENTRY ONLY SYSTEM.

## SECURITY FOR THE BONDS

*The Bonds are secured by the Net Replenishment Fee Revenues and no other funds of the Authority.*

### **Pledge and Assignment; Bond Fund**

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, all of the Net Replenishment Fee Revenues and any other amounts (including proceeds of the sale of the Bonds) held in any fund or account established pursuant to the Indenture are hereby pledged to secure the payment of the principal of and interest on the Bonds. Said pledge shall constitute a first lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act.

The Authority hereby transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Net Replenishment Fee Revenues and the Trustee shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee also shall be entitled to and shall, subject to the provisions of Article VIII, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority.

The Indenture defines “Net Replenishment Fee Revenues” as, with respect to any period, an amount equal to all of the Gross Replenishment Fee Revenues received during such period minus the Authority expenses allocable to the Replenishment Fee.

The Indenture defines “Gross Replenishment Fee Revenues” as amounts received by the Authority from a basin replenishment fee in an amount, payable monthly, equal to \$2,130 per acre foot, or portion thereof, of groundwater extracted from the Basin in excess of an allotment assigned to each payor from the Basin’s sustainable safe yield, as proscribed by Ordinance No. 03-20 adopted by the Authority on August 21, 2020. Such excluded amount may be subject to adjustment to account for changes in pumping, consolidation of water providers and/or other factors deemed necessary and appropriate for adjustment by the Authority.

The Authority has previously established the Replenishment Fee Fund, which it will continue to hold and maintain. All of the Gross Replenishment Fee Revenues shall be deposited by the Authority immediately upon receipt in the Replenishment Fee Fund. All Gross Replenishment Fee Revenues shall be held in trust by the Authority in the Replenishment Fee Fund and shall be applied, transferred, used and withdrawn only for the following purposes:

(i) **Expenses.** The Authority shall first pay from the moneys in the Replenishment Fee Fund the Authority expenses allocable to the Replenishment Fee.



(ii) **Payment of Debt Service.** On or before the 5th Business Day preceding each Interest Payment Date, the Authority shall withdraw from the Replenishment Fee Fund and transfer to the Trustee, for deposit in a special fund designated as the “Bond Fund” which the Trustee shall establish, maintain and hold in trust, an amount which, together with the balance then on deposit in the Bond Fund, the Interest Account, the Principal Account and the Sinking Account (other than amounts required for payment of principal of or interest on any Bonds which have matured but which have not been presented for payment), is equal to the aggregate amount of principal of and interest coming due and payable on the Bonds and shall withdraw from the Replenishment Fee Fund and transfer amounts required for the payment of debt service on any Parity Obligations. The transfers required to pay debt service on the Bonds and any Parity Obligations shall be made without preference or priority and, in the event moneys in the Replenishment Fee Fund are not sufficient to pay the debt service requirement for the Bonds and any Parity Obligations, the Authority shall pay such amounts on a pro rata basis based on the debt service requirements for the Bonds and each outstanding Parity Obligations.

(iii) **Surplus.** As long as all of the foregoing payments, allocations and transfers are made at the times and in the manner set forth above, and payment of any applicable fees and expenses to the Trustee, or provision for such redemption or payment having been made, any moneys remaining in the Replenishment Fee Fund may at any time be treated as surplus and applied for any lawful purpose, including transfers to the Rate Stabilization Fund.

### **Reserve Account**

The Indenture provides that the Trustee will establish and maintain the Reserve Account equal to the Reserve Requirement. “Reserve Requirement” means an amount equal to the least of (a) maximum annual debt service payments, (b) 125% of average annual debt service payments and (c) 10% of the principal amount of the Bonds, which amount shall be \$\_\_\_\_\_ on the Closing Date. Amounts in the Reserve Account are to be used only for the payment of the principal of and interest on the Bonds to the extent amounts in the Bond Fund are insufficient therefor.

### **Allocation of Revenues**

Not later than the Business Day preceding each Interest Payment Date, the Trustee shall transfer from the Bond Fund and deposit into the following respective accounts, the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) The Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account equal to the amount of interest coming due and payable on such Interest Payment Date on all Bonds then Outstanding.

(b) The Trustee shall deposit in the Principal Account an amount, if any, required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such Interest Payment Date.

(c) The Trustee shall deposit in the Sinking Account an amount, if any, required to cause the aggregate amount on deposit in the Sinking Account to equal the aggregate principal amount of the Term Bonds required to be redeemed on such Interest Payment Date pursuant to Section 4.01(b).

(d) The Trustee shall deposit in the Reserve Account an amount, if any, required to make up any deficiency in the Reserve Account as a result of a draw upon such account; provided that no deposit need be made into the Reserve Account so long as the balance in said account shall be at least equal to the Reserve Requirement.

(e) If the then applicable Interest Payment Date is June 1, all remaining moneys shall be held by the Trustee in the Bond Fund and applied for the next succeeding December 1 Interest Payment Date deposit. If the then applicable Interest Payment Date is December 1, all remaining moneys shall be transferred to the Authority to be used for any lawful purpose.

*Application of Interest Account.* All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Indenture).

*Application of Principal Account.* All amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal amount of the Bonds at their respective maturity dates.

*Application of Sinking Account.* All amounts in the Sinking Account shall be used and withdrawn by the Trustee solely to pay the aggregate principal amount of the Term Bonds required to be redeemed on such December 1.

*Application of Reserve Account.* All amounts in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of making up any deficiency in the Interest Account, the Principal Account or the Sinking Account, or (together with any other moneys available therefor) for the payment or redemption of all Bonds then Outstanding.

*Application of Redemption Fund.* The Trustee shall establish and maintain the Redemption Fund, amounts in which shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds to be redeemed; *provided, however,* that at any time prior to the selection of Bonds for redemption, the Trustee may apply such amounts to the purchase of Bonds at public or private sale.

## **Investments**

All moneys in any of the funds or accounts established with the Trustee pursuant to the Indenture shall be invested by the Trustee solely in Permitted Investments. Such investments shall be directed by the Authority pursuant to a Written Request of the Authority filed with the Trustee at least two (2) Business Days in advance of the making of such investments (which Written Request shall certify that the investments constitute Permitted Investments). In the absence of any such directions, the Trustee shall invest any such moneys in Permitted Investments described in clause (h) of the definition thereof. Permitted Investments purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the Bond Fund, except that interest or gain derived from the investment of amounts in the Project Fund shall be retained therein and used for the purposes thereof. To the extent that any investment agreement requires the payment of fees, such fees shall be paid from available moneys in the Bond Fund after the deposit of moneys described in the Indenture. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee or its affiliates may act as sponsor, advisor or depository with respect to any Permitted Investment. To the extent that any Permitted Investment purchased by the Trustee are registrable securities such Permitted Investment shall be registered in the name of the Trustee. The Trustee shall incur no liability for losses arising from any investments made pursuant to the Indenture.

Such investments shall be valued by the Trustee at the market value thereof, exclusive of accrued interest. Deficiencies in the amount on deposit in any fund or account resulting from a decline in market value shall be restored no later than the succeeding valuation date.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority will not receive such confirmations to the extent permitted by law. The Trustee will furnish the Authority with account transaction statements as provided herein which shall include detail for all investment transactions made by the Trustee hereunder.

#### **Additional Payments**

In addition to debt service on the Bonds, the Authority shall pay when due the following Additional Payments:

(a) Any fees and expenses incurred by the Authority in connection with the Bonds as and when the same become due and payable;

(b) Any amounts due to the Trustee pursuant to the Indenture for all services rendered under the Indenture and for all reasonable expenses, charges, costs, liabilities, legal fees and other disbursements incurred in and about the performance of its powers and duties under the Indenture;

(c) Any reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Indenture;

(d) Any reasonable out-of-pocket expenses of the Authority in connection with the execution and delivery of the Indenture, or in connection with the issuance of the Bonds, including any and all expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds, or incurred by the Authority in connection with any litigation which may at any time be instituted involving the Bonds, the Indenture or any of the other documents contemplated hereby or thereby, or incurred by the Authority in connection with the Continuing Disclosure Certificate, or otherwise incurred in connection with the administration hereof or thereof; and

#### **Rate Covenant**

The Replenishment Fee is currently charged to producers who exceed the allotment or portion thereof assigned to them from the Basin's sustainable safe yield in an amount equal to \$2,130 for each acre

foot of extracted water exceeding such allotment. For the District, the assigned allotment is 4,390 acre feet meaning that the current fee charged to the District is \$2,130 for each acre foot of extracted water exceeding 4,390 acre feet.

In order to assure that sufficient Net Replenishment Fee Revenues are collected each Fiscal Year and available to pay debt service on any Bonds and Parity Obligations outstanding, it will fix, prescribe and collect the Replenishment Fee at such level to yield Gross Replenishment Fee Revenues at least sufficient, after making reasonable allowances for contingencies and errors in the estimates, to pay the following amounts during such Fiscal Year, in the order below set forth:

- (a) All Authority expenses allocable to the Replenishment Fee.
- (b) All payments required with respect to the Bonds and any Parity Obligations.
- (c) All payments to meet any other obligations of the Authority which are charges, liens or encumbrances upon, or payable from, the Gross Replenishment Fee Revenues.

In addition, the Authority shall fix, prescribe and collect the Replenishment Fee at such level during each Fiscal Year to yield Net Replenishment Fee Revenues at least equal to one hundred twenty-five percent (125%) of the amounts payable under the preceding paragraphs (a) and (b) above in such Fiscal Year.

#### **Rate Stabilization Fund**

Pursuant to the Indenture, the Authority has created a separate fund to be known as the “Rate Stabilization Fund,” held and maintained by the Authority for the purpose of stabilizing the rates and charges imposed by the Authority.

From time to time, the Authority may deposit in the Rate Stabilization Fund from Gross Replenishment Fee Revenues such amounts as the Authority may determine, provided that deposits for each Fiscal Year may be made until (but not after) one hundred eighty (180) days following the end of such Fiscal Year.

The Authority may withdraw amounts from the Rate Stabilization Fund (i) for transfer to the Revenue Fund for inclusion in Gross Replenishment Fee Revenues for any Fiscal Year, such withdrawals to be made until (but not after) one hundred eighty (180) days after the end of such Fiscal Year, or (ii) for any other lawful purpose of the Authority.

All interest or other earnings on deposits in the Rate Stabilization Fund shall be withdrawn therefrom and accounted for as Gross Replenishment Fee Revenues.

Notwithstanding the foregoing, (i) no deposit of Gross Replenishment Fee Revenues to the Rate Stabilization Fund may be made to the extent that such Gross Replenishment Fee Revenues were included the calculations for the issuance of additional debt and withdrawal of the Gross Replenishment Fee Revenues to be deposited in the Rate Stabilization Fund from Gross Replenishment Fee Revenues that would cause noncompliance with the rate covenant and (ii) no deposit of Net Replenishment Fee Revenues shall be made in the Rate Stabilization Fund to the extent that such deposit would cause noncompliance with the debt service coverage requirement in any Fiscal Year.

The Rate Stabilization Fund is not to secure the payments with respect to the payment of the Bonds or the payments with respect to any Parity Obligations.

[On the date of issuance of the Bonds, the Authority will deposit \$\_\_\_\_\_ into the Rate Stabilization Fund.]

### **Limitations on Future Obligations Secured by Revenues**

*No Obligations Superior to the Bonds.* In order to protect further the availability of the Revenues and the security for the payment of debt service on the Bonds and any Parity Obligations, the Authority hereby agrees that the Authority shall not, so long as any Bonds are outstanding, issue or incur any obligations payable from Revenues superior to the Bonds or such Parity Obligations.

*Parity Obligations.* The Authority further covenants that the Authority shall not issue or incur any Parity Obligations unless:

(i) The Authority is not in default under the Indenture;

(ii) Revenues, calculated on sound accounting principles, as shown by the books of the Authority for the latest Fiscal Year or any more recent twelve (12) month period selected by the Authority ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which instrument such Parity Obligations are issued or incurred, as shown by the books of the Authority, shall have amounted to at least 1.25 times Maximum Annual Debt Service on all Parity Obligations immediately subsequent to the incurring of such additional obligations.

(iii) A reserve fund may, but shall not be required to be, funded for such Parity Obligations.

(iv) Interest with respect to such Parity Obligations shall be paid on the Interest Payment Dates.

(v) Principal with respect to such Parity Obligations shall be paid on December 1.

Notwithstanding the requirements described above, Parity Obligations may be issued or incurred to refund outstanding Parity Obligations if, after giving effect to the application of the proceeds thereof, the Maximum Annual Debt Service on all Parity Obligations outstanding immediately subsequent to the incurring of such Parity Obligations will not be increased in any Fiscal Year in which Parity Obligations (outstanding on the date of issuance or incurrence of such refunding Parity Obligations, but excluding such refunding Parity Obligations) not being refunded are outstanding.

*Subordinate Obligations.* The Authority further covenants that the Authority shall not issue or incur any Subordinate Obligations unless:

(i) Revenues, calculated on sound accounting principles, as shown by the books of the Authority for the latest Fiscal Year or any more recent twelve (12) month period selected by the Authority ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which instrument such Subordinate Obligations are issued or incurred, as shown by the books of the Authority shall, after deducting all amounts required for the payment of Installment Payments and any Parity Obligations, have amounted to at least 1.00 times the sum of the maximum annual

debt service on all Subordinate Obligations outstanding immediately subsequent to the incurring of such additional obligations.

(ii) Interest with respect to such Subordinate Obligations shall be paid fifteen dates after the Interest Payment Dates.

(iii) Principal with respect to such Subordinate Obligations shall be paid on fifteen days after each December 1.

*Calculating Debt Service on Variable Rate Debt.* For all purposes, variable rate indebtedness shall be assumed to bear interest at the highest of: (i) the actual rate on the date of calculation, or if the indebtedness is not yet outstanding, the initial rate (if established and binding), (ii) if the indebtedness has been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii) (A) if interest on the indebtedness is excludable from gross income under the applicable provisions of the Code, the most recently published *Bond Buyer* “Revenue Bond Index” (or comparable index if no longer published) plus 50 basis points, or (B) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities plus 50 basis points; provided, however, that for purposes of any rate covenant measuring actual debt service coverage during a test period, variable rate indebtedness shall be deemed to bear interest at the actual rate per annum applicable during the test period.

## THE AUTHORITY

The Authority is a joint powers entity duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement, dated July 15, 2016, by and among the Members to provide for the sustainable management of groundwater in the Basin and under the provisions of the Act, and is authorized pursuant to Article 4 of the Act to issue bonds and other obligations in furtherance of its goals;

The Authority was formed in July 2016 in response to the SGMA for the purpose of achieving groundwater sustainability in the Basin. The SGMA requires groundwater basins to form a groundwater sustainability agency, which is then required to develop and implement a groundwater sustainability plan and achieve sustainable groundwater management within 20 years of plan adoption. The Authority received approval for the Plan from the Department of Water Resources in January 2022.

The Authority’s Board of Directors (the “Board”) is composed of five voting members, one from each Member jurisdiction. The Authority also has non-voting Associate Members for the United States Department of the Interior Bureau of Land Management and United States Navy Naval Air Weapons Station China Lake.

The Authority’s revenue sources include extraction fees (“Extraction Fee”), basin replenishment fees (“Replenishment Fee”) and Department of Water Resources (“DWR”) grant funding. The Basin Replenishment Fee was implemented in 2021 to support the cost and purchase of imported water in the Basin. In fiscal year 2023, \$\_\_\_\_\_ in revenue was associated with the Replenishment Fee. For more information on the Replenishment Fee and its implementation, see “AUTHORITY FINANCIAL INFORMATION—Replenishment Fee.” In fiscal year 2023, \$\_\_\_\_\_ in revenue was associated with the Extraction Fees. For more information on the Extraction Fee and its implementation, see “AUTHORITY FINANCIAL INFORMATION—Extraction Fee

Authority administration and engineering services have been outsourced since the inception of the Authority. Stetson Engineering provides Water Resource Manager services, engineering and grant administration for the Authority. Administration and financial services were originally shared between the Members until January 2021, when Regional Government Services (RGS) was hired to provide outsourced administration and financial services for the Authority.

For additional information about the Authority, see APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY FOR THE YEAR ENDED DECEMBER 31, 2022.

## **AUTHORITY FINANCIAL INFORMATION**

### **Financial Statements**

APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY FOR THE FISCAL YEAR ENDED DECEMBER 31, 2022, includes the audited financial statements of the Authority (the “Financial Statements”) for Fiscal Year 2022, prepared by the Authority’s Finance Department and audited by \_\_\_\_\_ (the “Auditor”).

The Auditor’s letter concludes that the Financial Statements present fairly, in all material respects, the financial position of the Authority as of December 31, 2022, and the results of its operations and the cash flows of its proprietary fund type for the Fiscal Year then ended in conformity with accounting principles generally accepted in the United States of America. The Financial Statements should be read in their entirety. The Authority has not requested nor did the Authority obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the Authority. In addition, the Auditor has not reviewed this Official Statement.

*Balance Sheet.* The following table presents the Authority’s Balance Sheet derived from the Authority’s audited financial statements for fiscal years 2020, 2021 and 2022, unaudited financial statements for fiscal year 2023 and projected data for fiscal year 2024.

**Table 1**  
**INDIAN WELLS VALLEY GROUNDWATER AUTHORITY**  
**BALANCE SHEET**

	Fiscal Year Ending December 31,				
	2020 Audited	2021 Audited <sup>(1)</sup>	2022 Audited	2023 Unaudited	2024 Projected <sup>(1)</sup>
<b>ASSETS</b>					
Cash and investments	\$ 146,996	\$3,045,853			
Accounts receivable	62,663	332,862			
Grants Receivable	656,959	492,289			
Advances to Other Funds	—	500,000			
Capital Assets	26,909	22,769			
<b>Total Assets</b>	<b>893,527</b>	<b>4,393,773</b>			
<b>LIABILITIES</b>					
Accounts payable	797,909	267,901			
Advances from Other Funds	—	500,000			
Advances payable	1,000,000	500,000			
Due to Other Governments	482,060	692,217			
<b>Total Liabilities</b>	<b>2,279,969</b>	<b>1,960,118</b>			
<b>NET POSITION</b>					
Net Investment in Capital Assets	26,909	22,769			
Restricted	—	3,160,686			
Unrestricted	(1,413,351)	(749,800)			
<b>Total Net Position</b>	<b>\$(1,386,442)</b>	<b>\$2,433,665</b>			

Source: Authority Audited Financial Statements. Projected data is sourced from the Authority Finance Department.

(1) The increase in cash of \$2.9 million from the previous year is due to the receipt of new fee revenue from the Basin Replenishment fee.



*Statement of Revenues, Expenditures and Changes in Net Position.* The following table present the Authority’s Statement of Revenues and Expenditures derived from the Authority’s audited financial statements for fiscal years 2020, 2021 and 2022, unaudited financial statements for fiscal year 2023 and projected data for fiscal year 2024.

**Table 2**  
**INDIAN WELLS VALLEY GROUNDWATER AUTHORITY**  
**STATEMENT OF REVENUES, EXPENDITURES**

	Fiscal Year Ending December 31,				
	2020 Audited	2021 Audited	2022 Audited	2023 Unaudited	2024 Projected
<b>REVENUES:</b>					
Operating Revenues					
Replenishment Fee		4,202,275			
Extraction Fee		1,319,924			
Total Operating Revenues	795,136	5,522,199			
Nonoperating Revenues					
State Grants	659,537	322,797			
Total Nonoperating Revenues	659,537	322,797			
<b>TOTAL REVENUES</b>	<b>1,454,673</b>	<b>5,844,996</b>			
<b>OPERATING EXPENSES:</b>					
Professional Expenses	1,623,601	2,020,759			
Depreciation Expense	2,070	4,140			
Total Operating Expenses	1,625,671	2,024,899			
<b>REVENUES OVER EXPENDITURES</b>	<b>(170,998)</b>	<b>3,820,097</b>			

(1) Source: Authority Audited Financial Statements. Projected data is sourced from the Authority Finance Department.

*Impact of COVID-19 Pandemic.* The Authority has not, to date, experienced material negative impacts to its finances or operations as a result of the COVID-19 Pandemic.

### **Financial Policies**

The Board of Directors of the Authority has adopted financial management policies to provide for: (i) the prudent investment of Authority funds and (ii) management of debt.

*Debt Management Policy.* In accordance with section 8855(i) of the California Government Code the Authority adopted a debt management policy on May 8, 2024, to establish conditions for the use of debt; to ensure that debt capacity and affordability are adequately considered; to minimize the Authority’s interest and issuance costs; to maintain the highest possible credit rating; to provide complete financial disclosure and reporting; and to maintain financial flexibility for the Authority.

*Investment Policy.* The investment of funds of the Authority (except pension and retirement funds) is made in accordance with the Authority’s Investment Policy, most recently approved on \_\_\_\_\_ (the “Investment Policy”), and section 53601 *et seq.* of the California Government Code. The Investment

Policy is subject to revision at any time and is reviewed at least annually to ensure compliance with the stated objectives of safety, liquidity, yield, and current laws and financial trends.]

### **Extraction Fee**

Effective September 1, 2018, and adopted by Ordinance No. 02-18, all groundwater extractions from and within the Basin shall be subject to measurement and the Groundwater Extraction Fee (the “Extraction Fee”).

Section 10730 of the California Water Code, authorizes the Authority to levy a groundwater extraction fee. The fee may be used “to fund the costs of a groundwater sustainability program, including, but not limited to, preparation adoption, and amendment of a groundwater sustainability plan, and investigations, inspections, compliance assistance, enforcement, and program administration, including a prudent reserve.” In addition, section 10725(a) of the California Water Code authorizes the Authority to “perform any act necessary or proper to carry out the purposes of [the Groundwater Management Act].”

Pursuant to the Groundwater Management Act, all groundwater pumpers are subject to the groundwater extraction fee except for federal entities and those that qualify as de minimis extractors. The Groundwater Management Act expressly provides that a “de minimis extractor” is a “person who extracts, for domestic purposes, two acre-feet or less per year” (section 10721(e) of the California Water Code. “Person” for the purposes of this fee is any typical household including landscaping. One acre-foot of water is equivalent to 325,851 gallons.

The Extraction Fee does not provide security for the payment of debt service on the Bonds.

### **Replenishment Fee**

The Basin is solely dependent on groundwater; current outflows are about four times the estimated inflows; groundwater levels are dropping by up to 2.5 feet annually; the Basin does not currently have access to imported water; and up to 50 miles of infrastructure must be built to import water. To finance this critical infrastructure, the Authority determined the need for a fee from those benefiting from the projects.

On August 21, 2020, pursuant to section 10730.2 of the California Water Code, the Board passed Ordinance 03-20, establishing the Replenishment Fee of \$2,130 per AF of water extracted from Basin. The Replenishment Fee went into effect January 1, 2021. When the Replenishment Fee was adopted, the Authority relied on the process contained in section 10730.2 of the California Water Code which mirrors Section 6 of Proposition 218. For the fee adoption, the Authority sent the fee out as a majority protest and there were not enough protests to meet the threshold for not imposing the fee, so the fee was approved.

The Replenishment Fee is designed to provide funding for two projects: (1) the importation of water supplies and (2) the mitigation of damages to shallow wells, which will continue to occur until augmented supplies are delivered to the Basin. Pursuant to Ordinance 03-20, beginning on February 15, 2021, and every month thereafter on, or before, the 15th day of the month, pumpers subject to the Replenishment Fee must submit payment for the prior calendar month’s extractions.

The Replenishment Fee is a composite per acre foot extraction fee to purchase import supplies for those that need them and to pay for mitigation of registered shallow wells that are damaged by continuing

overdraft. The Replenishment Fee can be lowered as it is proportional and based on the augmented supply needed so if the needed supply is lowered the ultimate cost is lowered.

The Replenishment Fees currently imposed by the Authority is computed as follows:

*Shallow Well Mitigation Fee:* Currently at \$17.50/AF, this fee is paid by agricultural pumpers who joined the Transient Pool. The Transient Pool allocated agricultural users with an allotment of water that can be used until 2040.

*Augmentation Fee:* This fee is levied on any water producers who exceed the allotment assigned to them from the Basin's sustainable safe yield; it is also levied on agricultural water users who chose not to join the Transient Pool. Currently, the Replenishment Fee totals \$2,130/AF comprised of two separate components: the Shallow Well Mitigation Fee at \$17.50/AF, and an Augmentation Fee at \$2,112.50/AF.

Beginning in \_\_\_\_\_, 2024 the Authority will change the methodology used to collect the Replenishment Fee from the District. Beginning in \_\_\_\_\_, 2024 the Authority will bill the District monthly for actual water pumped. The authority will calculate the actual water pumped and deduct approximately 365 acre feet which are exempt from payment of the Replenishment Fee. The balance of the water pumped will then be billed by at the current rate of the Replenishment Fee. For 2024 that amount is \$2,130 per acre foot pumped.

Previously the District estimated the amount of water to be pumped in the calendar year. The Authority deducted 4,390 acre feet which is exempted from the Replenishment Fee per year. The remaining water was billed at \$2,130 per acre feet and collected in 12 equal installment. At the end of each year there was a "true-up" with respect to the actual amount of water pumped by the District which would result in a credit or balance applied to the next calendar year's payments.

There are three water producers subject to the Replenishment Fee (1) Mojave Pistachios, LLC ("Mojave"), (2) Searles Valley Minerals Inc. ("Searles"), and (3) the District. Mojave Pistachios, LLC and Searles Valley Minerals have refused to pay the fee. Both have unsuccessfully attempted to challenge the collection of the fee through an injunction. Additionally, claims for damages by both Mojave and Searles were recently dismissed, and the Authority is now initiating efforts to collect the unpaid fees.

Mojave and Searles Valley Minerals tried to have the court issue an injunction against the Replenishment Fee to direct the Authority to stop its attempts to collect the fee from these parties. The Authority responded by pointing out that both parties had waived their right to challenge the fee by failing to pay it as required by California law. After a series of hearings, the court ultimately ruled in favor of the Authority finding that these parties had no legal grounds to contest the fee. The Replenishment Fee revenues described in the Official Statement exclude revenues from Mojave and Searles.

As a result, the legal challenges that remain are to other actions taken by the Authority and do not represent a threat to the collection of the fee. The Authority currently has lawsuits pending to collect the outstanding fee from Mojave and Searles. If the fees cannot be collected, the Authority will continue to collect from the District. In no event will the outcome of these lawsuits eliminate the obligation of the District to pay the Replenishment Fee.

## History of District Extracted Water, Applicable Amount and Replenishment Fees Paid

The following table present the District’s history of extracted water, excluded amount and Replenishment Fee paid for fiscal years 2021, 2022 and 2023.

**Table 3**  
**INDIAN WELLS VALLEY GROUNDWATER AUTHORITY**  
**DISTRICT EXTRACTED WATER, APPLICABLE AMOUNT AND REPLENISHMENT FEES PAID**

Calendar Year	Extracted Amount of Water (AF)	Applicable Amount (AF) <sup>(1) (2)</sup>	Replenishment Fee Paid <sup>(2)(3)</sup>
2014	7,318.70	—	—
2015	7,050.00	—	—
2016	6,411.80	—	—
2017	6,506.60	—	—
2018	6,765.00	—	—
2019	6,116.18	—	—
2020	6,289.32	—	—
2021	6,242.32	1,852.32	\$3,945,430.95
2022 <sup>(4)</sup>	5,872.30	1,482.30	3,157,296.87
2023 <sup>(4)</sup>	5,581.48	1,191.48	2,537,854.53

Source: Indian Wells Valley Groundwater Authority.

- (1) The collection of the Replenishment Fee commenced in fiscal year 2021.
- (2) Currently, the Replenishment Fees paid by the District are based on the groundwater extracted by the District from the Basin in excess of 4,390 acre feet of extracted water. This amount may be subject to adjustment to account for changes in pumping, consolidation of water providers and/or other factors deemed necessary and appropriate for adjustment by the Authority.
- (3) Equals Applicable Amount times \$2,130.
- (4) [DISCUSSION OF WET YEAR AND HURRICANE?]

## Projected District Extracted Water, Applicable Amount and Replenishment Fees Paid

The following table present a projection of the District’s extracted water, excluded amount and Replenishment Fee paid for fiscal years 2024 and 2028.

**Table 4**  
**INDIAN WELLS VALLEY GROUNDWATER AUTHORITY**  
**DISTRICT EXTRACTED WATER, EXCLUDED AMOUNT AND REPLENISHMENT FEES PAID**

Fiscal Year	Extracted Amount of Water (AF) <sup>(1)</sup>	Applicable Amount (AF) <sup>(2)</sup>	Replenishment Fee Paid <sup>(3)</sup>
2024	6,415	2,025	\$4,313,250
2025	6,415	2,025	\$4,313,250
2026	6,415	2,025	\$4,313,250
2027	6,415	2,025	\$4,313,250
2028	6,415	2,025	\$4,313,250

Source: Indian Wells Valley Groundwater Authority.

- (1) The extracted water amount represents the ten year average of water extracted by the District for fiscal years 2014 through 2023.
- (2) Assumes that the Replenishment Fees paid by the District will continue to be based on the groundwater extracted by the District from the Basin in excess of 4,390 acre feet of extracted water.
- (3) Equals Applicable Amount times \$2,130. This amount is subject to increase if required for the Authority to meet its rate covenant.

## Projected Net Replenishment Fee Revenues and Debt Service Coverage

The following table presents the Projected Net Replenishment Fee Revenues and Debt Service Coverage for the fiscal years 2024 through 2028 based upon certain assumptions which the Authority believes are reasonable. However, the Authority cannot guarantee that its actual results will not differ.

**Table 5**  
**INDIAN WELLS VALLEY GROUNDWATER AUTHORITY**  
**PROJECTED NET REPLENISHMENT FEE REVENUES AND DEBT SERVICE COVERAGE**

	Fiscal Year Ending December 31,				
	2024	2025	2026	2027	2028
Gross Replenishment Fees	\$4,313,250	\$4,313,250	\$4,313,250	\$4,313,250	\$4,313,250
Authority Expenditures allocable to the Replenishment Fees	(800,000)	(800,000)	(800,000)	(800,000)	(800,000)
Net Replenishment Fees	<u>3,513,250</u>	<u>3,513,250</u>	<u>3,513,250</u>	<u>3,513,250</u>	<u>3,513,250</u>
Bonds Debt Service <sup>(1)</sup>	1,380,984	2,400,188	2,397,688	2,398,398	2,398,688
Debt Service Coverage <sup>(1)</sup>	2.54x	1.46x	1.47x	1.46x	1.46x
Available Replenishment Fees after debt service	2,132,266	1,113,062	1,115,562	1,114,852	1,114,562

Source: Indian Wells Valley Groundwater Authority.

- (1) Preliminary, subject to change.

## No Outstanding Obligations

The Authority has no outstanding obligations secured by the Net Replenishment Fee Revenues.

## **Planned Capital Improvements**

The Authority proposes up to a 24” diameter, 50-mile imported water pipeline, three booster pump stations, and a regulating station from the Antelope Valley-East Kern Water Agency (AVEK) California City Feeder pipeline in California City to the District’s Ridgecrest Heights Water Storage Tank facility southwest of Ridgecrest, California, in Kern County (the Pipeline Project”). The three booster pump stations are necessary to pump the water over the El Paso Mountains located between California City and Ridgecrest. The pipeline would terminate at a new receiving water storage tank at IWVWD’s Ridgecrest Heights Tank Facility. Approximately 20.6 miles of pipeline would pass through land owned by the United States Bureau of Land Management (BLM). The pipeline is necessary to comply with the Act, which requires the Basin to be sustainably managed.

The Basin has been designated by DWR as a critically over drafted basin. Significant overdraft conditions have existed for decades as a result of groundwater pumping that exceeds the natural Basin yield. Between 2011 and 2015, pumping from the Basin was approximately four times the amount of inflow into the Basin and it is estimated to be in an annual loss of storage of approximately 25,000 AF of overdraft per year. The Basin serves as the sole source of potable water supply for residents and other water users; there are currently no imported water supply sources available to the Basin. The Basin is currently in severe overdraft. The Authority’s Groundwater Sustainability Plan for the Basin recommended management actions and projects, including this pipeline, that are required to achieve Basin sustainability. The goal of the imported water pipeline is to bring as estimated 6,431 AF of water per year into the Basin by 2070.

Project construction is anticipated to begin in mid-2026 and be completed by the end of 2030.

[FUNDING SOURCES?]

## **Risk Management**

[WHAT DOES THE AUTHORITY DO IN THE CASE OF INSURANCE?]

## **Pension Plans**

Since the Authority’s employees are substantially contract employees, the Authority has not established a pension plan.

## **CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND FEES**

Under the California Constitution, the power of initiative is reserved to the voters for the purpose of enacting statutes and constitutional amendments. In the past, the voters have exercised this power from time to time, including through the adoption of Propositions 13 and 218.

From time to time other State and local initiative measures could be adopted, affecting the ability of the Authority to increase revenues and to increase appropriations.

## **Article XIII A**

On June 6, 1978, California voters approved Proposition 13, which added Article XIII A to the California Constitution (“Article XIII A”). Article XIII A limits the maximum ad valorem tax on real

property to 1% of full cash value thereof, except that additional ad valorem taxes may be levied to pay debt service on indebtedness approved by voters prior to July 1, 1978 and (as a result of an amendment to Article XIII A approved by California voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters voting on such indebtedness. Article XIII A defines full cash value to mean “the County Assessor’s valuation of real property as shown on the 1975-76 tax bill under “full cash value,” or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the full cash value based in the event of declining property values caused by damage, destruction, or other factors and to provide that there would be no increase in the full cash value base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

### **Article XIII B**

Article XIII B of the California State Constitution limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and population. The “base year” for establishing such appropriations limit is the 1978-79 fiscal year and the limit is to be adjusted annually to reflect changes in population and consumer prices. Adjustments in the appropriations limit of an entity may also be made if (i) the financial responsibility for a service is transferred to another public entity or to a private entity, (ii) the financial sources for the provision of services is transferred from taxes to other revenues, or (iii) the voters of the entity approve a change in the limit for a period of time not to exceed four years.

Appropriations subject to Article XIII B generally include the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions and refunds of taxes. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to an entity of government from (i) regulatory licenses, user charges, and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), and (ii) the investment of tax revenues. Article XIII B includes a requirement that if an entity’s revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. Certain expenditures are excluded from the appropriations limit including payments of indebtedness existing or legally authorized as of January 1, 1979, or of bonded indebtedness thereafter approved by the voters and payments required to comply with court or federal mandates which without discretion require an expenditure for additional services or which unavoidably make the providing of existing services more costly.

### **Proposition 218**

*General.* On November 5, 1996, California voters approved Proposition 218, the so-called “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the State Constitution, which affect the ability of local governments to levy and collect both existing and future taxes, assessments, and property-related fees and charges. Proposition 218, which generally became effective on November 6, 1996, changed, among other things, the procedure for the imposition of any new or increased property-related “fee” or “charge,” which is defined as “any levy other than an *ad valorem* tax, a special tax or an

assessment, imposed by a [local government] upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service” (and referred to in this section as a “property-related fee or charge”).

Specifically, under Article XIID, before a municipality may impose or increase any property-related fee or charge, the entity must give written notice to the record owner of each parcel of land affected by that fee or charge. The municipality must then hold a hearing upon the proposed imposition or increase at least 45 days after the written notice is mailed, and, if a majority of the property owners of the identified parcels present written protests against the proposal, the municipality may not impose or increase the property-related fee or charge.

Further, under Article XIID, revenues derived from a property-related fee or charge may not exceed the funds required to provide the “property-related service” and the entity may not use such fee or charge for any purpose other than that for which it imposed the fee or charge. The amount of a property-related fee or charge may not exceed the proportional cost of the service attributable to the parcel, and no property-related fee or charge may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question.

In addition, Article XIIC provides that “the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge. The power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments and neither the Legislature nor any local government charter shall impose a signature requirement higher than that applicable to statewide statutory initiatives.”

*Judicial Interpretation of Proposition 218.* After Proposition 218 was enacted in 1996, appellate court cases and an Attorney General opinion initially indicated that fees and charges levied for water and wastewater services would not be considered property-related fees and charges, and thus not subject to the requirements of Article XIID regarding notice, hearing and protests in connection with any increase in the fees and charges being imposed. However, at least three cases have held that certain types of water and wastewater charges could be subject to the requirements of Proposition 218 under certain circumstances.

In *Richmond v. Shasta Community Services District* (9 Cal. Rptr. 3rd 121), the California Supreme Court addressed the applicability of the notice, hearing and protest provisions of Article XIID to certain charges related to water service. In *Richmond*, the Court held that connection charges are not subject to Proposition 218. The Court also indicated in dictum that a fee for ongoing water service through an existing connection could, under certain circumstances, constitute a property-related fee and charge, with the result that a local government imposing such a fee and charge must comply with the notice, hearing and protest requirements of Article XIID.

In *Howard Jarvis Taxpayers Association v. City of Fresno* (March 23, 2005), the California Court of Appeal, Fifth District, concluded that water, sewer and trash fees are property-related fees subject to Proposition 218 and a municipality must comply with Article XIID before imposing or increasing such fees. The California Supreme Court denied the Authority of Fresno’s petition for review of the Court of Appeal’s decision on June 15, 2005.

In July 2006 the California Supreme Court, in *Bighorn-Desert View Water Agency v. Verjil* (39 Cal. 4th 205), addressed the validity of a local voter initiative measure that would have (a) reduced a water agency’s rates for water consumption (and other water charges), and (b) required the water agency to obtain



voter approval before increasing any existing water rate, fee, or charge, or imposing any new water rate, fee, or charge. The court adopted the position indicated by its statement in *Richmond* that a public water agency's charges for ongoing water delivery are "fees and charges" within the meaning of Article XIIC and went on to hold that charges for ongoing water delivery are also "fees" within the meaning of Article XIIC's mandate that the initiative power of the electorate cannot be prohibited or limited in matters of reducing or repealing any local tax, assessment, fee or charge. Therefore, the court held, Article XIIC authorizes local voters to adopt an initiative measure that would reduce or repeal a public agency's water rates and other water charges. (However, the court ultimately ruled in favor of the water agency and held that the entire initiative measure was invalid on the grounds that the second part of the initiative measure, which would have subjected future water rate increases to prior voter approval, was not supported by Article XIIC and was therefore invalid.)

The court in *Bighorn* specifically noted that it was not holding that the initiative power is free of all limitations; the court stated that it was not determining whether the electorate's initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay for operating expenses, provide for repairs and depreciation of works, provide a reasonable surplus for improvements, extensions, and enlargements, pay the interest on any bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due.

*Current Practice Regarding Rates and Charges.* The Authority's practice has been to provide public notice of proposed water rate increases through means that include, among others, holding informational presentations at community group meetings, mailings to residential and commercial customers of public hearings on rate increases, and press releases and media campaigns regarding rate increases, followed by public hearings conducted by the Board of Directors. The most recent rate increase was enacted by the Authority in strict compliance with the procedures mandated by Proposition 218 and *Bighorn*.

*Conclusion.* It is not possible to predict how courts will further interpret Article XIIC and Article XIID in future judicial decisions, and what, if any, further implementing legislation will be enacted. Under the *Bighorn* case, local voters could adopt an initiative measure that reduces or repeals the Authority's rates and charges, though it is not clear whether (and California courts have not decided whether) any such reduction or repeal by initiative would be enforceable in a situation in which such rates and charges are pledged to the repayment of bonds or other indebtedness. There can be no assurance that the courts will not further interpret, or the voters will not amend, Article XIIC and Article XIID to limit the ability of local agencies to impose, levy, charge and collect increased fees and charges for wastewater, or to call into question previously adopted wastewater rate increases.

### **Effect of Proposition 218 on the Authority; Possible Limitations on Enforcement Remedies.**

The general financial condition of the Authority may be affected by provisions of Article XIIC and Article XIID. In particular, provisions of Article XIIC (i) require taxes for general governmental purposes to be approved by a majority vote and taxes for specific purposes, even if deposited into the General Fund, to be approved by two-thirds vote, (ii) require any general purpose tax which the Authority imposed, extended or increased, without voter approval, after December 31, 1994, to be approved by majority vote on November 5, 1998 and (iii) provide that all taxes, assessments, fees and charges are subject to reduction or repeal at any time through the initiative process, subject to overriding constitutional principles relating to the impairment of contracts. Provisions of Article XIID that affect the ability of the Authority to fund certain services or programs that it may be required or choose to fund include (i) adding notice, hearing, protest and, in some cases, voter approval requirements to impose, increase or extend certain assessments,

fees and charges and (ii) adding stricter requirements for finding individualized benefits associated with such levies.

The ability of the Authority to comply with its covenants under the Indenture and to generate Net Replenishment Fee Revenues sufficient to pay the principal of and interest on the Bonds and, therefore, the principal of and interest on the Bonds may be adversely affected by actions and events outside of the control of the Authority and may be adversely affected by actions taken (or not taken) under Article XIII C or Article XIII D by voters, property owners, taxpayers or payers of assessments, fees and charges. Furthermore, any remedies available to the owners of the Bonds upon the occurrence of an event of default under the Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain. In addition to the possible limitations on the ability of the Authority to comply with its covenants under the Indenture, the rights and obligations under the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against cities in the State of California.

Based on the foregoing, in the event the Authority fails to comply with its covenants under the Indenture, including its covenants to generate sufficient Net Replenishment Fee Revenues, as a consequence of the application of Article XIII C and Article XIII D, or to pay principal of or interest on the Bonds, there can be no assurance that available remedies will be adequate to fully protect the interests of the holders of the Bonds.

### **Proposition 26**

On November 2, 2010, State voters approved Proposition 26 which amended certain sections of Article XIII C. The proposition attempts to define "tax" as used within Article XIII C as "any levy, charge, or exaction of any kind imposed by a local government, *except* the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D." The local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

The foregoing discussion of Article XIII, Proposition 218 and Proposition 26 should not be considered an exhaustive or authoritative treatment of the provisions of such propositions or the possible effects of Proposition 218 and Proposition 26. Interim rulings, final decisions, legislative proposals and legislative enactments affecting Proposition 218 and Proposition 26 may impact the Authority's ability to

make debt service payments on the Bonds. The Authority does not expect to be in a position to control the consideration or disposition of these issues and cannot predict the timing or outcome of any judicial or legislative activity related to these issues.

### **Future Initiatives**

Articles XIII C, XIII D and Proposition 26 were adopted as measures that qualified for the ballot pursuant to California's initiative process. From time-to-time other initiatives could be proposed and adopted affecting Net Replenishment Fee Revenues or the Authority's ability to increase its rates for water service. See "Proposition 218" above. The California constitution, Article XIII D, Section 5(c), specifically recognizes that any assessment existing on the effective date (of Article XIII D) shall be exempt from the procedures and approval process set forth in Article 4, to wit: "... (c) Any assessment the proceeds of which are exclusively used to repay bonded indebtedness of which the failure to pay would violate the Contract Impairment Clause of the Constitution of the United States."

## **RISK FACTORS RELATING TO THE BONDS**

*The following section describes certain special considerations and risk factors affecting the risk of nonpayment or the security for the Bonds. The following discussion is not meant to be an exhaustive or definitive description of the risks associated with a purchase of the Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following special factors regarding the Bonds, together with all other information in this Official Statement, in order to make an informed investment decision with respect to the Bonds. There can be no assurance that other risk factors are not or will not become material in the future.*

### **General**

Payment of principal of and interest on the Bonds depends primarily upon the collection of the Replenishment Fee. Some of the events which could affect the Replenishment Fee received by the Authority are set forth below. The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the Bonds and the order in which the risks are discussed does not necessarily reflect the relative importance of the various risks.

### **Limited Obligations**

The Bonds are limited obligations of the Authority and are not secured by a legal or equitable pledge or charge or lien upon any property of the Authority or any of its income or receipts, except the Net Replenishment Fee Revenues. The obligation of the Authority to pay debt service on the Bonds from Net Replenishment Fee Revenues does not constitute an obligation of the Authority to levy or pledge any form of taxation or for which the Authority has levied or pledged any form of taxation.

The Authority is obligated under the Indenture to make debt service payments solely from Net Replenishment Fee Revenues. There is no assurance that the Authority can succeed in collecting the Net Replenishment Fee Revenues in the future which will be sufficient for that purpose. See "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND FEES."

## **Demand of Water**

There can be no assurance that the local demand for groundwater provided by the Authority will continue according to historical levels. Gross Replenishment Fee Revenues are based on water extraction. Reduced water extraction based on drought conditions, voluntary or mandatory conservation measures, changes in usage, or other factors would result in declines in Gross Replenishment Fee Revenues. Reduction in the level of customer extraction could require an increase in the Replenishment Fee in order to produce Net Replenishment Fee Revenues sufficient to comply with the Authority's rate covenant.

## **Limited Recourse on Default**

Failure by the Authority to pay debt service on the Bonds constitutes an event of default under the Indenture and the Trustee is permitted to pursue remedies at law or in equity to enforce the Authority's obligation to make such payments. Although the Trustee has the right to accelerate the total unpaid principal amount of the debt service on the Bonds, there is no assurance that the Authority would have sufficient funds to pay the accelerated amounts. See also "Proposition 218" above.

## **Limitations on Remedies**

The ability of the Authority to comply with its covenants under the Indenture and to generate Net Replenishment Fee Revenues sufficient to pay principal of and interest with respect to the Bonds may be adversely affected by actions and events outside of the control of the Authority and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or persons obligated to pay assessments, fees and charges. See "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND FEES—Articles XIIC and XIID." Furthermore, the remedies available to the owners of the Bonds upon the occurrence of an event of default under the Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on remedies contained in the Indenture, the rights and obligations under the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against cities in the State of California. The opinions to be delivered by Bond Counsel concurrently with the issuance of the Bonds will be subject to such limitations and the various other legal opinions to be delivered concurrently with the issuance of the Bonds will be similarly qualified. See APPENDIX D—FORM OF OPINION OF BOND COUNSEL. If the Authority fails to comply with its covenants in the Indenture or fails to pay principal of and interest due on the Bonds, there can be no assurance of the availability of remedies adequate to protect the interest of the holders of the Bonds.

## **Rate Process**

The passage of Proposition 218 by the California electorate potentially affects the Authority's ability to impose future rate increases, and no assurance can be given that future rate increases will not encounter majority protest opposition under Proposition 218. See "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND FEES—Proposition 218" and "—Effect of Proposition 218 and of Possible General Limitations on Enforcement Remedies."

## **Initiatives**

In recent years several initiative measures have been proposed or adopted which affect the ability of local governments to increase taxes and rates. There is no assurance that the electorate or the State legislature will not at some future time approve additional limitations which could affect the ability of the Authority to implement rate increases which could reduce Net Replenishment Fee Revenues and adversely affect the security for the Bonds. See “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND FEES—Articles XIIC and XIID.”

## **Bankruptcy**

The rights and remedies provided in the Indenture may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws or equitable principles that may affect the enforcement of creditors’ rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California. The various opinions of counsel to be delivered with respect to the Bonds and the Indenture, including the opinion of Bond Counsel, will be similarly qualified. If the Authority were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners of the Bonds and the Authority could be prohibited from taking any steps to enforce their rights under the Indenture.

## **Tax Exemption**

The Authority has covenanted in the Indenture that it will take all actions necessary to assure the exclusion of interest with respect to the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Internal Revenue in the gross income of the Owners thereof for federal tax purposes. See “TAX MATTERS.”

## **Additional Obligations**

The Indenture permits the issuance of Bonds secured by Net Replenishment Fee Revenues on a parity basis to the Bonds. Such additional Bonds would increase debt service payable from Net Replenishment Fee Revenues and could adversely affect debt service coverage with respect to the Bonds. In such event, however, the Rate Covenant will remain in effect. See “SECURITY FOR THE BONDS—Rate Covenant.”

## **Natural Disasters**

The Authority, like all California communities, are subject to unpredictable seismic activity, fires, floods, or other natural disasters. A severe natural disaster, such as an earthquake, fire, or flood, could result in reduced water extraction from the Basin which could adversely impact the Authority’s ability to pay principal and interest on the Bonds.

## **Cybersecurity**

The Authority relies on computers and technology to conduct its operations. The Authority could face cyber threats from time to time including, but not limited to, hacking, viruses, malware and other forms of technology attacks. While no network is completely immune from all possible compromise, the Authority

exercises its due diligence in protecting the data it possesses and the systems it operates. To date, there have been no significant cyber-attacks on the Authority's computers and technologies.

While the Authority is routinely maintaining its technology systems and continuously implementing new information security controls, no assurances can be given that the Authority's security and operational control measures will be successful in guarding against all cyber threats and attacks. The results of any attack on the Authority's computer and technology could negatively impact the Authority's operations, and the costs related to such attacks could be substantial.

## **Secondary Market**

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

## **TAX MATTERS**

Federal tax law contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The Authority has covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest with respect to the Bonds to become includable in gross income for federal income tax purposes retroactively to the date of delivery of the Bonds.

Subject to the Authority's compliance with the above referenced covenants, under present law, in the opinion of Stradling Yocca Carlson & Rauth, LLP, Bond Counsel, interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals.

In rendering its opinion, Bond Counsel will rely upon certifications of the Authority with respect to certain material facts within their knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Internal Revenue Code of 1986, as amended (the "Code") includes provisions for an alternative minimum tax ("AMT") for certain corporations in addition to the corporate regular tax in certain cases. The AMT for a corporation with a tax year ending December 31, 2017, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporations' taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would generally include certain tax-exempt interest, but not interest on the Bonds.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the “Issue Price”) for each maturity of the Bonds is the price at which a substantial amount of such maturity of the Bonds is first sold to the public. The Issue Price of a maturity of the Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the inside cover page hereof.

Owners of Bonds who dispose of Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering, but at a price different from the Issue Price, or purchase Bonds subsequent to the initial public offering, should consult their own tax advisors.

If a Bond is purchased at any time for a price that is less than the Bond’s stated redemption price at maturity (the “Reduced Issue Price”), the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser’s election, as it accrues. Such treatment would apply to any purchaser who purchases a Bond for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

An investor may purchase a Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as “bond premium” and must be amortized by an investor on a constant yield basis over the remaining term of the Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor’s basis in the Bond. Investors who purchase a Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Bond’s basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to Bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the “Service”) has an ongoing program of auditing tax exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted

whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service may treat the Authority as a taxpayer and the Bond Owners may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest with respect to, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Bond Owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond Owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

In the further opinion of Bond Counsel, interest with respect to the Bonds is exempt from California personal income taxes.

Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

The complete text of the final opinion that Bond Counsel expects to deliver upon the delivery of the Bonds is set forth in APPENDIX F— FORM OF OPINION OF BOND COUNSEL.

### **CERTAIN LEGAL MATTERS**

Stradling Yocca Carlson & Rauth, LLP, Newport Beach, California, as Bond Counsel, will render an opinion with respect to the validity of the Bonds, the form of which opinion is set forth in APPENDIX D—FORM OF OPINION OF BOND COUNSEL. Certain legal matters will be passed upon for the Authority by Stradling Yocca Carlson & Rauth, LLP, Newport Beach, California, as Disclosure Counsel, and by Authority Counsel, and for the Underwriter by Kutak Rock LLP, Irvine, California. Payment of the fees and expenses of Bond Counsel and Disclosure Counsel is contingent upon issuance of the Bonds.

### **LITIGATION**

To the best knowledge of the Authority, there is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or threatened against the Authority to restrain or enjoin the authorization, execution or delivery of the Bonds, or the pledge of the Net Replenishment Fee Revenues or the collection of the payments to be made pursuant to the Indenture, or in any way contesting or affecting validity of the Bonds, the Indenture or the agreement for the sale of the Bonds, or in any way contesting or affecting the transactions described in this Official Statement.



## **RATING**

S&P Global Ratings, a Standard & Poor’s Financial Services LLC business (“S&P”), has assigned the rating of “\_\_\_” to the Bonds. Such rating reflects only the view of S&P and any desired explanation of the significance of such rating should be obtained from S&P. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price for the Bonds.

The Authority has covenanted in the Continuing Disclosure Certificate to file on the EMMA website notices of any rating changes on the Bonds. See APPENDIX C—FORM OF CONTINUING DISCLOSURE CERTIFICATE. Notwithstanding such covenant, information relating to rating changes on the Bonds may be publicly available from S&P prior to such information being provided to the Authority and prior to the date the Authority is obligated to file a notice of a rating change on EMMA. Purchasers of the Bonds are directed to S&P, its website and official media outlet for the most current rating changes with respect to the Bonds after the initial issuance of the Bonds. However, neither the Authority nor the Underwriter takes any responsibility for the accuracy of such information on such websites or outlets.

## **MUNICIPAL ADVISOR**

Wulff, Hansen & Co. (the “Municipal Advisor”), is registered as a “Municipal Advisor” with the Securities Exchange Commission and Municipal Securities Rulemaking Board. The Municipal Advisor has assisted the Authority in connection with the planning, structuring, sale and delivery of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification of or to assume responsibilities for the accuracy, completeness or fairness of the information contained in this Official Statement not provided by the Municipal Advisor. The fees of the Municipal Advisor in respect to the Bonds are contingent upon their sale and delivery.

## **CONTINUING DISCLOSURE**

Pursuant to Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), the Authority has agreed, for the benefit of holders of the Certificates, to provide certain financial information and operating data relating to the Authority relating to the Bonds (the “Annual Reports”) and its audited financial statements, by not later than September 30 of each year commencing on September 30, 2025, with the report for the 2024 fiscal year (the “Annual Information”), and to provide notices of the occurrence of certain events. The Annual Reports, audited financial statements and notices of events will be filed by the Authority with the Municipal Securities Rulemaking Board (the “MSRB”), via its Electronic Municipal Market Access (“EMMA”) system. The nature of the information to be provided in the Annual Reports and the notices of events is set forth in APPENDIX C—FORM OF CONTINUING DISCLOSURE CERTIFICATE.

The Authority has no prior obligation to file annual reports or financial statements to the MSRB.

**UNDERWRITING**

The Bonds are being purchased by Oppenheimer & Co., Inc. (the “Underwriter”) at a price of \$\_\_\_\_\_ (being \$\_\_\_\_\_ aggregate principal amount of the Bonds, plus a net original premium of \$\_\_\_\_\_, and less \$\_\_\_\_\_ of Underwriter’s discount). The Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the purchase agreement for the Bonds, the approval of certain legal matters by counsel and certain other conditions. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

**MISCELLANEOUS**

So far as any statements made in this Official Statement involve matters of opinion, assumptions, projections, anticipated events or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and actual results may differ substantially from those set forth herein. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the owners of the Bonds.

The summaries of certain provisions of the Bonds, statutes and other documents or agreements referred to in this Official Statement do not purport to be complete, and reference is made to each of them for a complete statement of their provisions. Copies are available for review by making requests to the Authority.

The Appendices are an integral part of this Official Statement and must be read together with all other parts of this Official Statement. The audited financial statements of the Authority, including a summary of significant accounting policies, for the fiscal year ended December 31, 2022, are contained in APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY FOR THE FISCAL YEAR ENDED DECEMBER 31, 2022.

The execution of this Official Statement and its delivery have been authorized by the Board of Directors of the Authority.

INDIAN WELLS VALLEY GROUNDWATER  
AUTHORITY

By \_\_\_\_\_  
General Manager

**APPENDIX A**

**SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**

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**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS OF THE  
AUTHORITY FOR THE FISCAL YEAR ENDED DECEMBER 31 2022**

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## APPENDIX C

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the “Disclosure Certificate”) is executed and delivered by the INDIAN WELLS VALLEY GROUNDWATER AUTHORITY (the “Authority”) in connection with the issuance by the Authority of its \$ \_\_\_\_\_\* Indian Wells Valley Groundwater Authority Revenue Bonds, Series 2024 (Water Rights Acquisition Financing Project) (the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of June 1, 2024 (the “Indenture”), by and between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). The Authority covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth above and, in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 1, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” means the date that is nine months after the end of the Authority’s Fiscal Year (currently September 30 based on the Authority’s Fiscal Year end of December 31).

“*Dissemination Agent*” shall mean, initially, \_\_\_\_\_ or any successor Dissemination Agent designated in writing by the Authority and which has been filed with the then current Dissemination Agent a written acceptance of such designation.

“*Financial Obligation*” means a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (c). The term “Financial Obligation” does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“*Fiscal Year*” means any twelve-month period beginning on October 1 in any year and extending to the next succeeding September 30, both dates inclusive, or any other twelve-month period selected and designated by the Authority as its official Fiscal Year period under a certificate of the Authority filed with the Trustee.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement, dated May 30, 2024, executed by the Authority and the Authority in connection with the issuance of the Bonds.

“*Participating Underwriter*” means collectively, Oppenheimer & Co., Inc., the original underwriter of the Bonds.

“*Rule*” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

“*Significant Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

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\* Preliminary, subject to change.

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Authority for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with Section (b)(5) of the Rule.

Section 3. Provision of Annual Reports.

(a) The Authority shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing September 30, 2025, with the report for Fiscal Year 2024 provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the Authority shall provide the Annual Report to the Dissemination Agent (if other than the Authority). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the Authority) has not received a copy of the Annual Report, the Dissemination Agent shall contact the Authority to determine if the Authority is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Authority may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the Authority's Fiscal Year changes, it shall give notice of such change in the same manner as for a Significant Event under Section 5(c). The Authority shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the Authority hereunder.

(b) If the Authority does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the Authority in a timely manner shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the Authority, file a report with the Authority certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The Authority's Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements of the Authority for the preceding Fiscal Year, prepared in accordance with generally accepted accounting principles. If the Authority's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or prior to the annual filing deadline for Annual Reports provided for in Section 3 above, financial information and operating data with respect to the Authority for preceding Fiscal Year, of the type provided in Tables \_\_\_\_\_ in the Official Statement.

(c) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Authority or related public entities, which are available to the public on the MSRB's Electronic Municipal Market Access website ("EMMA"). The Authority shall clearly identify each such other document so included by reference.



If the document included by reference is a final official statement, it must be available from EMMA.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Authority or related public entities, which are available to the public on EMMA or filed with the Securities and Exchange Commission. The Authority shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The Authority shall give, or cause to be given, notice of the occurrence of any of the following Significant Events with respect to the Bonds:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (vii) Modifications to rights of security holders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the securities, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the Authority or other obligated person;
- (xiii) The consummation of a merger, consolidation, or acquisition involving the Authority or an obligated person, or the sale of all or substantially all of the assets of the Authority or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) The incurrence of a Financial Obligation of the Authority or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Authority or other obligated person, any of which affect security holders, if material; or

(xvi) A default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Authority or other obligated person, any of which reflect financial difficulties.

(b) Whenever the Authority obtains knowledge of the occurrence of a Significant Event, the Authority shall, or shall cause the Dissemination Agent (if not the Authority) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Significant Event. Notwithstanding the foregoing, notice of Significant Events described in subsection (a)(viii) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The Authority acknowledges that the events described in subparagraphs (a)(ii), (a)(vii), (a)(viii) (if the event is a bond call), (a)(x), (a)(xiii), (a)(xiv) and (a) (xv) of this Section 5 contain the qualifier “if material.” The Authority shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the Authority determines the event’s occurrence is material for purposes of U.S. federal securities law.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(xii) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Authority in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Authority’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the stated final maturity of the Bonds, the Authority shall give notice of such termination in the manner prescribed for a Significant Event in Section 5(b).

Section 8. Dissemination Agent. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing 30 days’ written notice to the Authority.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Authority may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Authority to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

The Dissemination Agent shall not be obligated to enter into any amendment increasing or affecting its duties or obligations hereunder.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Significant Event under Section 5(b).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Significant Event, in addition to that which is required by this Disclosure Certificate. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Significant Event in addition to that which is specifically required by this Disclosure Certificate, the Authority shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Significant Event.

Section 11. Default. If the Authority fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Authority to comply with this Disclosure Certificate shall be an action to compel performance.

#### Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) Article IX of the Indenture is hereby made applicable to this Disclosure Certificate as if this Disclosure Certificate were (solely for this purpose) contained in the Indenture. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Authority agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the Authority hereunder and shall not be deemed to be acting in any fiduciary capacity for the Authority, the Bond holders or any other party. The obligations of the Authority under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the Authority for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Authority, the Dissemination Agent, the Participating Underwriter and the Owners and Beneficial Owners from time to time of the Bonds and shall create no rights in any other person or entity.

Date: [Closing Date]

INDIAN WELLS VALLEY GROUNDWATER  
AUTHORITY

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

\_\_\_\_\_, as Dissemination Agent

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

**EXHIBIT A**

**NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT**

Name of Obligor: Indian Wells Valley Groundwater Authority  
Names of Issue: Indian Wells Valley Groundwater Authority Revenue Bonds, Series 2024 (Water Rights Acquisition Financing Project)  
Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that the Obligor has not provided an Annual Report with respect to the above-named Issue as required by the Continuing Disclosure Certificate, dated [Closing Date], furnished by the Obligor in connection with the Issue. The Obligor anticipates that the Annual Report will be filed by \_\_\_\_\_.

Date: \_\_\_\_\_

\_\_\_\_\_, as Dissemination Agent

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

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## APPENDIX D

### FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Indian Wells Valley Groundwater Authority  
100 West California Avenue  
Ridgecrest, CA 93555

Re: \$ \_\_\_\_\_ \* Indian Wells Valley Groundwater Authority Revenue Bonds, Series 2024 (Water Rights Acquisition Financing Project)

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Ladies and Gentlemen:

We have acted as bond counsel in connection with the delivery by the Indian Wells Valley Groundwater Authority (the "Authority") of \$ \_\_\_\_\_ \* aggregate principal amount of the bonds of the Authority designated the "Indian Wells Valley Groundwater Authority Revenue Bonds, Series 2024 (Water Rights Acquisition Financing Project)" (the "Bonds"), pursuant to the provisions of Article 4 (commencing with section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Law"), an indenture of trust, dated as of June 1, 2024 (the "Indenture"), by and between the Authority and U.S. Bank Trust Company, National Association, as trustee, and a resolution of the Authority adopted on May 8, 2024. The Bonds are secured by Revenues (as defined in the Indenture), including certain payments made by the Indian Wells Valley Water District. We have examined the Law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Authority contained in the Indenture and in the certified proceedings, and upon other certifications furnished to us, without undertaking to verify the same by independent investigation.

Based upon our examination we are of the opinion, under existing law, that:

1. The Authority is a duly constituted joint exercise of powers entity under the laws of the State of California with power to enter into the Indenture, to perform the agreements on its part contained therein and to issue the Bonds.
2. The Bonds constitute legal, valid and binding special obligations of the Authority enforceable in accordance with their terms and payable solely from the sources provided therefor in the Indenture.
3. The Indenture has been duly approved by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms.
4. The Indenture establishes a valid first and exclusive lien on and pledge of the Revenues and other funds pledged thereby for the security of the Bonds, in accordance with the terms of the Indenture.
5. Subject to the Authority's compliance with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals under the Internal Revenue Code of 1986, as amended. Interest on the Bonds may affect the corporate alternative minimum tax for certain corporations. Failure to comply

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\* Preliminary, subject to change.

with certain of such covenants could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

6. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

In rendering this opinion, we have relied upon certifications of the Authority and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,



## APPENDIX E

### BOOK-ENTRY ONLY SYSTEM

*The information in this Appendix E, concerning The Depository Trust Company, New York, New York (“DTC”), and DTC’s book-entry system, has been furnished by DTC for use in official statements and the Authority takes no responsibility for the completeness or accuracy thereof. The Authority cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of principal of or interest on the Bonds, (b) certificates representing ownership interest in or other confirmation of ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix E. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC. Information Furnished by DTC Regarding its Book-Entry Only System*

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds (as used in this Appendix E, the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit the notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the paying agent or bond trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the paying agent or bond trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the paying agent or bond trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the Authority or the paying agent or bond trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.



