

AGENDA

**PANOCHÉ WATER DISTRICT
SPECIAL BOARD OF DIRECTORS MEETING
June 22, 2021 – ~~9:00 a.m.~~ 10:00 a.m.
52027 West Althea Avenue, Firebaugh, CA 93622**

**JOIN THE OPEN SESSION MEETING FROM YOUR COMPUTER, TABLET OR SMARTPHONE
THROUGH THE FOLLOWING MEANS:**

<https://global.gotomeeting.com/join/478576461>

AND PLEASE DIAL

Conference call in number: 844 783-6236 Passcode: 209 364 6136

- 1. CALL TO ORDER**
- 2. REVIEW OF AGENDA:** The Board will consider corrections to the Agenda.
- 3. ROLL CALL:** A quorum will be confirmed and the Board will consider appointment of an acting officer(s) in the event the President, Vice-President, and/or Secretary is absent from the Directors' meeting.
- 4. POTENTIAL CONFLICTS OF INTEREST:** Any Board member who has a potential conflict of interest may now identify the Agenda Item and recuse themselves from discussing and voting on the matter. [Government Code Section 87105]
- 5. PUBLIC COMMENT:** The Board of Directors welcomes participation in Board meetings. The public may address matters under the jurisdiction of the Board that have not been posted in the Agenda. The public will be given the opportunity to address the Board on any item in the Agenda at this time or before the Board's consideration of that item. If members of the public desire to address the Board relative to a particular Agenda item at the time it is to be considered, they should so notify the President of the Board at this time. Please note, California Law prohibits the Board from taking action on any matter during a regular meeting that is not on the posted Agenda unless the Board determines that it is an emergency or one of the other situations specified in Government Code Section 54954.2. During a special meeting, the Board may not take action on any matter that is not on the posted Agenda. The President may limit the total amount of time allocated for public comment on particular issues to 3 minutes for each individual speaker.

At approximately 9:05 a.m., it is anticipated President Bennett will suspend the Panoche Water District and Panoche Drainage District meetings and continue the Panoche Financing Authority -ONLY meeting.

At approximately 9:15 a.m., it is anticipated President Bennett will adjourn the Panoche Financing Authority meeting and continue the Panoche Water District -ONLY meeting.

ACTION ITEMS

6. The Board to review and consider adopting a Resolution approving the District’s portion of a Preliminary Official Statement in connection with bonds to be issued by the Panoche Financing Authority, and authorizing certain other matters (Azhderian/Brown – Tab 2);
7. The Board to review and consider approving request from Empresas Del Bosque Inc., to transfer up to 15 acre-feet to Pacheco Water District (Azhderian – Tab 3);
8. **CLOSED SESSION**
 - A. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION
Significant Exposure to Litigation pursuant to paragraph (2) or (3) of subdivision (d) of Section 54956.9:

Number of Cases: Three
9. **REPORT CLOSED SESSION**
10. **FUTURE MEETING DATES**
 - A. Board to Consider Taking Action to Set Special Meeting Date(s): *No staff requests.*
 - B. Next Regular Meeting Date: July 13, 2021.
11. **ADJOURNMENT**
 - ❖ Items on the Agenda may be taken in any order.
 - ❖ Action may be taken on any item listed on the Agenda.
 - ❖ Writings relating to open session: Agenda items that are distributed to members of the Board of Directors will be available for inspection at the District office, excluding writings that are not public records or are exempt from disclosure under the California Public Records Acts.

Americans with Disabilities Act of 1990: Under this act, a qualifying person may request that the District provide a disability-related modification or accommodation in order to participate in any public meeting of the District. Such assistance includes alternative formats for the agendas and agenda packets used for any public meetings of the District. Requests for assistance shall be made in person, in written form, or via telephone at (209) 364-6136. Requests must be received at least 18 hours prior to a scheduled public meeting.

PANOCHÉ WATER DISTRICT RESOLUTION NO. 782-2021

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE PANOCHÉ WATER DISTRICT APPROVING THE DISTRICT PORTION OF A PRELIMINARY OFFICIAL STATEMENT IN CONNECTION WITH BONDS TO BE ISSUED BY THE PANOCHÉ FINANCING AUTHORITY AND AUTHORIZING CERTAIN OTHER MATTERS

WHEREAS, the Board of Directors of the Panoche Water District, a California water district duly organized and existing under and pursuant to the Constitution and laws of the State of California (the “Board” and the “District,” respectively), previously authorized the issuance of not to exceed \$38,000,000 revenue bonds (“Bonds”) by the Panoche Financing Authority and approving the execution and delivery of certain documents in connection therewith and authorizing certain other matters pursuant to Resolution No. 776-21, adopted on January 12, 2021 (the “Prior Resolution”); and;

WHEREAS, the Board determined that it is in the best interest of the District to approve certain portions of a preliminary official statement relating to the Bonds (the “Preliminary Official Statement”), authorize the preparation of certain portions of a final official statement relating to the Bonds (the “Official Statement”) and authorize certain other matters related thereto;

NOW, THEREFORE, the Board of Directors of the Panoche Water District hereby finds, determines, declares and resolves as follows:

SECTION 1. Findings. The Board hereby specifically finds and declares that the actions authorized hereby constitute and are with respect to public affairs of the District and that the statements, findings and determinations set forth above and in the preambles of the documents approved herein are true and correct.

SECTION 2. The preparation and distribution of Appendices A and B of the Preliminary Official Statement (the “District Portion”), in the form presented to this meeting and attached hereto as Exhibit A, is hereby approved. The President, Vice President and General Manager (each an “Authorized Officer”) are hereby individually authorized to make such changes, additions or omissions as may be required or approved by General Counsel or Stradling Yocca Carlson & Rauth, a Professional Corporation, as bond counsel (“Bond Counsel”). The General Manager is hereby authorized to sign a certificate pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 relating to the District Portion of the Preliminary Official Statement.

SECTION 3. Each Authorized Officer is hereby individually authorized to execute, approve and deliver the District Portion of the final Official Statement with such changes, additions and omissions as may be approved by General Counsel or Bond Counsel, said Authorized Officer’s execution being conclusive evidence of such approval.

SECTION 4. The underwriter named in the Preliminary Official Statement is hereby authorized to distribute copies of the District Portion of Preliminary Official Statement to persons who may be interested in the initial purchase of the Bonds and are directed to deliver copies of the final version of the District Portion of the Official Statement to all actual initial purchasers of the Bonds.

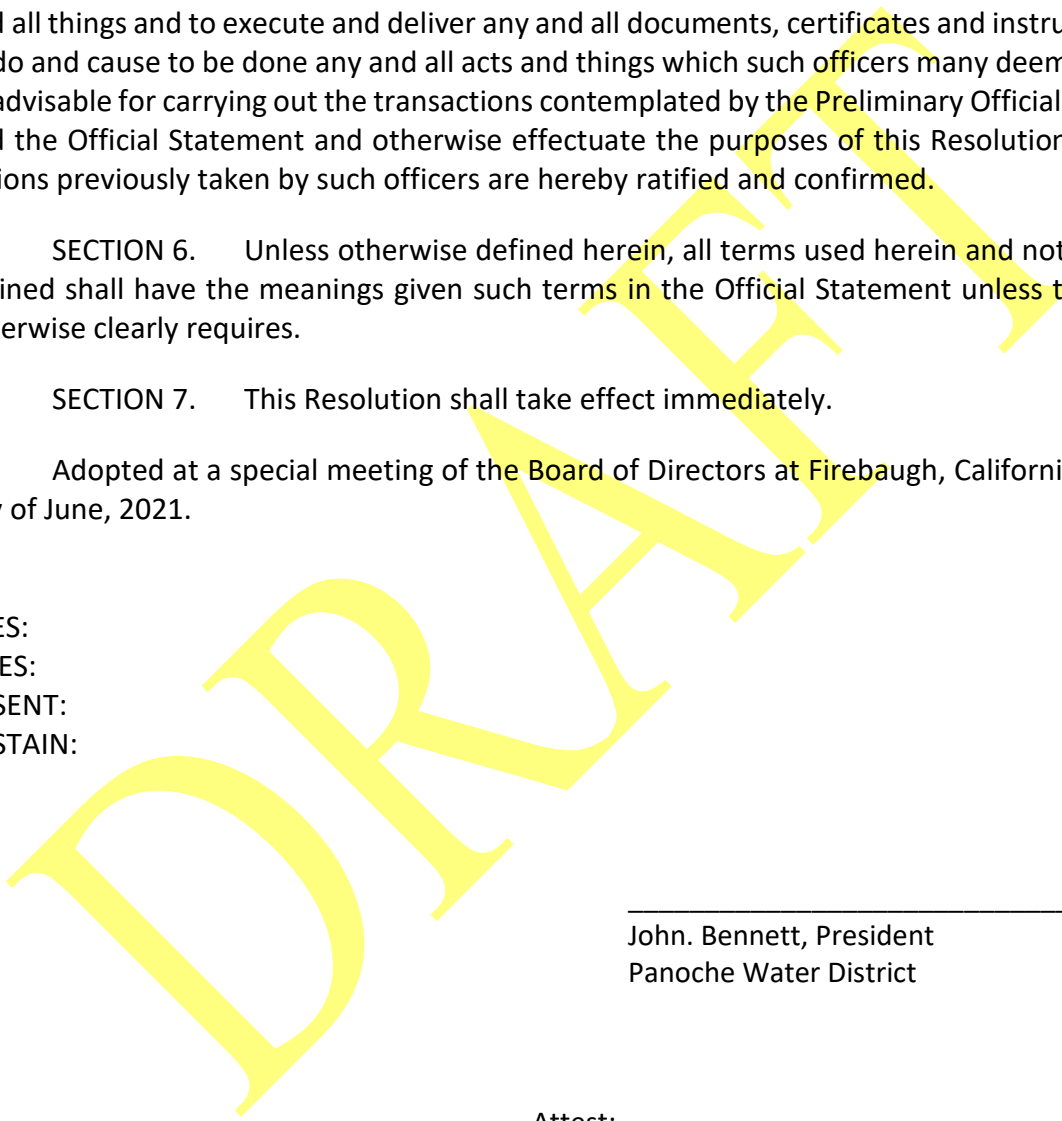
SECTION 5. Any Authorized Officer or the written designee thereof and any other proper officer of the District acting individually is each hereby authorized and directed to do any and all things and to execute and deliver any and all documents, certificates and instruments and to do and cause to be done any and all acts and things which such officers may deem necessary or advisable for carrying out the transactions contemplated by the Preliminary Official Statement and the Official Statement and otherwise effectuate the purposes of this Resolution, and such actions previously taken by such officers are hereby ratified and confirmed.

SECTION 6. Unless otherwise defined herein, all terms used herein and not otherwise defined shall have the meanings given such terms in the Official Statement unless the context otherwise clearly requires.

SECTION 7. This Resolution shall take effect immediately.

Adopted at a special meeting of the Board of Directors at Firebaugh, California, this 22nd day of June, 2021.

AYES:
NOES:
ABSENT:
ABSTAIN:



John. Bennett, President
Panoche Water District

Attest: _____
Michael Stearns, Secretary

EXHIBIT A

DISTRICT PORTION OF THE PRELIMINARY OFFICIAL STATEMENT

DRAFT

PRELIMINARY OFFICIAL STATEMENT DATED JULY __, 2021

NEW ISSUE – BOOK-ENTRY ONLY

RATING: See the caption “RATING”

DRAFT

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the 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.

\$ _____ *

**PANOCHÉ FINANCING AUTHORITY
REVENUE BONDS (PANOCHÉ WATER DISTRICT),
SERIES 2021A**

\$ _____ *

**PANOCHÉ FINANCING AUTHORITY
REVENUE BONDS (PANOCHÉ WATER DISTRICT),
SERIES 2021B (TAXABLE)**

Dated: Date of Issuance

Due: September 1, as set forth on the inside cover

The Panoche Financing Authority Revenue Bonds (Panoche Water District), Series 2021A are being issued to provide funds to (i) refinance the payment of the capital repayment obligations of the Panoche Water District payable to the United States through the Bureau of Reclamation and (ii) pay the costs of issuance for the 2021 Bonds. The payment of the remaining capital repayment obligations to the Bureau of Reclamation is a condition to the effectiveness of certain provisions of a perpetual contract for water service from the Central Valley Project entered into by the District and the United States of America, as further described herein. The Panoche Financing Authority Revenue Bonds (Panoche Water District), Series 2021B (Taxable) are being issued to provide funds to (i) pay certain settlement amounts to the Bureau of Reclamation and the San Luis & Delta-Mendota Water Authority and (ii) pay the costs of issuance for the 2021 Bonds. The 2021 Bonds are being issued pursuant to an Indenture of Trust, dated as of May 1, 2021, by and between the Authority and U.S. Bank National Association, as trustee.

Interest due on the 2021 Bonds is payable on each March 1 and September 1, commencing on March 1, 2022. The 2021 Bonds are being issued in fully registered book-entry form and initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Purchasers will not receive certificates representing their interest in the 2021 Bonds. Individual purchases of the 2021 Bonds will be in principal amounts of \$5,000 and integral multiples thereof. Payments of principal of and interest on the 2021 Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the 2021 Bonds.

The 2021 Bonds are subject to optional, mandatory and extraordinary redemption, all as more fully described herein.

The 2021 Bonds are limited obligations of the Authority. The 2021 Bonds are payable from Authority Revenues and from certain other amounts on deposit in funds and accounts under the Indenture. Authority Revenues consist primarily of Series 2021 Installment Payments received by the Authority from the District pursuant to an Installment Purchase Agreement, dated as of May 1, 2021, by and between the District and the Authority. The obligation of the District to make the Series 2021 Installment Payments is a special obligation of the District payable from the Contractual Obligation Assessments and, in the event that the Contractual Obligation Assessments are insufficient to make the Series 2021 Installment Payments, from Net Revenues of the District's Water System, consisting of Revenues (not including the Contractual Obligation Assessment) remaining after the payment of Operation and Maintenance Costs.

No reserve fund has been created or funded to secure the 2021 Bonds.

The District may incur additional obligations payable from Net Revenues (not including the Contractual Obligation Assessment) on a parity with the Series 2021 Installment Payments, subject to the terms and conditions of the 2021 Installment Purchase Agreement, as more fully described herein. The District cannot incur additional obligations payable from the Contractual Obligation Assessment other than refunding obligations.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY PUBLIC AGENCY THEREOF OR ANY MEMBER OF THE AUTHORITY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL AMOUNT OR REDEMPTION PRICE OF, OR INTEREST ON, THE 2021 BONDS. THE AUTHORITY HAS NO TAXING POWERS. THE 2021 BONDS DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE OF CALIFORNIA OR ANY PUBLIC AGENCY THEREOF (OTHER THAN THE AUTHORITY) OR ANY MEMBER OF THE AUTHORITY IN CONTRAVENTION OF ANY STATE OF CALIFORNIA CONSTITUTIONAL OR STATUTORY PROVISION.

MATURITY SCHEDULE – See Inside Cover Page

THE OBLIGATION OF THE DISTRICT TO MAKE THE SERIES 2021 INSTALLMENT PAYMENTS IS A SPECIAL OBLIGATION OF THE DISTRICT PAYABLE FROM THE PROCEEDS OF A VOTER-APPROVED SPECIAL BENEFIT ASSESSMENT (THE CONTRACTUAL OBLIGATION ASSESSMENT) WHICH IS LEVIED ON ALL ASSESSED LANDS WITHIN THE DISTRICT; AND IN THE EVENT THAT THE PROCEEDS OF THE CONTRACTUAL OBLIGATION ASSESSMENT ARE INSUFFICIENT TO MAKE THE SERIES 2021 INSTALLMENT PAYMENTS, FROM NET REVENUES OF THE DISTRICT'S WATER SYSTEM, CONSISTING OF REVENUES OF THE DISTRICT'S WATER SYSTEM REMAINING AFTER THE PAYMENT OF OPERATION AND MAINTENANCE COSTS OF THE DISTRICT'S OF THE WATER SYSTEM AND OTHER FUNDS DESCRIBED IN THE 2021 INSTALLMENT PURCHASE AGREEMENT, AND DOES NOT CONSTITUTE AN OBLIGATION OF THE DISTRICT FOR WHICH THE DISTRICT IS OBLIGATED TO PAY FROM ANY OTHER DISTRICT REVENUES OR TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE DISTRICT TO MAKE THE SERIES 2021 INSTALLMENT PAYMENTS UNDER THE 2021 INSTALLMENT PURCHASE AGREEMENT DOES NOT CONSTITUTE A DEBT OF THE DISTRICT OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described in this Official Statement, interest (and original issue discount) on the 2021A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel under existing statutes, regulations, rulings and judicial decisions, interest on the 2021B Bonds is not excluded from gross income for federal income tax purposes. In the further opinion of Bond Counsel, interest (and original issue discount) on the 2021 Bonds is exempt from State of California personal income tax.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS ARE ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION. Capitalized terms used and not defined on the cover of this Official Statement have the meanings ascribed thereto in this Official Statement.

The 2021 Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval of the valid, legal and binding nature of the 2021 Bonds by Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, and certain other conditions. The Underwriter is being

* Preliminary, subject to change.

represented by its counsel, Kutak Rock LLP, Irvine, California. Certain legal matters will be passed upon for the District by Welty, Weaver & Currie, Healdsburg, California as General Counsel to the District, for the Authority by Welty, Weaver & Currie, Healdsburg, California as General Counsel to the Authority and for the Trustee by its counsel. It is anticipated that the 2021 Bonds will be available for delivery through the facilities of The Depository Trust Company on or about July __, 2021.

Wells Fargo Securities

Dated July __, 2021

DRAFT

MATURITY SCHEDULES

\$ _____^{*}
PANOCHÉ FINANCING AUTHORITY
REVENUE BONDS (PANOCHÉ WATER DISTRICT),
SERIES 2021A

Base CUSIP[†]: _____

<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP[†]</i>
2022	\$	%	%		
2023					
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2026					
2027					
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2051					

^{*} Preliminary, subject to change.

^c Priced to optional redemption date of September 1, 20__ at par.

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright(c) 2021 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Authority, the District, the Municipal Advisor or the Underwriter take any responsibility for the accuracy of such numbers.

MATURITY SCHEDULES

\$ _____^{*}
PANOCHÉ FINANCING AUTHORITY
REVENUE BONDS (PANOCHÉ WATER DISTRICT),
SERIES 2021B (TAXABLE)

Base CUSIP[†]: _____

<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP[†]</i>
2022	\$	%	%		
2023					
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^{*} Preliminary, subject to change.

^c Priced to optional redemption date of September 1, 20__ at par.

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No dealer, broker, salesperson or other person has been authorized by the District, the Authority or the Underwriter to give any information or to make any representations other than those contained in this Official Statement in connection with the offering made hereby and, if given or made, such other information or representations must not be relied upon as having been authorized by the District, 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 2021 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 2021 Bonds. Statements contained in this Official Statement which 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 a representation of facts.

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 a part of, their 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.

The information and expression of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2021 BONDS AT A LEVEL THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE 2021 BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

CERTAIN STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT REFLECT NOT HISTORICAL FACTS BUT FORECASTS AND “FORWARD-LOOKING STATEMENTS.” NO ASSURANCE CAN BE GIVEN THAT THE FUTURE RESULTS DISCUSSED HEREIN WILL BE ACHIEVED, AND ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THE FORECASTS DESCRIBED HEREIN. IN THIS RESPECT, THE WORDS “ESTIMATE,” “PROJECT,” “ANTICIPATE,” “EXPECT,” “INTEND,” “BELIEVE” AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. ALL PROJECTIONS, FORECASTS, ASSUMPTIONS, EXPRESSIONS OF OPINIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

THE 2021 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE 2021 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

The District maintains a website. However, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2021 Bonds.

PANOCHÉ FINANCING AUTHORITY

BOARD OF DIRECTORS

John Bennett, Chair
Sue Redfern-West, Vice Chair
Mike Stearns, Secretary
Michael Linneman, Director
Ross Koda, Director

PANOCHÉ WATER DISTRICT

BOARD OF DIRECTORS

John Bennett, President
Sue Redfern-West, Vice President
Mike Stearns, Secretary
Michael Linneman, Director
Ross Koda, Director

DISTRICT STAFF

Ara Azhderian, General Manager

SPECIAL SERVICES

**General Counsel to the District
and the Authority**

Welty, Weaver & Currie
Healdsburg, California

Bond Counsel

Stradling Yocca Carlson & Rauth, a Professional Corporation
Sacramento, California

Municipal Advisor

Fieldman Rolapp & Associates, Inc.
Irvine, California

Trustee

U.S. Bank National Association
Los Angeles, California

TABLE OF CONTENTS

Page

SUMMARY STATEMENT i

INTRODUCTION 1

THE PROJECT 3

 General..... 3

ESTIMATED SOURCES AND USES OF FUNDS 4

THE 2021 BONDS 5

 Terms of the 2021 Bonds 5

 Redemption of the 2021 Bonds 5

 Notice of Redemption 7

 Selection of 2021 Bonds for Redemption 7

 Partial Redemption of 2021 Bonds 8

 Effect of Redemption of 2021 Bonds 8

 Book-Entry Only System 8

 Transfers and Exchanges Upon Termination of Book-Entry Only System 8

PANOCHE WATER DISTRICT PAYMENT SCHEDULE 10

SECURITY FOR THE 2021 BONDS 11

 General..... 11

 Series 2021 Installment Payments Are Limited Obligations Payable From Contractual Obligation

 Assessment and Net Revenues 11

 Rate Covenants Under the 2021 Installment Purchase Agreement..... 13

 Additional Indebtedness Under the 2021 Installment Purchase Agreement 14

 2021 Stabilization Fund **Error! Bookmark not defined.**

 No Reserve Fund..... 15

INVESTMENT CONSIDERATIONS 16

 Regulatory Constraints on CVP Operations 16

 Certain Factors Affecting Agricultural Areas 16

 Rate Covenant Not a Guarantee 16

 Validation of the 9(d) Contract 18

 Water Service Demand 18

 Water System Expenses 18

 Sustainable Groundwater Management Act..... 18

 Statutory and Regulatory Compliance 18

 Limitations on Remedies Available; Bankruptcy 19

 No Obligation to Tax 19

 Change in Law 19

 Natural Disasters and Seismic Considerations..... 19

 Parity Obligations 21

 Loss of Tax Exemption..... 21

 Secondary Market for Bonds 21

 COVID-19..... 21

 Cyber Security 22

THE AUTHORITY 22

APPROVAL OF LEGAL PROCEEDINGS..... 22

TAX MATTERS..... 23

 2021A Bonds 23

 2021B Bonds..... 24

AUTHORITY LITIGATION 25

TABLE OF CONTENTS
(continued)

	<i>Page</i>
RATING	25
UNDERWRITING	26
MUNICIPAL ADVISOR	27
CONTINUING DISCLOSURE UNDERTAKING.....	27
MISCELLANEOUS	28
APPENDIX A PANOCHE WATER DISTRICT	A-1
APPENDIX B PANOCHE WATER DISTRICT FINANCIAL STATEMENTS, INCLUDING THE AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING.....	B-1
APPENDIX C SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.....	C-1
APPENDIX D FORM OF OPINION OF BOND COUNSEL.....	D-1
APPENDIX E INFORMATION CONCERNING DTC	E-1
APPENDIX F FORM OF CONTINUING DISCLOSURE CERTIFICATE.....	F-1

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SUMMARY STATEMENT

This summary is subject in all respects to the more complete information contained in this Official Statement, and the offering of the 2021 Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used and not otherwise defined in this Summary Statement have the meanings ascribed thereto in this Official Statement.

Purpose. The 2021A Bonds are being issued to provide funds to (i) refinance the payment of the capital repayment obligations of the Panoche Water District payable to the United States through the Bureau of Reclamation, as more fully described under the captions “THE DISTRICT – District Water Supply- CVP Contract,” “- 9(d) Contract” herein, and (ii) pay the costs of issuance for the 2021 Bonds, as more fully described herein. The payment of the remaining capital repayment obligations to the Bureau of Reclamation is a condition to the effectiveness of certain provisions of a perpetual contract for water service from the Central Valley Project entered into by the District and the United States of America, as more fully described herein.

The 2021B Bonds are being issued to provide funds to (i) pay certain settlement amounts to the Bureau of Reclamation and the San Luis & Delta-Mendota Water Authority as more fully described under the caption “THE DISTRICT – Recent Settlements” and (ii) pay the costs of issuance for the 2021 Bonds, as more fully described herein.

Contractual Obligation Assessment. On June 2, 2021, following a notice, hearing and majority affirmative vote of approximately 87%, the Board authorized a benefit assessment up to \$60.00 per beneficial acre. Up to \$38.09 of such benefit assessment, the Contractual Obligation Assessment, will be assessed by the District to pay the Series 2021 Installment Payments. The remaining \$21.91 of the authorized assessment may be assessed by the District for the purpose of financing capital improvement modernization projects for the benefit of the District. The Future Modernization Projects Assessment is not pledged to, nor will it be available for the payment of, the Series 2021 Installment Payments. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.” Proceeds of the Contractual Obligation Assessment will be applied by the District to the Series 2021 Installment Payments. See the caption “SECURITY FOR THE 2021 BONDS—General”

Security for the 2021 Bonds. The 2021 Bonds are limited obligations of the Authority. The 2021 Bonds are payable from Authority Revenues and from certain other amounts on deposit in funds and accounts under the Indenture. The obligation of the District to make the Series 2021 Installment Payments is a special obligation of the District payable from the Contractual Obligation Assessment; and in the event that the proceeds of the Contractual Obligation Assessment are insufficient to make the Series 2021 Installment Payments, from Net Revenues of the District’s Water System, consisting of Revenues (not including the Contractual Obligation Assessment) remaining after the payment of Operating and Maintenance Costs. The obligation of the District to make the Series 2021 Installment Payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. The obligation of the District to make the Series 2021 Installment Payments does not constitute a debt of the District, the State or any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

The District may incur additional obligations payable from Net Revenues (not including the Contractual Obligation Assessment) on a parity with the Series 2021 Installment Payments, subject to the terms and conditions of the Series 2021 Installment Purchase Agreement, as more fully described herein. The District cannot incur additional obligations payable from the Contractual Obligation Assessment other than refunding obligations.

Rate Covenant Under the 2021 Installment Purchase Agreement. The 2021 Installment Purchase Agreement requires the District to levy and collect the Contractual Obligation Assessment in an amount equal to the lesser of: (i) the maximum amount provided by law in each year; or (ii) the amount of Series 2021

Installment Payments and any Refunding Obligations, including any reasonable coverage requirement to account for anticipated or unanticipated delinquencies, so long as any Series 2021 Installment Payments or Refunding Obligations remain Outstanding.

The 2021 Installment Purchase Agreement requires the District, to the fullest extent permitted by law, to fix and prescribe, at the commencement of each Fiscal Year, rates and charges (including land based charges) for the Water Service which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Revenues equal to one hundred twenty-five percent (125%) of the Debt on Bonds and Contracts for such Fiscal Year, after taking into account any amounts transferred from the 2021 Stabilization Fund to the Revenue Fund in accordance with the Indenture, and less, in the case of Series 2021 Installment Payments or any Refunding Obligations, the proceeds of the Contractual Obligation Assessment levied to pay Series 2021 Installment Payments and any Refunding Obligations for such Fiscal Year. Subject to certain conditions, amounts transferred from the Rate Stabilization shall be considered Revenues for purposes of the rate covenant, as more particularly described under the captions “—2021 Stabilization Fund” under “SECURITY FOR THE 2021 BONDS” herein.

The District may make adjustments from time to time in such rates and charges (including land based charges) and may make such classifications thereof as it deems necessary, but will not reduce the rates and charges (including land based charges) then in effect unless the Net Revenues from such reduced rates and charges (including land based charges) are reasonably expected to be sufficient to meet the foregoing requirements.

For avoidance of doubt, so long as the District has complied with its obligations described above, the failure of Net Revenues to meet the threshold described above at the end of the Fiscal Year will not constitute a default or an Event of Default so long as the District has complied with its obligations described above at the commencement of the succeeding Fiscal Year.

2021 Stabilization Fund. The 2021 Installment Purchase Agreement establishes a 2021 Stabilization Fund which is held by the District. The District may withdraw all or any portion of the amounts on deposit in the 2021 Stabilization Fund and transfer such amounts to the Revenue Fund for application in accordance with the 2021 Installment Purchase Agreement, or, in the event that all or a portion of the Series 2021 Installment Payments are discharged in accordance with the 2021 Installment Purchase Agreement, transfer all or any portion of such amounts for application in accordance with the 2021 Installment Purchase Agreement. The District will have approximately \$[1,328,374] on deposit in the 2021 Stabilization Fund on the date of the initial issuance of the 2021 Bonds. For avoidance of doubt, the initial balance on deposit in the 2021 Stabilization Fund comprises money received by the District prior to Fiscal Year 2022 and such amount will not be deducted from Revenues for Fiscal Year 2022 or any prior Fiscal Year for purposes of the definition of Revenues or under the captions “—Rate Covenant” and “—Additional Contracts and Bonds Test” above. Amounts transferred from the 2021 Stabilization Fund to the Revenue Fund in accordance with the 2021 Installment Purchase Agreement may be taken into account as Revenues for purposes of the calculations to issue additional Bonds or execute additional Contracts described under “—Additional Indebtedness” and “SECURITY FOR THE 2021 BONDS—Additional Indebtedness Under the 2021 Installment Purchase Agreement.” below and for the calculations described under “—Rate Covenant Under the 2021 Installment Purchase Agreement” below. See the captions “SECURITY FOR THE 2021 BONDS—2021 Stabilization Fund”.

Subject to certain conditions, amounts transferred from the 2021 Stabilization Fund will be considered Revenues for purposes of the calculations to issue additional Bonds or execute additional Contracts payable from Net Revenues on a parity with the obligation to make the Series 2021 Installment Payments, as more particularly described under the captions “—2021 Stabilization Fund” under “SECURITY FOR THE 2021 BONDS” herein.

No Reserve Fund. No reserve fund has been created or funded to secure the 2021 Bonds.

Redemption. The 2021 Bonds are subject to optional, mandatory and extraordinary redemption as described herein.

The District. The District was formed in, and has operated continuously since, 1950 under the California Water District Law (being Division 13 of the California Water Code), for the purpose of furnishing irrigation water for agricultural use within the District. The District includes approximately 38,231 acres located on the west side of the San Joaquin Valley in northwestern Fresno and southwestern Merced Counties of which approximately 36,970 are irrigable. The Delta-Mendota Canal, the San Luis Canal and Interstate 5 pass through or are in proximity to the District. The District currently provides agricultural water to approximately 106 landowners and lessees.

The Authority. The Authority is a joint powers authority organized under the provisions of State law governing the joint exercise of powers, being Chapter 5, Division 7, Title 1 of the Government Code of the State and a Joint Exercise of Powers Agreement, dated October 13, 2020, by and between the District and the Panoche Drainage District, to provide for financing and refinancing on behalf of the District or Panoche Drainage District by exercising the powers referred to in the Joint Powers Agreement, and any other transaction authorized by law.

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\$ _____^{*}
PANOCHE FINANCING AUTHORITY
REVENUE BONDS (PANOCHE WATER DISTRICT),
SERIES 2021A

\$ _____^{*}
PANOCHE FINANCING AUTHORITY
REVENUE BONDS (PANOCHE WATER DISTRICT),
SERIES 2021B (TAXABLE)

INTRODUCTION

General. This Official Statement, including the cover page, the inside cover page and all appendices hereto, provides certain information concerning the sale and delivery of the Panoche Financing Authority Revenue Bonds (Panoche Water District), Series 2021A (the “2021A Bonds”) and the Panoche Financing Authority Revenue Bonds (Panoche Water District), Series 2021B (Taxable) (the “2021B Bonds” and, together with the 2021A Bonds, the “2021 Bonds”). The 2021 Bonds are being issued pursuant to an Indenture of Trust, dated as of May 1, 2021 (the “Indenture”), by and between the Panoche Financing Authority (the “Authority”) and U.S. Bank National Association, Los Angeles, California, as trustee (the “Trustee”). Descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. Capitalized terms used and not otherwise defined herein have the meanings ascribed to them in Appendix C—“SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” attached hereto.

Purposes of the 2021 Bonds. The 2021A Bonds are being issued to provide funds to (i) refinance the payment of the capital repayment obligations of the Panoche Water District (the “District”) payable to the United States through the Bureau of Reclamation (“Reclamation”) and (ii) pay the costs of issuance for the 2021 Bonds. The payment of the remaining capital repayment obligations to Reclamation is a requirement of a perpetual contract for water service from the Central Valley Project (“CVP”) entered into by the District and United States of America, as further described herein. See the caption “THE PROJECT” and “ESTIMATED SOURCES AND USES OF FUNDS.”

The 2021B Bonds are being issued to provide funds to (i) pay certain settlement amounts to Reclamation and the San Luis & Delta-Mendota Water Authority and (ii) pay the costs of issuance for the 2021 Bonds. See the caption “THE PROJECT” and “ESTIMATED SOURCES AND USES OF FUNDS.”

Authority for Issuance. The 2021 Bonds are being issued under the Indenture and the Marks-Roos Local Bond Pooling Act of 1985, as amended, constituting Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the “State”). In connection with the authorization of the 2021 Bonds, the Authority adopted a resolution on January 12, 2021 (the “Authorizing Resolution”) approving the 2021 Bonds and the execution and delivery of the Indenture. On January 12, 2021, the District adopted a resolution authorizing and approving certain documents in connection with the issuance by the Authority of the 2021 Bonds.

Sources of Payment for the 2021 Bonds. The 2021 Bonds are limited obligations of the Authority. The 2021 Bonds are payable from Authority Revenues under the Indenture (the “Authority Revenues”) and from certain other amounts on deposit in funds and accounts under the Indenture. Authority Revenues consist primarily of payments (the “Series 2021 Installment Payments”) received from the District pursuant to an Installment Purchase Agreement, dated as of May 1, 2021 (the “2021 Installment Purchase Agreement”), by and between the District and the Authority. See the caption “SECURITY FOR THE 2021 BONDS—General.”

The 2021 Bonds do not constitute a charge against the general credit of the Authority. The 2021 Bonds are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts except payments under the 2021 Installment Purchase Agreement and other moneys pledged by the Authority under the Indenture. Neither the faith and credit nor the taxing power of the State or

^{*} Preliminary, subject to change.

any public agency thereof or any member of the Authority is pledged to the payment of the principal amount or redemption price of, or interest on, the 2021 Bonds. The Authority has no taxing power. The 2021 Bonds do not constitute a debt, liability or obligation of the State or any public agency thereof (other than the Authority) or any member of the Authority in contravention of any State constitutional or statutory provision.

The obligation of the District to make the Series 2021 Installment Payments is a special obligation of the District payable from proceeds of a voter-approved special benefit assessment (the “Contractual Obligation Assessment”) which is levied on all assessed lands within the District; and in the event that the proceeds of the Contractual Obligation Assessment are insufficient to make the Series 2021 Installment Payments, from Net Revenues (herein defined) of the Water System of the District and other funds described in the 2021 Installment Purchase Agreement, and does not constitute a debt of the District or of the State or any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction. Net Revenues include Revenues (herein defined) of the Water System remaining after payment of Operation and Maintenance Costs (herein defined) of the District’s Water System. See Appendix C—“SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

No Reserve Fund. No reserve fund has been created or funded to secure the 2021 Bonds.

Additional Parity Obligations. Under the 2021 Installment Purchase Agreement, the District may incur additional obligations payable from Net Revenues on a parity with the Series 2021 Installment Payments, subject to the terms and conditions described under the caption “SECURITY FOR THE 2021 BONDS—Additional Indebtedness Under the 2021 Installment Purchase Agreement.” The District cannot incur additional obligations payable from the Contractual Obligation Assessment other than refunding obligations.

The District. The District is a California water district duly organized and existing under the California Water District Law (codified at Division 13 of the California Water Code). The District has the powers under such Law to, among other things, provide water service (the “Water Service”) within its water service area. The District includes approximately 38,231 acres located on the west side of the San Joaquin Valley in northwestern Fresno and southwestern Merced Counties of which approximately 36,970 are irrigable. The Delta-Mendota Canal, the San Luis Canal and Interstate 5 pass through or are in proximity to the District. The District currently provides agricultural water to approximately 106 landowners and lessees.

The Authority. The Authority is a joint exercise of powers agency organized under the provisions of State law governing the joint exercise of powers, being Chapter 5, Division 7, Title 1 of the Government Code of the State (the “Act”) and a Joint Exercise of Powers Agreement, dated January 21, 2020 (the “Joint Powers Agreement”), by and between the District and the Panoche Drainage District (“PDD”), to provide for financing and refinancing on behalf of the District or PDD by exercising the powers referred to in the Joint Powers Agreement, and any other transaction authorized by law. See the caption “THE AUTHORITY.” The Board of Directors of the District serves as the board of directors for the Authority. Neither the 2021 Bonds nor the Series 2021 Installment Payments are obligations of PDD, and no portion of PDD revenues are pledged to, or will be available for, the payment of the 2021 Bonds or the Series 2021 Installment Payments.

Professionals Involved in the Offering. U.S. Bank National Association will act as Trustee with respect to the 2021 Bonds. The 2021 Bonds are offered when, as and if issued, subject to approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Sacramento, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the Underwriter by its counsel, Kutak Rock LLP, Irvine, California, for the District by Welty, Weaver & Currie, Healdsburg, California, as the General Counsel of the District, for the Authority by Welty, Weaver & Currie, Healdsburg, California, as General Counsel to the Authority, and for the Trustee by its counsel. See the caption “CERTAIN LEGAL MATTERS.”

Fieldman, Rolapp & Associates, Inc. is acting as municipal advisor to the District. See the caption, “MUNICIPAL ADVISOR.”

Other Information About this Official Statement. The summaries and references to the Indenture, the 2021 Installment Purchase Agreement and all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary or reference is qualified in its entirety by reference to the full Indenture, Installment Purchase Agreement and each such document, statute, report or instrument, copies of which are available for inspection at the offices of the District in Firebaugh, California and will be available from the Trustee upon request and payment of duplication cost. All capitalized terms used herein and not normally capitalized have the meanings assigned to them in the Indenture and the 2021 Installment Purchase Agreement, the summaries of which are included in Appendix C, unless otherwise stated in this Official Statement. Unless otherwise indicated, all financial and statistical information herein has been provided by the District.

The District regularly prepares a variety of reports, including audits, budgets and related documents. Any registered owner of the 2021 Bonds (each, an “Owner”) may obtain a copy of such report, as available, from the Trustee or the District. Additional information regarding the Official Statement may be obtained by contacting the Trustee or Ara Azhderian, General Manager, Panoche Water District, 52027 W Althea Ave, Firebaugh, California 93622, Telephone: (209) 364-6136.

THE PROJECT

General

The proceeds of the sale of the 2021A Bonds will be used to provide funds to (i) refinance the payment of the capital repayment obligations of the District payable to Reclamation in connection with the execution and delivery of certain repayment contracts, as described under the captions “THE DISTRICT – District Water Supply- CVP Contract,” “- 9(d) Contract” herein and (iii) pay the costs of issuance for the 2021 Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS.”

The proceeds of the sale of the 2021B Bonds will be used to provide funds to (i) pay certain settlement amounts to Reclamation and SLDMWA, as described under the caption “THE DISTRICT – Recent Settlements” herein and (ii) pay the costs of issuance for the 2021 Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS.”

Pursuant to the WIIN Act (herein defined), the United States and the District negotiated terms and conditions that converted the District’s interim renewal contract (Contract No. 14-06-200-7773A-IR6) to a repayment contract, and those terms and conditions are reflected in the 9(d) Contract (herein defined). The District executed and delivered the 9(d) Contract on December 28, 2020 and the 9(d) Contract became effective on July 1, 2021.

The 9(d) Contract has no termination date and remains in effect as long as the District pays applicable rates and charges and complies with the terms and conditions of the 9(d) Contract, consistent with applicable law. On or about the date of issuance of the 2021 Bonds, the District expects to apply a portion of the proceeds of the 2021A Bonds to pay the District’s then remaining capital repayment obligation, as provided under the 9(d) Contract. Upon payment of the capital repayment obligation, the 9(d) Contract will eliminate certain restrictions on delivery of water to lands that were ineligible to receive water because such lands constituted “excess lands” under federal reclamation law and certain pricing provisions of the federal reclamation law will no longer apply. For a discussion of the 9(d) Contract, see Appendix A—“PANOCHÉ WATER DISTRICT—District Water Supply—CVP Contract” and “-9(d) Contract.”

In accordance with the procedures set forth in Article XIID(4) of the State Constitution, the District sought the approval of District landowners to levy the Contractual Obligation Assessment on all assessed lands within the District in order to provide a dedicated source of revenues to pay 2021 Installment Payments securing the 2021 Bonds. On June 2, 2021, following a notice, hearing and majority affirmative vote of approximately 87%, the Board authorized a benefit assessment up to \$60.00 per beneficial acre. Up to \$38.09 of such benefit assessment, the Contractual Obligation Assessment, will be assessed by the District to pay the Series 2021

Installment Payments. The remaining \$21.91 of the authorized assessment may be assessed by the District for the purpose of financing capital improvement modernization projects for the benefit of the District (the “Future Modernization Projects Assessment”). The Future Modernization Projects Assessment is not pledged to, nor will it be available for the payment of, the Series 2021 Installment Payments. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.” Proceeds of the Contractual Obligation Assessment will be applied by the District to the Series 2021 Installment Payments. See the caption “SECURITY FOR THE 2021 BONDS—General.”

In the event that the remaining capital repayment obligation described above is less than the amount of the 2021 Bond proceeds available therefore, the District expects to apply such excess 2021 Bond proceeds to the payment of the cost of capital improvements. See Appendix C—“SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” under the caption “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE 2021 INSTALLMENT PURCHASE AGREEMENT—THE PROJECT.”

The District and the United States entered into a Settlement Agreement on January 15, 2021. The key financial terms of the Settlement Agreement are that the District may be liable to the United States for up to \$8,261,361.00, not including interest (the “Settlement Amount”), for what the United States contends to be the District's unauthorized diversion of water from the Delta Mendota Canal and the San Luis Canal between 2009 and 2015. In the Settlement Agreement, the United States specifically contended that between on or about January 1, 2009, and April 20, 2015, the District diverted federally-owned water from the Delta-Mendota and San Luis Canals, and that the diversions were unauthorized and that the District did not compensate the United States Bureau of Reclamation for the diversions (collectively, the “Covered Conduct”). The District has made an initial payment of \$1,000,000.00 to the United States as required by the Settlement Agreement. The District intends to fund the remaining amount owed to the United States pursuant to the Settlement Agreement from proceeds of the 2021B Bonds. In addition, the District intends to reimburse the initial \$1,000,000.00 payment to the United States with proceeds of the 2021B Bonds.

The Settlement Agreement also provides that the San Luis & Delta-Mendota Water Authority (the “Water Authority”) sustained damages of \$798,653.00 as a result of the Covered Conduct. The District and the Water Authority are currently negotiating a damages amount. The District currently projects paying approximately \$1,100,000.00 to the Water Authority in connection with a settlement with the Water Authority from proceeds of the 2021B Bonds. There can be no assurance that the amount of final settlement will not exceed \$1,100,000.00. The District expects to pay any amounts in excess of \$1,100,000 from District reserves. See the caption “RECENT SETTLEMENTS” in Appendix C—“PANOCHÉ WATER DISTRICT.”

ESTIMATED SOURCES AND USES OF FUNDS

	<i>2021A Bonds</i>	<i>2021B Bonds</i>	<i>Total</i>
Sources			
Principal Amount	\$	\$	\$
Plus Net Original Issue Premium	_____	_____	_____
TOTAL	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>
Uses			
Deposit to Acquisition Fund	\$	\$	\$
Costs of Issuance ⁽¹⁾	_____	_____	_____
TOTAL	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>

⁽¹⁾ Includes fees for the Trustee, Bond Counsel, Municipal Advisor’s fees, legal fees, printing costs, rating agency fees, underwriter’s discount and other costs of delivery.

THE 2021 BONDS

Terms of the 2021 Bonds

The 2021A Bonds will be issued in the aggregate principal amount of \$_____ * and the 2021B Bonds will be issued in the aggregate principal amount of \$_____. The 2021 Bonds will be dated as of the date of issuance. Interest on the 2021 Bonds is payable on each March 1 and September 1 (each an “Interest Payment Date”), commencing on March 1, 2022. The principal of and premium, if any, and interest on the 2021 Bonds is payable in lawful money of the United States of America. Interest will be paid by the Trustee by check mailed by the Trustee to the respective Owners thereof on the applicable Interest Payment Date at their addresses as they appear as of the close of business on the fifteenth day of the calendar month preceding the Interest Payment Date (the “Record Date”) in the registration books kept by the Trustee, except that in the case of an Owner of \$1,000,000 or more in aggregate principal amount of 2021 Bonds, such payment may, at such Owner’s option, be made by wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such Owner prior to the Record Date.

Interest on the 2021 Bonds will accrue at the rates per annum and will mature on the dates set forth on the inside front cover page of this Official Statement. Interest on the 2021 Bonds will be calculated on the basis of a 360-day year composed of twelve 30-day months. Individual purchases will be made in principal amounts of \$5,000 and integral multiples thereof.

Principal of and premium (if any) on the 2021 Bonds is payable by check of the Trustee upon presentation and surrender of such Bond at maturity or prior redemption thereof at the Office of the Trustee.

Redemption of the 2021 Bonds

Optional Redemption of the 2021A Bonds. The 2021A Bonds with stated maturities on or after September 1, 20__, will be subject to redemption prior to their respective stated maturities, as a whole or in part as directed by the Authority in a Request provided to the Trustee at least thirty-five (35) days (or such lesser number of days acceptable to the Trustee in the reasonable judgment of the Trustee, such notice for the convenience of the Trustee) and by lot within each maturity in integral multiples of \$5,000, on September 1, 20__ or any date thereafter at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

Optional Redemption of the 2021B Bonds. The 2021B Bonds with stated maturities on or after September 1, 20__, will be subject to redemption prior to their respective stated maturities, as a whole or in part as directed by the Authority in a Request provided to the Trustee at least thirty-five (35) days (or such lesser number of days acceptable to the Trustee in the reasonable judgment of the Trustee, such notice for the convenience of the Trustee) and by lot within each maturity in integral multiples of \$5,000, on September 1, 20__ or any date thereafter at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

[Optional Redemption of the 2021B Bonds with Make-Whole Payments. The 2021B Bonds will be subject to redemption prior to September 1, 20__ at the option of the Authority, as a whole or in part on any Business Day in the order of maturity as directed by the Authority in a written request provided to the Trustee at least thirty-five (35) days (or such lesser number of days acceptable to the Trustee in the reasonable judgment of the Trustee, such notice for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of \$5,000, at the “Make-Whole Redemption Price.”

“Make-Whole Redemption Price” means the greater of (1) 100% of the principal amount of the 2021B Bonds being redeemed, and (2) the sum of the present values of the remaining unpaid scheduled payments of principal and interest on any 2021B Bonds being redeemed, not including any portion of those payments of interest accrued and unpaid to the date of redemption, discounted to the redemption date on a semi-annual basis

* Preliminary; subject to change.

(assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below) plus the following make-whole call spreads (expressed in basis points) for the 2021B Bonds maturing on the dates set forth below:

<i>Maturity Dates</i>	<i>Make-Whole Call Spread (Basis Points)</i>
September 1, 20__	
September 1, 20__ through September 1, 20__	
September 1, 20__ through September 1, 20__	
September 1, 20__ through September 1, 20__	
September 1, 20__ through September 1, 20__	
September 1, 20__	

plus, accrued and unpaid interest on the 2021 Bonds to be redeemed on the redemption date.

The “Treasury Rate” is, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical H.1 (519) that has become publicly available at least two (2) Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the 2021B Bonds to be redeemed. However, if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.]

Mandatory Redemption of the 2021A Bonds. The 2021A Bonds with stated maturities on September 1, 20__ are subject to mandatory sinking fund redemption in part (by lot) on September 1, 20__ and each September 1 thereafter, in integral multiples of \$5,000 at a Redemption Price of the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, in accordance with the following schedule:

<i>Redemption Date (September 1)</i>	<i>Principal Amount</i>
*	

* Maturity.

Mandatory Redemption of the 2021B Bonds. The 2021B Bonds with stated maturities on September 1, 20__ are subject to mandatory sinking fund redemption in part (by lot) on September 1, 20__ and each September 1 thereafter, in integral multiples of \$5,000 at a Redemption Price of the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, in accordance with the following schedule:

<i>Redemption Date (September 1)</i>	<i>Principal Amount</i>
*	

* Maturity.

Extraordinary Redemption of the 2021 Bonds from Insurance or Eminent Domain Proceeds. The 2021 Bonds will be subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity and within maturities as directed by the Authority in a Request provided to the Trustee at least thirty-five (35) days (or such lesser number of days acceptable to the Trustee in the reasonable judgment of the Trustee, such notice for the convenience of the Trustee) prior to such date in integral multiples of \$5,000 from Net Proceeds, upon the terms and conditions of, and as provided for in, the 2021 Installment Purchase Agreement, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

Notice of Redemption

Notice of redemption must be mailed by first class mail not less than twenty (20) days nor more than sixty (60) days before any Redemption Date, to the respective Owners of any 2021 Bonds that are designated for redemption at their addresses appearing on the Registration Books, to the Securities Depositories and the Information Services. Each notice of redemption must state the date of notice, the redemption date, the place or places of redemption and the Redemption Price, and will designate the maturities, CUSIP numbers, if any, and, in the case of 2021 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on the redemption date there will become due and payable on each of said 2021 Bonds or parts thereof that are designated for redemption the Redemption Price thereof or of said specified portion of the principal thereof in the case of a 2021 Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that (provided that moneys for redemption have been deposited with the Trustee) from and after such redemption date interest thereon will cease to accrue, and will require that such 2021 Bonds be then surrendered to the Trustee. Neither the failure to receive such notice nor any defect in the notice or the mailing thereof will affect the validity of the redemption of any 2021 Bond. Notice of redemption of 2021 Bonds will be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

With respect to any notice of optional redemption of 2021 Bonds, such notice may state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys that are sufficient to pay the principal of, premium, if any, and interest on such 2021 Bonds to be redeemed and that, if such moneys have not been so received, said notice will be of no force and effect and the Trustee will not be required to redeem such Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made, and the Trustee will within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Selection of 2021 Bonds for Redemption

Whenever provision is made in the Indenture for the redemption of less than all of 2021 Bonds, the Trustee shall select the 2021 Bonds for redemption as a whole or in part on any date as directed by the Authority and by lot within each maturity in integral multiples of \$5,000 as described above under the caption “THE 2021 BONDS—Redemption of the 2021 Bonds”. The Trustee will promptly notify the Authority in writing of the numbers of the 2021 Bonds or portions thereof so selected for redemption.

Notwithstanding anything in the Indenture to the contrary, whenever provision is made in the Indenture for the redemption of less than all of the 2021B Bonds, if the 2021B Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the 2021B Bonds, if less than all of the 2021B Bonds of a maturity are called for prior optional redemption, the particular 2021B Bonds or portions thereof to be redeemed shall be selected on a “Pro Rata Pass-Through Distribution of Principal” basis in accordance with DTC procedures, provided that, so long as the 2021B Bonds are held in book-entry form, the selection for redemption of such 2021B Bonds shall be made in accordance with the operational arrangements of DTC then in effect and if the DTC operational arrangements do not allow redemption on a Pro Rata Pass Through Distribution of Principal basis, the 2021B Bonds will be selected for redemption in accordance with DTC procedures by lot and in integral multiples of \$5,000.

Partial Redemption of 2021 Bonds

Upon surrender of any 2021 Bond redeemed in part only, the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Authority, a new 2021 Bond or 2021 Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the 2021 Bonds surrendered and of the same series, interest rate and maturity.

Effect of Redemption of 2021 Bonds

Notice of redemption having been duly given as provided under the Indenture, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, the 2021 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the 2021 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the 2021 Bonds (or portions thereof) so called for redemption will become due and payable, interest on the 2021 Bonds so called for redemption will cease to accrue, said 2021 Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of said 2021 Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof. The Trustee will, upon surrender for payment of any of the 2021 Bonds to be redeemed on their Redemption Dates, pay such 2021 Bonds at the Redemption Price. All 2021 Bonds redeemed pursuant to the provisions of an Indenture shall be canceled upon surrender thereof.

Book-Entry Only System

One fully-registered 2021 Bond for each maturity will be issued in the principal amount of such 2021 Bond. Such 2021 Bonds will be registered in the name of Cede & Co. and will be deposited with DTC.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the 2021 Bonds will be printed and delivered and will be governed by the provisions of the Indenture with respect to payment of principal and interest and rights of exchange and transfer.

The District cannot and does not give any assurances that DTC participants or others will distribute payments with respect to the 2021 Bonds received by DTC or its nominee as the registered Owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will service and act in the manner described in this Official Statement. See Appendix E hereto for additional information concerning DTC.

Transfers and Exchanges Upon Termination of Book-Entry Only System

Any 2021 Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such 2021 Bond at the Office of the Trustee for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. The Trustee shall not be required to register the transfer of any 2021 Bond during the period in which the Trustee is selecting 2021 Bonds for redemption and any 2021 Bond that has been selected for redemption.

Whenever any 2021 Bond or 2021 Bonds shall be surrendered for transfer, the Authority will execute and the Trustee will authenticate and deliver a new 2021 Bond or 2021 Bonds of authorized denomination or denominations for a like series and aggregate principal amount of the same maturity. The Trustee will require the Owner requesting such transfer to pay any tax or other governmental charge that is required to be paid with respect to such transfer. Following any transfer of 2021 Bonds, the Trustee will cancel and destroy the 2021 Bonds that it has received.

2021 Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of other authorized denominations of the same series and maturity. The Trustee will not be required to exchange any 2021 Bond during the period in which the Trustee is selecting 2021 Bonds for redemption and any 2021 Bond that has been selected for redemption. The Trustee will require the Owner requesting such exchange to pay any tax or other governmental charge that is required to be paid with respect to such exchange. Following any exchange of 2021 Bonds, the Trustee will cancel and destroy the 2021 Bonds that it has received.

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PANOCHÉ WATER DISTRICT PAYMENT SCHEDULE

Set forth on the following page is a schedule of the Series 2021 Installments Payments relating to each series of the 2021 Bonds for the period ending on the last day of February in each of the years indicated:

<i>Last day of February</i>	<i>2021A Bonds</i>		<i>2021B Bonds</i>		<i>Total</i>
	<i>Principal Component of Series 2021 Installment Payments</i>	<i>Interest Component of Series 2021 Installment Payments</i>	<i>Principal Component of Series 2021 Installment Payments</i>	<i>Interest Component of Series 2021 Installment Payments</i>	
2022	\$	\$	\$	\$	\$
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					
2040					
2041					
2042					
2043					
2044					
2045					
2046					
2047					
2048					
2049					
2050					
2051					
TOTAL	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

Source: District.

SECURITY FOR THE 2021 BONDS

General

Pursuant to the Indenture, all right, title and interest of the Authority in and to the Authority Revenues (as such term is defined in Appendix C hereto), including, but without limiting the generality of the foregoing, the present and continuing right to make claim for, collect, receive and receipt for any Authority Revenues which are payable to or receivable by the Authority under the Constitution of the State, the Government Code and the Indenture and any other applicable laws of the State or otherwise, to bring actions and proceedings thereunder for the enforcement thereof, and to do any and all things which the Authority is or may become entitled to do thereunder, subject to the terms of the Indenture. All moneys and securities held in funds and accounts of the Indenture, except amounts held in the Rebate Fund, and all other rights of every name and nature from time to time herein or hereafter by delivery or by writing of any kind pledged, assigned or transferred as and for additional security under the Indenture to the Trustee by the Authority or by anyone on its behalf, or with its written consent, and to hold and apply the same, subject to the terms of the Indenture. All of the rights, title, and interest of the Authority in the 2021 Installment Purchase Agreement, including all rights of the Authority to receive payments thereunder and all rights of the Authority thereunder as may be necessary to enforce compliance with said provisions (including enforcement of payment obligations and rate covenants, if any, contained in the 2021 Installment Purchase Agreement) or otherwise to protect the interest of the Owners of the 2021 Bonds, subject to the terms of the Indenture, and excepting therefrom any rights to indemnification or to receive notices thereunder.

The 2021 Bonds are limited obligations of the Authority. The 2021 Bonds are payable from Authority Revenues and from certain other amounts on deposit in funds and accounts under the Indenture. Authority Revenues consist primarily of Series 2021 Installment Payments received from the District pursuant to the 2021 Installment Purchase Agreement.

The 2021 Bonds are not debt of the members of the Authority, the State or any of its political subdivisions (other than the Authority) and neither the members of the Authority, said State nor any of its political subdivisions (other than the Authority) is liable thereon. The District will have no liability or obligation under the 2021 Installment Purchase Agreement except with respect to Series 2021 Installment Payments payable under the 2021 Installment Purchase Agreement.

Series 2021 Installment Payments Are Limited Obligations Payable From Contractual Obligation Assessment and Net Revenues

Proceeds of the Contractual Obligation Assessment are irrevocably pledged under the 2021 Installment Purchase Agreement to the payment of the Series 2021 Installment Payments as provided under the 2021 Installment Purchase Agreement and such proceeds will not be used for any other purpose while any of the Series 2021 Installment Payments remain unpaid; provided that out of the Contractual Obligation Assessment proceeds there may be apportioned such sums for such purposes as are expressly permitted under the 2021 Installment Purchase Agreement. Such pledge will constitute a first lien on proceeds of the Contractual Obligation Assessment and the Contractual Obligation Assessment Fund for the payment of the Series 2021 Installment Payments and all other Refunding Obligations in accordance with the terms of the 2021 Installment Purchase Agreement.

The Revenues, and all amounts that are on deposit in the Revenue Fund (other than proceeds of the Contractual Obligation Assessment), and any other amounts (including proceeds of the sale of the 2021 Bonds) which are held in any fund or account that is established pursuant to the 2021 Installment Purchase Agreement, are irrevocably pledged to the payment of the Series 2021 Installment Payments. While any of the Series 2021 Installment Payments remain unpaid, the Revenues (other than proceeds of the Contractual Obligation Assessment) will be allocated only to the purposes set forth below. Such pledge will constitute a first lien on Revenues, the Revenue Fund and the other funds and accounts that are created pursuant to the 2021 Installment

Purchase Agreement for the payment of the Series 2021 Installment Payments and all other Contracts and Bonds in accordance with the terms of the 2021 Installment Purchase Agreement and of the Indenture.

The obligation of the District to make the Series 2021 Installment Payments is absolute and unconditional, and until such time as the Purchase Price will have been paid in full (or provision for the payment thereof will have been made pursuant to the 2021 Installment Purchase Agreement), the District will not discontinue or suspend any Series 2021 Installment Payment which is required to be made by it under the 2021 Installment Purchase Agreement when due, whether or not the Water System or any part thereof is operating or operable or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and whether or not the 2021 Project has been completed, and such payments will not be subject to reduction whether by offset or otherwise and will not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

“Revenues” means all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Water System in a Fiscal Year, determined in accordance with Generally Accepted Accounting Principles, including, without limiting the generality of the foregoing,

- (1) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the District from the sale, furnishing and supplying of water or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Water System, plus
- (2) the proceeds of any stand-by or water availability charges, plus
- (3) all amounts, if and to the extent received by the District, of the *ad valorem* assessment tax authorized to be levied by the District upon the land value of property within the District, plus
- (4) any Revenues remaining after the payment of all other District obligations in the immediately prior Fiscal Year credited to landowners, lessees and water users in the current Fiscal Year, to the extent that such landowner, lessee or water user elects to have such credit applied to the current Fiscal Year’s water bill, plus
- (5) the earnings on and income derived from the investment of the amounts described in clauses (1), (2), (3) and (4) above and from amounts in the 2021 Stabilization Fund, plus
- (6) any excess Contractual Obligation Assessments transferred to the Revenue Fund under the 2021 Installment Purchase Agreement,

but excluding in all cases (i) customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District, (ii) any proceeds of taxes restricted by law to be used by the District to pay obligations of the District other than Bonds or Contracts and (iii) the Contractual Obligation Assessments, except as provided in clause (6) above, the Contractual Obligation Assessment Fund, and the amounts on deposit therein. “Revenues” will also include all amounts transferred from the 2021 Stabilization Fund to the Revenue Fund during any Fiscal Year under the 2021 Installment Purchase Agreement to pay Operation and Maintenance Costs or Debt Service and will not include any amounts transferred from the Revenue Fund to the 2021 Stabilization Fund during any Fiscal Year under the 2021 Installment Purchase Agreement.

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

“Operation and Maintenance Costs” means (i) costs spent or incurred for maintenance and operation of the Water System in a Fiscal Year calculated in accordance with Generally Accepted Accounting Principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary

to maintain and preserve the Water System in good repair and working order, and including administrative costs of the District that are charged directly or apportioned to the Water System, including but not limited to salaries and wages of employees, payments to the Public Employees Retirement System, if any, contributions to defined contribution retirement plans, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys, consultants or engineers and insurance premiums, and including all other reasonable and necessary costs of the District or charges (other than Debt Service) required to be paid by it to comply with the terms of the 2021 Installment Purchase Agreement or any other Contract or of any resolution or indenture authorizing the issuance of any Bonds or of such Bonds, and (ii) all costs of all water purchased, stored, banked, exchanged or otherwise acquired for delivery by the Water System (including any interim or renewed arrangement therefor), but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature, including but not limited to restatements made in subsequent periods which would not have affected the District's statements of revenues, expenses and changes in net position, prior period adjustments and any amounts transferred to the 2021 Stabilization Fund from Revenues.

In order to carry out and effectuate the pledge and lien under the 2021 Installment Purchase Agreement, the District agrees and covenants that all Contractual Obligation Assessment proceeds will be received by the District in trust under the 2021 Installment Purchase Agreement and will be deposited when and as received in a special fund designated as the "Contractual Obligation Assessment Fund," which fund is established under the 2021 Installment Purchase Agreement and which fund the District agrees and covenants to maintain and to hold separate and apart from other funds so long as any Series 2021 Installment Payments remain unpaid.

Moneys in the Contractual Obligation Assessment Fund will be applied by the District as set forth in the 2021 Installment Purchase Agreement, and all moneys in each of such funds will be held in trust and will be applied, used and withdrawn only for the purposes authorized in the 2021 Installment Purchase Agreement.

Notwithstanding anything contained in the 2021 Installment Purchase Agreement, but subject to the priority of payment with respect to Operation and Maintenance Costs, the District will not be required to advance any moneys derived from any source other than the Contractual Obligation Assessments, Revenues, the Revenue Fund and the other moneys pledged hereunder whether for the payment of the Series 2021 Installment Payments or for any of the purposes mentioned in the 2021 Installment Purchase Agreement. Nevertheless, the District may, but will not be required to advance for any such purpose any funds of the District which may be made available for such purpose. The obligation of the District to make the Series 2021 Installment Payments is a special obligation of the District payable from the Contractual Obligation Assessments and the Net Revenues and does not constitute a debt of the District or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Rate Covenants Under the 2021 Installment Purchase Agreement

The District will levy and collect the Contractual Obligation Assessment in an amount equal to the lesser of: (i) the maximum amount provided by law in each year; or (ii) the amount reasonably expected to pay the Series 2021 Installment Payments and any Refunding Obligations, including any reasonable coverage requirement to account for anticipated or unanticipated delinquencies, so long as any Series 2021 Installment Payments or Refunding Obligations remain Outstanding.

To the fullest extent permitted by law, the District shall fix and prescribe, at the commencement of each Fiscal year, rates and charges (including land based charges) for the Water Service which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Revenues equal to one twenty-five percent (125%) of Debt Service on Bonds and Contracts for such Fiscal Year, after taking into account any amounts transferred from the 2021 Stabilization Fund to the Revenue Fund in accordance with the 2021 Installment Purchase Agreement, and less, in the case of Series 2021 Installment Payments or any Refunding Obligations, the proceeds of the Contractual Obligation Assessment levied to pay Series 2021 Installment Payments and the Refunding Obligations for such Fiscal Year. The District may make adjustments from time to time in such rates and charges (including land based charges) and may make such classifications thereof as it

deems necessary, but will not reduce the rates and charges (including land based charges) then in effect unless the Net Revenues from such reduced rates and charges (including land based charges) are reasonably expected to be sufficient to meet the requirements of the 2021 Installment Purchase Agreement.

For avoidance of doubt, so long as the District has complied with its obligations in the preceding paragraph, the failure of Net Revenues to meet the threshold set forth in the 2021 Installment Purchase Agreement at the end of a Fiscal Year shall not constitute a default or an Event of Default so long as the District has complied with Installment Purchase Agreement at the commencement of the succeeding Fiscal Year. A failure to meet such threshold may, however, affect the ability of the District to issue Bonds or incur Contracts payable from Net Revenues on a parity with the 2021 Installment Payments. See the caption “Additional Indebtedness Under the 2021 Installment Purchase Agreement.”

Additional Indebtedness Under the 2021 Installment Purchase Agreement

From the Contractual Obligation Assessment. Under the 2021 Installment Purchase Agreement, the District has covenanted not to issue or incur any obligation payable from the Contractual Obligation Assessment senior to the Series 2021 Installment Payments and not to issue or incur any obligation payable from the Contractual Obligation Assessment on a parity to such Series 2021 Installment Payments, other than obligations refunding such Series 2021 Installment Payments.

From Net Revenues on Parity with the Series 2021 Installment Payments. The District may issue Bonds or Contracts payable from Net Revenues on a parity with the Series 2021 Installment Payments in the future as described herein. The 2021 Installment Purchase Agreement does not impose any limitation on the issuance of additional obligations payable from Net Revenues subordinate to the Series 2021 Installment Payments.

The District may at any time execute any Contract or issue any Bonds, as the case may be, in accordance herewith; provided:

(i) The Net Revenues for the most recent audited Fiscal Year preceding the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, as evidenced by both a calculation prepared by the District and a special report prepared by an Independent Certified Public Accountant or an Independent Municipal Consultant on such calculation on file with the District, will have produced a sum equal to at least one hundred twenty-five percent (125%) of the Debt Service for such Fiscal Year (less, in the case of Series 2021 Installment Payments or any Refunding Obligations, the proceeds of the Contractual Obligation Assessment applied to the payment of the Series 2021 Installment Payments and the Refunding Obligations for such Fiscal Year); and

(ii) The Net Revenues for the most recent audited Fiscal Year preceding the date of the execution of such Contract or the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds, as the case may be, including adjustments to give effect as of the first day of such Fiscal Year to increases in rates and charges (including land based charges) for the Water Service approved and in effect as of the date of calculation, as evidenced by both a calculation prepared by an Authorized Representative and a special report prepared by an Independent Certified Public Accountant or an Independent Municipal Consultant on such calculation on file with the District, will have produced a sum equal to at least one hundred twenty-five percent (125%) of the Debt Service for such Fiscal Year (less, in the case of Series 2021 Installment Payments or any Refunding Obligations, the proceeds of the Contractual Obligation Assessment applied to the payment of the Series 2021 Installment Payments and the Refunding Obligations for such Fiscal Year) plus the Debt Service which would have accrued on any Contracts executed or Bonds issued since the end of such Fiscal Year assuming such Contracts had been executed or Bonds had been issued at the beginning of such Fiscal Year; and

(iii) The estimated Net Revenues for the then current Fiscal Year and for each Fiscal Year thereafter to and including the first complete Fiscal Year after the latest Date of Operation of any uncompleted Parity

Project, as evidenced by a certificate of the General Manager of the District on file with the District, including (after giving effect to the completion of all such uncompleted Parity Projects) an allowance for estimated Net Revenues for each of such Fiscal Years arising from any increase in the income, rents, fees, rates and charges estimated to be fixed, prescribed or received for the Water Service and which are economically feasible and reasonably considered necessary based on projected operations for such period, as evidenced by a certificate of the General Manager on file with the District, will produce a sum equal to at least one hundred twenty-five percent (125%) of the estimated Debt Service for each of such Fiscal Years, after giving effect to the execution of all Contracts and the issuance of all Bonds estimated to be required to be executed or issued to pay the costs of completing all uncompleted Parity Projects within such Fiscal Years (less, in the case of Series 2021 Installment Payments or any Refunding Obligations, the proceeds of the Contractual Obligation Assessment levied to pay Series 2021 Installment Payments and the Refunding Obligations for such Fiscal Years), assuming that all such Contracts and Bonds have maturities, interest rates and proportionate principal repayment provisions similar to the Contract last executed or then being executed or the Bonds last issued or then being issued for the purpose of acquiring and constructing any of such uncompleted Parity Projects.

Notwithstanding the foregoing, Bonds or Contracts may be issued or incurred to refund outstanding Bonds or Contracts if, at the time of the incurring of such Bonds or Contracts, a certificate of the District will be delivered showing that Debt Service on the refunding Bonds or Contracts will not exceed by more than 10% Debt Service on the refunded Bonds or Contracts in each Fiscal Year.

Notwithstanding satisfaction of the other conditions to the execution of any Contract or the issuance of Bonds set forth in the 2021 Installment Purchase Agreement, no such execution or issuance may occur if an Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) exists unless such Event of Default will be cured upon such execution or issuance.

2021 Stabilization Fund

The 2021 Installment Purchase Agreement establishes a special fund designated as the “2021 Stabilization Fund” pursuant to the 2021 Installment Purchase Agreement. The District agreed and covenanted therein to continue and maintain, so long as any 2021 Bonds remain outstanding, the 2021 Stabilization Fund. On the date of execution of the 2021 Installment Purchase Agreement, there will be \$__ million on deposit in the 2021 Stabilization Fund. For avoidance of doubt, the balance on deposit in the 2021 Stabilization Fund on the date of execution of the 2021 Installment Purchase Agreement comprises money received by the District prior to Fiscal Year 2022 and such amount will not be deducted from Revenues for Fiscal Year 2022 or any prior Fiscal Year for purposes of the definition of Revenues. Money in the 2021 Stabilization Fund will be applied in accordance with the 2021 Installment Purchase Agreement.

All amounts on deposit in the 2021 Stabilization Fund have been irrevocably pledged to the payment of the Bonds and Contracts as provided in the 2021 Installment Purchase Agreement; provided that amounts on deposit in the 2021 Stabilization Fund may be apportioned as expressly permitted in the 2021 Installment Purchase Agreement and expended by the District for any lawful District purpose.

The District may withdraw all or any portion of the amounts on deposit in the 2021 Stabilization Fund and transfer such amounts to the Revenue Fund for application in accordance with the 2021 Installment Purchase Agreement or, in the event that all or a portion of the Series 2021 Installment Payments are discharged in accordance with the 2021 Installment Purchase Agreement, transfer all or any portion of such amounts for application in accordance with the 2021 Installment Purchase Agreement. Amounts transferred from the 2021 Stabilization Fund to the Revenue Fund pursuant to the 2021 Installment Purchase Agreement within 270 days after the end of a Fiscal Year, may be taken into account as Revenues for purposes of the calculations in the 2021 Installment Purchase Agreement in such Fiscal Year.

No Reserve Fund

No reserve fund has been created or funded to secure the 2021 Bonds.

INVESTMENT CONSIDERATIONS

The following information, in addition to the other matters that are described in this Official Statement, should be considered by prospective investors in evaluating the 2021 Bonds. However, the following does not purport to be comprehensive, definitive or an exhaustive listing of risks and other considerations that may be relevant to making an investment decision with respect to the 2021 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks. If any risk factor materializes to a sufficient degree, it alone could delay or preclude payment of principal or interest on the 2021 Bonds.

Regulatory Constraints on CVP Operations

There can be no assurance that CVP Contract Water allocated by Reclamation will be maintained at levels described under the caption “PANOCHE WATER DISTRICT—Historic Water Sources” in Appendix A. As discussed under the caption “PANOCHE WATER DISTRICT—District Water Supply” in Appendix A, the allocation of CVP water by Reclamation to the District will vary materially from year-to-year for a variety of reasons. Based on the Addendum to the Agreement Between the United States of America and the Department of Water Resources of the State of California for Coordinated Operation of the Central Valley Project and the State Water Project (the “COA Addendum”) and the October 2019 biological opinions, which replaced biological opinions issued in 2008 and 2009 by the United States Fish and Wildlife Service and United States National Marine Fisheries Service, respectively, the District believes that CVP water allocations should improve as compared to recent historical averages; however, the District cannot predict the magnitude of such improvement. On January 20, 2021, the White House issued an executive order that, among other things, directed certain United States of America departments and agencies to review the 2019 biological opinions. See Appendix A—“PANOCHE WATER DISTRICT—District Water Supply – CVP Contract Water.”

Two separate actions challenging the October 2019 biological opinions, Reclamation’s issuance of the record of decision for coordinated operations of the CVP and its reliance on the 2019 biological opinions have been brought against Reclamation. There is also a separate action challenging the COA Addendum. See Appendix A—“PANOCHE WATER DISTRICT—LITIGATION” for a discussion of the litigation relating to the October 2019 biological opinions and the COA Addendum. If the challenges are successful, contract water deliveries could be less than current District projections and could result in less CVP water being allocated to the District by Reclamation.

Certain Factors Affecting Agricultural Areas

The District’s revenues are generated primarily from two sources: water charges collected from water users within the District and land based acreage charges and assessments on the owners of the land within the District. A number of factors, including but not limited to weather conditions, crop prices, disease and crop predation, federal and State agricultural and environmental policies, federal reclamation law policies, national and international trade policies, soil quality, drainage or other soil conditions, operational conditions as well as general economic conditions may materially adversely affect the ability of water users to pay water rates or landowners to pay acreage charges or assessments, including the Contractual Obligation Assessments. If one or a combination of these factors adversely impacts the ability of the landowners or water users to make such payments, the District expects that collection of water charges, acreage charges or assessments in the District could decline. The District does not believe that such decline would materially adversely affect the ability of the District to pay the Series 2021 Installment Payments unless such factors continued for a substantial period of time.

Rate Covenant Not a Guarantee

The Series 2021 Installment Payments, which secure the 2021 Bonds, are payable from Net Revenues of the Water System and the Contractual Obligation Assessment, and, if proceeds of the Contractual Obligation Assessments are not sufficient to pay the Series 2021 Installment Payments, the District’s ability to pay the 2021

Installment Payments will depend on its ability to generate Net Revenues at the levels required by the 2021 Installment Purchase Agreement. Although the District has covenanted in the 2021 Installment Purchase Agreement to use its best efforts to impose rates and charges as more particularly described under the caption “—Rate Covenant” under “SECURITY FOR THE 2021 BONDS,” and although the District expects that sufficient Revenues will be generated through the imposition and collection of such rates and charges, there is no assurance that the imposition and collection of such rates and charges will result in the generation of Net Revenues in amounts sufficient, after application of Contractual Obligation Assessments as described under the caption “SECURITY FOR THE 2021 BONDS—General,” to pay the Series 2021 Installment Payments. Among other matters, the availability of and demand for water and changes in law and government regulations could materially adversely affect the amount of Revenues realized by the District. No assurance can be made that revenues of the Water System, estimated or otherwise, will be realized by the District in amounts sufficient to pay the Series 2021 Installment Payments which secure the 2021 Bonds. Among other matters, the availability of and demand for water, and changes in law and government regulations could materially adversely affect the amount of revenues realized by the District. In addition, the District’s ability to generate Net Revenues sufficient to pay the Series 2021 Installment Payments may be materially 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 CHARGES.” A period of drought could reduce the amount of water used by farmers in the District service area, which thereby could reduce Net Revenues of the Water System. See Appendix A—“PANOCHÉ WATER DISTRICT—District Water Supply” herein.

Pursuant to the 2021 Installment Purchase Agreement, the District can transfer amounts from the 2021 Stabilization Fund to the Revenue Fund, as more particularly described under the captions “—2021 Stabilization Fund” under “SECURITY FOR THE 2021 BONDS” herein. Such amounts shall constitute Revenues for purposes of the rate covenant and the calculations to issue additional Bonds or execute additional Contracts, as described under the captions “SECURITY FOR THE 2021 BONDS—Additional Indebtedness Under the 2021 Installment Purchase Agreement.” Such transferred amounts shall count as Revenues for a Fiscal Year for purposes of the rate covenant and the calculations to issue additional Bonds or execute additional Contracts for a particular Fiscal Year, even if such amounts are transferred to the Revenue Fund up to 270 days after the end of such Fiscal Year.

Collection of Contractual Obligation Assessment

The Contractual Obligation Assessment will be collected by the respective treasurer-tax collectors of Merced and Fresno Counties on the annual property tax bills of the landowners subject to the Contractual Benefit Assessment. The District expects to apply to each county for the enrollment in the respective counties’ Teeter Plans. Under the policies of Merced and Fresno Counties, the Contractual Obligation Assessment will need to be collected for three Fiscal Years before the Contractual Obligation Assessment may be enrolled in the Teeter Plan. Until the Contractual Obligation Assessment is enrolled in the Teeter Plans of the counties, the District’s receipt of the proceeds of the Contractual Obligation Assessment will be dependent on respective treasurer-tax collectors of Merced and Fresno Counties’ ability to collect the Contractual Obligation Assessment coming due.

There can be no assurance that the actual amount of Contractual Obligation Assessment received by District will occur as described in this Official Statement. Factors, including, but not limited to, an economic downturn, natural disasters and an increase in foreclosures on real property in the boundaries of the District, among others, may have an adverse impact on the willingness of landowners to pay the Contractual Obligation Assessment. See “- COVID-19” below for a discussion of the potential impact of the COVID-19 pandemic on the District. The treasurer-tax collectors of Merced and Fresno Counties each adopted policies pursuant to which the treasurer-tax collector of such county was permitted to consider waiving fees and penalties levied on a taxpayer who failed to make the property tax installment due on April 10, 2020 by such date due to reasons related to the COVID-19 pandemic. There can be no assurance that such treasurer-tax collectors will not implement similar policies in the future and that such policies will not have a material adverse effect on the collection of the Contractual Obligation Assessment.

Validation of the 9(d) Contract

For a discussion of the validation proceedings, see the caption Appendix A—“PANOCHE WATER DISTRICT—LITIGATION—Validation of Proceedings for 9(d) Contract” herein.

Water Service Demand

There can be no assurance that the local demand for water service provided by the Water System will be maintained at levels described in Appendix A of this Official Statement under the heading “PANOCHE WATER DISTRICT – Projected Water Sources.” Demand for water services could be reduced as a result of hydrological conditions, conservation efforts (including in response to a drought), an economic downturn and other factors. Reduction in the level of demand could require an increase in rates or charges in order to produce Net Revenues, after application of Contractual Obligation Assessments, sufficient to comply with the District’s rate covenant in the 2021 Installment Purchase Agreement. Such rate increases could increase the likelihood of nonpayment, and could also further decrease demand. Furthermore, there can be no assurance that any other entity with regulatory authority over the CVP or the Water System will not adopt further restrictions on operation of the CVP or the Water System.

Water System Expenses

There can be no assurance that Operation and Maintenance Costs of the Water System will be consistent with the levels described in this Official Statement. Changes in technology, increases in the cost of water or other expenses would reduce Net Revenues, and could require substantial increases in rates or charges in order to comply with the rate covenant. Such rate increases could increase the likelihood of nonpayment, and could also decrease demand.

Upon repayment of the District’s existing capital repayment obligation from the proceeds of the 2021 Bonds, the Cost of Service rate paid by the District for CVP water will no longer include a capital component for CVP construction costs allocated to the District prior to execution of the 9(d) Contract. Construction costs for CVP facilities or other capitalized costs incurred after the effective date of the 9(d) Contract or not assigned to the District prior to execution of the 9(d) Contract will be paid to the United States pursuant to a separate agreement between the District and the United States within the timeframe prescribed by the WIIN Act. See, however, the caption Appendix A—“PANOCHE WATER DISTRICT—Drainage.”

Sustainable Groundwater Management Act

There can be no assurance that groundwater pumping by water users will be maintained at levels described in the table titled “Supplemental Water Supplies Acquired” under caption “PANOCHE WATER DISTRICT—District Water Supply—Supplemental Water” in Appendix A. Implementation of the SGMA and the District’s decision to be a member of a Groundwater Sustainability Agency (“GSA”) for the Delta-Mendota Sub-basin required that the member agencies prepare a Groundwater Sustainability Plan (“GSP”). The recommendations in the GSP may include limitations on groundwater pumping, increased land fallowing, and increased costs. Implementation of the GSP recommendations could also result in claims against the District for failure to comply with applicable laws and regulations.

Statutory and Regulatory Compliance

Laws and regulations governing the treatment and delivery of water are enacted and promulgated by federal, State and local government agencies. Compliance with these laws and regulations is and will continue to be costly, and, as more stringent standards are developed, such costs will likely increase.

The District is unaware of any claim against the District for failure to comply with applicable laws and regulations. However, if such a claim were successful, such claim may be payable from assets of the District or from other legally available sources. In addition to claims by private parties, changes in the scope and standards

for public agency water systems such as that operated by the District may also lead to administrative orders issued by federal or State regulators. Future compliance with such orders can also impose substantial additional costs on the District. No assurance can be given that the cost of compliance with such laws, regulations and orders would not materially adversely affect the ability of the District to generate Net Revenues sufficient to pay the Series 2021 Installment Payments.

Limitations on Remedies Available; Bankruptcy

The enforceability of the rights and remedies of the Owners and the obligations of the District may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; equitable principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercising of powers by the federal or State government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

The opinion to be delivered by Bond Counsel concurrently with the issuance of the 2021 Bonds will be subject to such limitations and the various other legal opinions to be delivered concurrently with the issuance of the 2021 Bonds will be similarly qualified. See Appendix D. In the event that the District fails to comply with its covenants under the 2021 Installment Purchase Agreement or fails to pay the Series 2021 Installment Payments, which secure the 2021 Bonds, there can be no assurance of the availability of remedies adequate to protect the interest of the holders of the 2021 Bonds. Furthermore, the remedies available to the owners of the 2021 Bonds upon the occurrence of an event of default under the 2021 Installment Purchase Agreement 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.

No Obligation to Tax

Although the District has covenanted to levy the Contractual Obligation Assessment as described under the caption "SECURITY FOR THE 2021 BONDS—General," the obligation of the District to pay the Series 2021 Installment Payments that secure the 2021 Bonds does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. The obligation of the District to pay the Series 2021 Installment Payments does not constitute a debt or indebtedness of any agency, the State of California or any of its political subdivisions, in contravention of any constitutional or statutory debt limitation or restriction.

Change in Law

In addition to the other limitations described herein, the California electorate or Legislature could adopt a constitutional or legislative property tax decrease or an initiative with the effect of reducing revenues payable to or collected by the District. There is no assurance that the California electorate or Legislature will not at some future time approve additional limitations that could reduce the revenues and materially adversely affect the security of the Series 2021 Installment Payments and the 2021 Bonds.

Natural Disasters and Seismic Considerations

General. The occurrence of any natural disaster within the District or affecting the CVP itself or any Reclamation facilities, including, without limitation, earthquake, wildfire, drought, high winds, landslide or flood, could have an adverse material impact on the economy within the District and the revenues available for the payment of the Series 2021 Installment Payments and result in substantial damage to and interference with the operations of the Water System.

Seismic Activity. The area encompassed by the District as well as areas from where Reclamation provides water to the District, like that in much of California, may be subject to unpredictable seismic activity. The District and such Reclamation facilities are located within a regional network of several active and potentially active faults. In addition, the Delta, from or through which the District's CVP water supply is diverted or conveyed, is home to an extensive levee network critical to the CVP's water supply reliability. If there were to be an occurrence of severe seismic activity in the District or in areas, including the Delta, affecting Reclamation's facilities, there could be an impact on the ability of water users to pay the Water System rates and charges, diminishing Net Revenues, which could have a material adverse effect on the District's ability to pay the Series 2021 Installment Payments.

The District maintains earthquake insurance on certain Water System facilities. In addition, Reclamation does not maintain earthquake insurance for Reclamation's facilities. See the caption "PANOCHE WATER DISTRICT—Insurance" in Appendix A.

Flooding. Portions of the District and areas where Reclamation facilities are located are mapped within the 100-year flood plain and have the potential to flood if rain events exceed the floodplain capacity. The District maintains insurance covering damage to the Water System caused by flooding. Reclamation does not maintain insurance for damage to Reclamation's facilities caused by flooding. See the subcaption "—Climate Change" below and the caption "PANOCHE WATER DISTRICT—Insurance" in Appendix A. Damage to portions of the District due to damage caused by flooding and the impact on the agricultural activities taking place thereon, may affect the demand for water within the District's service area or the ability or willingness of landowners to pay acreage charges or assessments.

Fire. Wildfires have occurred historically in different regions of the State, including areas in which Reclamation conducts water gathering activities and near the District's service area. There can be no assurance that fires will not occur near CVP facilities or within the boundaries of the District in the future, leading to decreased CVP water supplies received by the District or usage of the District's Water System and a decline in Net Revenues. The District carries insurance for fire damage for the District facilities. In addition, Reclamation does not carry insurance for fire damage on Reclamation's facilities. See the caption "PANOCHE WATER DISTRICT—Insurance" in Appendix A.

Drought. For several years prior to 2017, the State experienced a significant drought, one of the consequences of which was a 0% allocation of CVP water deliveries by Reclamation to the District in Fiscal Years 2015 and 2016 and significantly reduced allocations by Reclamation in Fiscal Years 2014 and 2017.

On April 21, 2021, Governor Newsom proclaimed a state of emergency in Mendocino and Sonoma counties due to drought conditions in the Russian River Watershed. On May 10, 2021, Governor Newsom expanded the drought emergency proclamation to cover Klamath River, Sacramento-San Joaquin Delta and Tulare Lake watersheds bringing the total number of counties under emergency proclamation to 41. Due to the worsening hydrological conditions in California, Reclamation announced on May 26, 2021, that the allocation for Fiscal Year 2022 will be reduced to 0% from the previous 5% allocation.

There can be no assurance that drought conditions will not persist or worsen in the future. The persistence of drought conditions may result in decreased amounts of CVP water received by the District from Reclamation, which could materially adversely affect the ability of the District to generate Net Revenues in amounts that are sufficient to pay the Series 2021 Installment Payments.

Climate Change. Climate change, including change caused by human activities, may have material adverse effects on the District's Water System. As greenhouse gas emissions continue to accumulate in the atmosphere as a result of economic activity, climate change is expected to intensify, potentially increasing the frequency, severity and timing of extreme weather events such as coastal storm surges, drought, wildfires, floods and heat waves, and raising sea levels. The future fiscal impact of climate change on the CVP, the District or the Reclamation facilities is difficult to predict, but it could be significant and it could have a material adverse effect on the District's finances by requiring greater expenditures to counteract the effects of climate change or

by changing the business and activities of District customers. The District considers the potential effects of climate change in its planning, consistent with state law.

Parity Obligations

The 2021 Installment Purchase Agreement permits the District to issue Bonds and enter into Contracts payable from Net Revenues on a parity with the Series 2021 Installment Payments, which secure the 2021 Bonds, subject to the terms and conditions set forth therein. See the caption “SECURITY FOR THE 2021 BONDS—Additional Indebtedness Under the 2021 Installment Purchase Agreement” herein. The issuance of additional Bonds and entry into Contracts could result in reduced Net Revenues available to pay the Series 2021 Installment Payments. In the 2021 Installment Purchase Agreement, the District has covenanted to use its best efforts to impose rates and charges to maintain coverage of at least 100% of Debt Service, less, in the case of Series 2021 Installment Payments or any obligations issued to prepay the Series 2021 Installment Payments, the proceeds of the Contractual Obligation Assessment levied to pay Series 2021 Installment Payments and any obligations issued to prepay the Series 2021 Installment Payments for such Fiscal Year, as further described under the caption “SECURITY FOR THE 2021 BONDS—Additional Indebtedness Under the 2021 Installment Purchase Agreement.”

Under the 2021 Installment Purchase Agreement, the District is not permitted to issue or incur obligations payable from the Contractual Obligation Assessments unless such obligations are issued or incurred, as applicable, for the purpose of prepaying the Series 2021 Installment Payments or obligations issued or incurred to prepay the Series 2021 Installment Payments, as further described under the caption “SECURITY FOR THE 2021 BONDS—Additional Indebtedness Under the 2021 Installment Purchase Agreement.”

Loss of Tax Exemption

Interest with respect to the 2021A Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date that the 2021A Bonds were issued as a result of future acts or omissions of the District in violation of its covenants in the 2021 Installment Purchase Agreement or the Authority in violation of its covenants in Indenture. In addition, current and future legislative proposals, if enacted into law, may cause interest with respect to the 2021A Bonds to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the aggregate amount of interest on state and local government bonds that may be treated as tax exempt by individuals. See the caption “TAX MATTERS.” Should such an event of taxability occur, the 2021A Bonds are not subject to a special prepayment and will remain outstanding until maturity.

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the 2021 Bonds or, if a secondary market exists, that any 2021 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.

COVID-19

The spread of the novel strain of coronavirus and the disease it causes (now known as “COVID-19”) is having significant negative impacts throughout the world, including in California. The World Health Organization has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the United States, the State, and numerous counties throughout the State, including Merced and Fresno Counties. The purpose behind these declarations is to coordinate and formalize emergency actions and across federal, state and local governmental agencies, and to proactively prepare for a wider spread of the virus.

On March 19, 2020, in an effort to slow the spread of COVID-19, Governor Newsom issued Executive Order N-33-20 ordering individuals living in the State to stay home or at their place of residence except for specified exceptions. The District workforce is considered essential under the Food and Agriculture sector profile included in the Essential Critical Infrastructure Workers under the Governor’s Executive Order N-33-20. This classification permits the District workforce to be excepted from the portion of Executive Order N-33-20 that orders non-essential workers to remain in their place of residence. The District’s workforce offers essential services to water users and landowners by providing water for the growing of agricultural crops within the District. The District continues to operate in accordance with the health guidelines established by the County of Fresno, the State of California, and the federal government. The District has continued to deliver water to its customers daily without interruption.

With widespread vaccination currently underway in the United States and many countries worldwide, some of the governmental-imposed stay-at-home orders and restrictions on operations of schools and businesses implemented to respond to and control the outbreak have been eased or eliminated. On June 11, 2021, Governor Newsom issued two executive orders, which became effective on June 15, 2021, which had the effect of rescinding a majority of the COVID-19-related restrictions and providing a timeline for gradually lifting certain of the other restrictions that were fully rescinded on June 15, 2021. No assurance can be given that governmental authorities will not reinstate the prior restrictions in the event that the COVID-19 outbreak worsens. The ultimate impact of COVID-19 on the operations and finances of the District is unknown and there can be no assurance that the outbreak of COVID-19 will not affect the District’s ability to pay the Series 2021 Installment Payments, which secure the 2021 Bonds.

Cyber Security

Municipal agencies, like other business entities, face significant risks relating to the use and application of computer software and hardware. Recently, there have been significant cyber security incidents affecting municipal agencies, including a freeze affecting computer systems of the City of Atlanta, an attack on the City of Baltimore’s 911 system, an attack on the Colorado Department of Transportation’s computers and an attack that resulted in the temporary closure of the Port of Los Angeles’ largest terminal.

The District employs cyber protection in multiple layers. The District requires secure virtual private network for access to servers and network via Sonicwall firewalls. Sonicwall also provides anti-spam and anti-virus functionality at the perimeter of network. In addition, users, servers and workstations are protected by Symantec Enterprise anti-virus, and anti-spam. User controls enforce passwords and permissions to allow or disallow access as required data is protected by full-server encrypted backups with additional cloud copies. If a future attack or local disaster were to result in disruption of District operations, the District expects that the situation would be temporary and speedily resolved. In addition, the District also carries coverage for cyber liability and cyber security.

THE AUTHORITY

The Authority is a joint powers authority organized pursuant to the Joint Powers Agreement. The Joint Powers Agreement was entered into pursuant to the provisions of the Act. The Authority is governed by a board of directors. The Board of Directors for the District serves as the board of directors for the Authority. The Authority was created to provide for financing and refinancing on behalf of the District or PDD by exercising the powers referred to in the Joint Powers Agreement, and any other transaction authorized by law. Under the Act, the Authority has the power to issue bonds to assist its member agencies in the financing and refinancing of public capital improvements, or projects for the public benefit. Neither the District nor PDD is responsible for repayment of the indebtedness of the other.

APPROVAL OF LEGAL PROCEEDINGS

The valid, legal and binding nature of the 2021 Bonds is subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, acting as Bond Counsel and certain other conditions. The form of

such legal opinion is attached hereto as Appendix D and such legal opinion will be attached to each 2021 Bond. The Underwriter is being represented by its counsel, Kutak Rock LLP, Irvine, California. Certain legal matters will be passed upon for the District by Welty, Weaver & Currie, Healdsburg, California, as the General Counsel of the District, for the Authority by Welty, Weaver & Currie, Healdsburg, California, as General Counsel to the Authority and for the Trustee by its counsel.

Payment of the fees of Stradling Yocca Carlson & Rauth, a Professional Corporation, are contingent on the issuance of the 2021 Bonds. Stradling Yocca Carlson & Rauth, a Professional Corporation, represents the Underwriter from time-to-time on matters unrelated to the Authority, the District or the 2021 Bonds. Stradling Yocca Carlson & Rauth, a Professional Corporation, does not represent the Underwriter or any other party in connection with the issuance of the 2021 Bonds other than the Authority and the District.

TAX MATTERS

2021A Bonds

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Sacramento, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the 2021A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the 2021A Bonds is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the 2021A Bonds is based upon certain representations of fact and certifications made by the District, the Authority and others and is subject to the condition that the District and the Authority comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2021A Bonds to assure that interest (and original issue discount) on the 2021A Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the 2021A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2021A Bonds. The District and the Authority have covenanted to comply with all such requirements.

In the opinion of Bond Counsel, the difference between the issue price of a 2021A Bond (the first price at which a substantial amount of the 2021A Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity of such 2021A Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a 2021A Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a 2021A Bond Owner will increase the 2021A Bond Owner's basis in the applicable 2021A Bond. The amount of original issue discount that accrues to the Owner of a 2021A Bond is excluded from the gross income of such 2021A Bond Owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

The amount by which a 2021A Bond Owner's original basis for determining loss on sale or exchange in the applicable 2021A Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the 2021A Bond Owner's basis in the applicable 2021A Bond (and the amount of tax-exempt interest received with respect to the 2021 Bonds), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a 2021A Bond Owner realizing a taxable gain when a 2021A Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2021A Bond to the Owner. Purchasers of the 2021A Bonds

should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The IRS has initiated an expanded program for the auditing of tax exempt bond issues, including both random and targeted audits. It is possible that the 2021A Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2021A Bonds might be affected as a result of such an audit of the 2021A Bonds (or by an audit of similar municipal obligations). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the 2021A Bonds to the extent that it materially adversely affects the exclusion from gross income of interest (and original issue discount) on the 2021A Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE 2021A BONDS THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE 2021A BONDS, INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE 2021A BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE 2021A BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE 2021A BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE 2021A BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE 2021A BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture, the Installment Purchase Agreement and the Tax Certificate relating to the 2021A Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any 2021A Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the 2021A Bonds is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the 2021A Bonds and the accrual or receipt of interest (and original issue discount) on the 2021A Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the 2021A Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the 2021A Bonds.

Should interest (and original issue discount) on the 2021A Bonds become includable in gross income for federal income tax purposes, the 2021A Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed in accordance with the Indenture.

2021B Bonds

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the 2021B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code but interest on the 2021B Bonds is exempt from State of California personal income tax.

With certain exceptions, the difference between the issue price of a 2021B Bond (the first price at which a substantial amount of the 2021B Bonds of the same maturity is to be sold to the public) and the stated redemption price at maturity (to the extent that such issue price is lower than the stated redemption price at maturity) with respect to such 2021B Bond constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by the Beneficial Owner of a 2021B Bond will increase the Beneficial Owner's basis in the 2021B Bond.

The amount by which a 2021B Bond Owner's original basis for determining loss on sale or exchange in the applicable 2021B Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which the 2021B Beneficial Owner may elect to amortize under Section 171 of the Code. Such amortizable bond premium reduces the 2021B Beneficial Owner's basis in the applicable 2021B Bond (and the amount of taxable interest received) and is deductible for federal income tax purposes. The basis reduction as a result of the amortization of 2021B Bond premium may result in the 2021B Beneficial Owner realizing a taxable gain when a 2021B Bond is sold by the 2021B Beneficial Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2021B Bond to the 2021B Bond Owner. The 2021B Beneficial Owners that have a basis in the 2021B Bond that is greater than the principal amount of the 2021B Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

In the event of a legal defeasance of a 2021B Bond, such 2021B Bond might be treated as retired and "reissued" for federal tax purposes as of the date of the defeasance, potentially resulting in recognition of taxable gain or loss to the applicable 2021B Beneficial Owner generally equal to the difference between the amount deemed realized from the deemed redemption and reissuance and the 2021B Beneficial Owner's adjusted tax basis in such 2021B Bond.

The federal tax and State of California personal income tax discussion set forth above with respect to the 2021B Bonds is included for general information only and may not be applicable depending upon a 2021B Beneficial Owner's particular situation. The ownership and disposal of a 2021B Bond and the accrual or receipt of interest with respect to the 2021B Bond may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences.

A complete copy of the proposed opinion of Bond Counsel is set forth in Appendix D—"FORM OF OPINION OF BOND COUNSEL."

AUTHORITY LITIGATION

There is no action, lawsuit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the Authority, threatened against the Authority affecting the existence of the Authority or the titles of its officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the 2021 Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the action of the Authority contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the Authority or its authority with respect to the 2021 Bonds or any action of the Authority contemplated by any of said documents.

See Appendix A—"PANOCHE WATER DISTRICT—LITIGATION" for information with respect to litigation affecting the District.

RATING

S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P"), has assigned the 2021 Bonds the rating of "___". There is no assurance that the credit rating given to the 2021 Bonds will be maintained for any period of time or that the rating may not be lowered or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any downward revision or withdrawal of such rating may have an

adverse effect on the market price of the 2021 Bonds. Such rating reflects only the views of S&P, and an explanation of the significance of such rating may be obtained from S&P.

The District has covenanted in a Continuing Disclosure Certificate to file on EMMA, notices of any rating changes on the 2021 Bonds. See the caption “CONTINUING DISCLOSURE UNDERTAKING” below and Appendix F—“FORM OF CONTINUING DISCLOSURE CERTIFICATE.” Notwithstanding such covenant, information relating to rating changes on the 2021 Bonds may be publicly available from S&P prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change on the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system (“EMMA”). Purchasers of the 2021 Bonds are directed to S&P and its website and official media outlets for the most current ratings changes with respect to the 2021 Bonds after the initial issuance of the 2021 Bonds.

In providing a rating on the 2021 Bonds, S&P may have performed independent calculations of coverage ratios using its own internal formulas and methodology which may not reflect the provisions of the 2021 Installment Purchase Agreement. The District makes no representations as to any such calculations, and such calculations should not be construed as a representation by the District as to past or future compliance with any financial covenants, the availability of particular revenues for the payment of Series 2021 Installment Payments or for any other purpose.

UNDERWRITING

The 2021 Bonds will be purchased by the Underwriter (as defined below), pursuant to a Purchase Contract (the “Purchase Contract”), by and among the District, the Authority and the Wells Fargo Bank, National Association, (the “Underwriter”). Under the Purchase Contract, the Underwriter has agreed to purchase all, but not less than all, of the 2021A Bonds for an aggregate purchase price of \$ _____ (representing the principal amount of the 2021 Bonds, less an underwriter’s discount of \$ _____ plus net original issue premium of \$ _____) and the 2021B Bonds for an aggregate purchase price of \$ _____ (representing the principal amount of the 2021 Bonds, less an underwriter’s discount of \$ _____). The Purchase Contract provides that the Underwriter will purchase all of the of 2021 Bonds if any are purchased, the obligation to make such a purchase being subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel and certain other conditions.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Finance Group (“WFBNA”), the sole underwriter of the Bonds, has entered into an agreement (the “WFA Distribution Agreement”) with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name “Wells Fargo Advisors”) (“WFA”), for the distribution of certain municipal securities offerings, including the 2021 Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the 2021 Bonds with WFA. WFBNA has also entered into an agreement (the “WFSLLC Distribution Agreement”) with its affiliate Wells Fargo Securities, LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the 2021 Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter and its affiliates have, from time to time, performed, and may in the future perform, various investment banking services

for the District for which they received or will receive customary fees and expenses. In addition, certain affiliates of the Underwriter are lenders, and in some cases agents or managers for the lenders, under credit and liquidity facilities.

In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

The initial public offering prices stated on the inside front cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the 2021 Bonds to certain dealers (including dealers depositing 2021 Bonds into investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering prices.

MUNICIPAL ADVISOR

The District has retained Fieldman, Rolapp & Associates, Inc., Irvine, California (the “Municipal Advisor”) as municipal advisor in connection with the issuance of the 2021 Bonds. The Municipal Advisor is not obligated to undertake and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The fees being paid to the Municipal Advisor are contingent upon the issuance of the 2021 Bonds.

The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

CONTINUING DISCLOSURE UNDERTAKING

The District has covenanted in a Continuing Disclosure Certificate for the benefit of the holders and beneficial owners of the 2021 Bonds to provide certain financial information and operating data relating to the District by not later than the 270 days following the end of the District Fiscal Year (currently the District Fiscal Year ends on the last day of February) (the “District Annual Report”), commencing with the report for the District Fiscal Year ending February 28, 2021, and to provide notices of the occurrence of certain enumerated events. The District Annual Report and the notices of enumerated events will be filed by the District with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system (“EMMA”). The specific nature of the information to be contained in the District Annual Report and the notice of enumerated events is set forth in Appendix F—“FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter in complying with Section (b)(5) of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934. The District has not been subject to the terms of a continuing disclosure undertaking pursuant to Rule 15c2-12 in the last five years.

In order to ensure compliance by the District with its continuing disclosure undertakings in the future, the Board of Directors approved an updated Policy for Disclosure Procedures on March 23, 2021 (the “District Disclosure Procedures”). Pursuant to the District Disclosure Procedures, the General Manager is required to take steps to ensure that continuing disclosure filings are prepared and filed in a timely manner. A copy of the District Disclosure Procedures has been provided to the Underwriter and is available from the General Manager of the District at 52027 W. Althea Ave, Firebaugh, CA 93622, Telephone: (209) 364-6136.

On March 23, 2021, the board of directors of the Authority determined to have the District Disclosure Procedures apply to the Authority to assist in complying with any continuing disclosure undertakings that the Authority may enter into in the future. A copy of the Authority Disclosure Procedures has been provided to the Underwriter and is available from the Executive Director of the Authority at 52027 W Althea Ave, Firebaugh, CA 93622, Telephone: (209) 364-6136.

MISCELLANEOUS

Insofar as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of such statements made will be realized. 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 2021 Bonds.

The execution and delivery of this Official Statement have been duly authorized by the District and the Authority.

PANOCHE FINANCING AUTHORITY

By: _____
President, Board of Directors

DRAFT

APPENDIX A

PANOCHE WATER DISTRICT

General

The Panoche Water District (the “District”) was formed in, and has operated continuously since, 1950 under the California Water District Law (being Division 13 of the California Water Code), for the purpose of furnishing irrigation water for agricultural use within the District. The District includes approximately 38,231 acres located on the west side of the San Joaquin Valley in northwestern Fresno and southwestern Merced Counties of which approximately 36,970 are irrigable. The Delta-Mendota Canal, the San Luis Canal and Interstate 5 pass through or are in proximity to the District. The District currently provides agricultural water to approximately 106 landowners and lessees.

The earliest agricultural ventures in the area now included in the District took place prior to 1900 and consisted of the growing of dry farm grain. Significant irrigation by private parties started in the late 1920’s and was accomplished by means of shallow wells.

In the early 1950’s the Delta-Mendota Canal, a major feature of the Central Valley Project (“CVP”), was constructed by the Bureau of Reclamation (“Reclamation”), an agency within the United States Department of the Interior. During and after the construction of the Delta-Mendota Canal, major development of farmland occurred on the west side of the San Joaquin Valley and led to the formation of the District and other water districts in the area. On August 16, 1955 the District entered into a long term 50-year contract, the Contract between the United States of America and Panoche Water District Providing for Water Service (Contract No. 14-06-200-4553), with Reclamation (the “1955 Contract”), for a firm water supply of up to 94,000 acre-feet.

During the 1960’s the State of California and Reclamation undertook a joint effort to build the San Luis Reservoir and San Luis Canal, which was completed in 1968. On August 30, 1974, the District and Reclamation entered into Contract No. 14-20-200-7864A (the “1974 Contract”), superseding the 1955 Contract to allow for additional points of delivery and specifying a 5-year build-out period, after which the Reclamation was obligated to provide 94,000 acre-feet per year to the District.

District Powers

The District has broad general powers under the Law to perform all necessary or proper acts, including but not limited to the authority to acquire, plan, construct, maintain, improve, operate and repair necessary works for the transmission and distribution of water for irrigation and other purposes and for any drainage or reclamation of such water; the right of eminent domain; subject to applicable California constitutional limitations, authority to levy assessments or, in lieu thereof, to fix and collect charges for water, including standby charges made to holders of title to land to which water may be made available, whether or not the water is actually used; authority to establish rules and regulations for the sale and distribution of water, including rules for providing that water shall not be furnished to persons against whom there are delinquent water or standby charges; authority to contract with the United States, the State of California and the agencies of either; and the power to join with one or more public agencies, private corporations or other persons for the purpose of carrying out any of the powers of the District.

Governance

The District is governed by a five-member Board of Directors (the “Board”) who are elected by the landowners in the District to staggered four-year terms. All of the current directors are landowners in the District.

The current directors, the date of last election or appointment and the expiration dates of their terms are set forth below.

Board of Directors

<i>Name</i>	<i>Elected/Appointed</i>	<i>Term Expires</i>
John Bennett, President	November 5, 2019	December 5, 2023
Sue Redfern-West, Vice-President	November 5, 2019	December 5, 2023
Mike Stearns, Secretary	November 7, 2017	December 5, 2021
Ross Koda, Director	November 7, 2017	December 5, 2021
Michael Linneman, Director	November 7, 2017	December 5, 2021

On May 25, 2021, and in accordance with California Election Code sections 14050 – 14057 enacted by California Senate Bill 415 (“SB 415”), the Board adopted a plan to move the District’s general elections to even-numbered years on the same date in November as the State-wide general election. The District’s plan must be approved by the Fresno County Board of Supervisors. Through this proposed change, and in accordance with SB 415, the Board adopted a plan to maintain the District’s next general election for November 9, 2021. Therefore, the seats currently held by Directors Koda, Linneman, and Stearns are still up for re-election on November 9, 2021. However, in order to align the District’s general elections with the State-wide general election, the Directors elected to those three seats will serve until 2024, (i.e., a three-year term as opposed what would have been a four-year term), after which the Directors elected to those seats will serve four-year terms. Similarly, the seats currently held by Directors Bennett and Redfern-West will be up for re-election in 2022 instead of 2023, after which the Directors elected to those seats will serve four-year terms.

Management

Ara Azhderian is the General Manager of the District. Mr. Azhderian is responsible for the oversight and management of the daily operations and maintenance of the District, water supply management and representing the District in its local, state and federal affairs. Mr. Azhderian has worked in the water industry for over 20 years, garnering experience in finance and administration, regulation, litigation, and legislation at the local, state, and federal levels that may affect water management generally and the District specifically. Mr. Azhderian was hired by the District in October 2017 as the General Manager.

From 2004 through 2017, Mr. Azhderian worked for the San Luis & Delta-Mendota Water Authority as its Water Policy Administrator and from 2000 to 2004 as the Watermaster for San Luis Water District. Prior to that time, he was engaged in farming and worked for private parties in farm-related business.

Employee Benefits

The District provides retirement benefits for all of its full-time employees through a defined contribution plan (the “Retirement Plan”). The District acts as Retirement Plan trustee. The Retirement Plan is administered by Hicks Pension Services in Fresno, California using an IRS approved plan document. John Hancock Financial Services is the record keeper of the Retirement Plan and handles all plan investments as well as tracking and reconciling all participant accounts, contributions, and distributions. The outside fiduciary of the Retirement Plan is James M. Shaw AIF, Accredited Investment Fiduciary and Registered Principal of Valley Business Investment Services in Visalia, California. All full-time employees, 21 years or older, are eligible to participate in the plan after six months of full-time service.

The District currently makes an annual discretionary profit-sharing contribution in the amount of 3% of annual gross compensation, subject to a 4-year vesting schedule, as well as a safe harbor matching contribution of 100% of the first 4% of salary deferral. The safe harbor matching contribution is 100% vested at all times.

If the employee terminates employment before fully vesting, forfeiture will take place as of the end of

the plan year in which the earlier of the following occurs: 1) the employee incurs five consecutive breaks in service, 2) the employee receives a distribution of the entire vested account balance. Any changes to the rates are approved by the Board. Employees may make voluntary pre-tax salary deferral contributions to the plan subject to Internal Revenue Service limits which combine employer and employee contributions. Total District contributions for the year ended February 29, 2020 were \$184,129, with covered payroll equaling \$2,846,234. The total District contributions for year ended February 28, 2021 were \$286,969, with covered payroll equaling \$2,482,588. The budgeted total District contributions for the year ending February 28, 2022 are \$185,850, with covered payroll equaling \$1,738,229.

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 401(k). The deferred compensation plan, which is available to all full-time employees, permits them to defer a portion of their current salary into future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

For additional information with respect to District employee benefits see Notes 9 and 10 to the District financial statements for the year ended February 29, 2020 set forth in Appendix B hereto.

Other Post-Employment Benefits

The District does not provide post-employment health care or other non-pension benefits to its employees.

Employees

The District currently employs 26 persons, 12 of whom work in the administrative division and 14 in operations. No employees of the District are currently represented by a union. The District has never been the subject of a strike or other labor action.

District Budgeting Process

Annual budgets are approved and adopted each year by the District's Board. The Board works with District staff to develop a budget in accordance with the District's Accounting Policies & Procedures Manual. The annual budget has two major components: the capital budget and the operating budget. Capital budgeting is used for evaluating and ranking potential expenditures or investments that are significant. The operating budget is used to estimate annual revenues and expenditures. Budgeting control is maintained by the District's Controller. Once approved, the Board may amend the adopted budget when unexpended modifications are required in estimated revenues or expenditures.

Annually, during the budget process, the District evaluates forthcoming operations and maintenance costs and estimates irrigation water deliveries to establish a water rate suitable of fully recovering the District's estimated costs of operating. During the Fiscal Year, budget amendments and adjustments may be made to reflect changes in financial conditions, water supply and cost, programs and/or authorizing laws that affect ongoing expenditures. The budget cycle is completed with the review and alignment of staff work plans to be consistent with the resource allocation made in the adopted budget.

The current budget for Fiscal Year 2021-22 was approved by the Board on May 11, 2021. As of June 22, 2021, no material amendment to such budget has been considered. The District expects to amend the Fiscal Year 2021-22 budget to reflect a projected increase in revenues and expenses as a result of increased purchases of supplemental water.

For additional information concerning the District budget process see in Note 1 to the financial statements of the District for the year ending February 29, 2020.

District Insurance

The District maintains general liability insurance as well as a variety of supplemental insurances through the Association of California Water Agencies-Joint Powers Insurance Authority (“ACWA-JPIA”). ACWA-JPIA is an intergovernmental risk-pooling self-insurance authority, created under provisions of California Government Code Sections 6500 et. seq. ACWA-JPIA’s purpose is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

The ACWA-JPIA includes general, automobile, and employment practices & public officials’ liability coverage. Coverage against third-party claims for the District includes its directors, employees, and volunteers. ACWA-JPIA pools provide coverage for the first \$5 million of claims, and purchases excess coverage with limit up to \$55 million with aggregated policy limits.

For property losses, the District has coverage up to the replacement value of the property with a \$2,500 deductible per occurrence on specified buildings, fixed equipment and contents, actual cash value on specified mobile equipment with a \$2,500 deductible per occurrence and actual cash value on specified vehicles with a \$2,500 deductible per occurrence. ACWA-JPIA is self-insured up to \$100,000 per loss and has purchased re-insurance coverage up to a \$500,000,000 limit per occurrence. Certain fixed equipment is covered for accidental mechanical breakdown up to sub-limit of \$100,000,000 with deductible \$25,000 to \$50,000 depending on type of equipment.

For workers’ compensation, the District is covered for statutory limits, and employer’s liability is covered up to \$2,000,000 per accident and \$2,000,000 per disease. ACWA-JPIA is self-insured up to \$2,000,000 and excess insurance coverage has been purchased by ACWA-JPIA.

The District’s employee dishonesty/crime supplement coverage is up to \$100,000 per occurrence with a \$1,000 deductible for employee dishonesty, forgery or alteration and computer fraud. The program covers all employees, the Board of Directors, and the Treasurer.

The District also carries coverage for cyber liability and cyber security.

For additional information the District risk management program, see Note 12 to the District financial statements for the year ended February 29, 2020 set forth in Appendix B hereto.

Land and Land Use

The District encompasses an area of approximately 38,231 acres, 36,970 of such acres are irrigable. Most of the land in the District is currently used for agricultural production. Land within the District is relatively level, with elevations from 375 feet above sea level in the southwestern part of the District to 155 feet above sea level in the northeastern part.

The District has hot, dry summers and historically tends to have cool, moist winters. Average rainfall is approximately ten inches a year, and the frost-free season at Firebaugh, is approximately 338 days.

In 2020, farmers in the District planted and harvested crops on approximately 26,000 acres. Set forth below are the ten crops with the highest value for calendar year 2020 (the most recent year for which information is available) and the approximate value thereof.

**Panoche Water District
Calendar Year 2020 Crop Values**

<i>Crop</i>	<i>Acres Planted</i>	<i>Value</i>
Wine Grapes	893	\$72,000,000
Pistachios	8,507	48,500,000
Almonds	5,239	21,000,000
Tomatoes (Canning)	4,220	17,200,000
Honeydews	951	7,500,000
Tomatoes (Fresh Market)	443	5,100,000
Cantaloupes	508	3,500,000
Pomegranates	356	2,800,000
Alfalfa	1,468	1,600,000
Cotton	484	1,100,000

Source: District.

Based on the most recently available data, the total gross value of the top ten crops grown in the District during calendar year 2020 was approximately \$180,300,000.

District Facilities

The District receives its water from the CVP through the Delta-Mendota Canal and the San Luis Canal, both owned by Reclamation. The CVP facilities were built by Reclamation and the United States Army Corps of Engineers and are currently managed by Reclamation. The CVP consists of a number of major dams and canals beginning at Shasta Dam on the Sacramento River and ending on the Kern River near the City of Bakersfield, a distance of over 400 miles. The CVP delivers approximately eight million acre-feet of water annually.

The District presently operates and maintains 19 pumping plants, approximately 39 miles of canal and 25 miles of pipelines. The District also maintains an office, service yard and maintenance shops.

District Water Supply

CVP Contract Water. The District's principal source of water is the CVP. The District's first long-term water service contract with the United States, the 1955 Contract, was executed on August 16, 1955, which provided for the delivery on an annual basis of varying quantities of water, up to 94,000 acre-feet. The 1955 Contract was superseded by a new contract in 1974, which added the San Luis Canal as a delivery source in addition to the Delta-Mendota Canal and after a 5-year buildout, also provided up to 94,000 acre-feet. The 1974 Contract expired on December 31, 2008. While the negotiations of a long-term renewal have concluded, the execution of such long-term renewal contract cannot occur until after the conclusion of necessary environmental review. Since the expiration of the 1974 Contract, the District has entered into interim renewal contracts with Reclamation which were on substantially the same terms as the 1974 Contract. The District's current interim renewal contract (No. 14-06-200-7864A-IR7) was entered into in February 2021 and will remain in effect until the Contract Between the United States and Panoche Water District Providing for Project Water Service, San Luis Unit and Delta Division and Facilities Repayment (also referred to herein as the "9(d) Contract"), goes into effect. The 9(d) Contract provides the District with a perpetual contractual right up to 94,000 acre-feet of CVP water. The District executed and delivered the 9(d) Contract on January 14, 2021, the 9(d) Contract is expected to become effective on July 1, 2021, and the District expects to apply a portion of the proceeds of the 2021 Bonds to repay the District's then remaining capital repayment obligation in a lump sum shortly after the issuance of the 2021 Bonds. See the captions "THE PROJECT" in the forepart of this Official Statement and "—9(d) Contract" below for further information with respect to the 9(d) Contract.

The District expects its near-term CVP water supply outlook to be limited. The annual average delivery capability of the CVP has been constrained because of the application of federal and State laws, including the Endangered Species Act, the Central Valley Project Improvement Act (the “CVPIA”), the Clean Water Act and the Porter-Cologne Water Quality Control Act. Due to existing regulatory constraints, the District’s average allocation of CVP water from 2015 to 2020 was approximately 42%. Prior to recent changes in the application of certain of these laws and how the CVP and State Water Project (“SWP”) would share responsibility for meeting water quality and environmental flow obligations imposed by federal and state regulatory agencies, the District estimated its long-term average allocation from the CVP would slightly improve.

In December 2018, the United States and the State executed an Addendum to the Agreement Between the United States of America and the Department of Water Resources of the State of California for Coordinated Operation of the Central Valley Project and SWP, which amended the Coordinated Operation Agreement (“COA”) originally signed in 1986. The Addendum amended four key elements of COA to reflect the evolved manner in which the CVP and SWP were operated since COA was originally signed: Article 6(c) in-basin uses; Article 10(b) CVP use of Harvey O. Banks (“Banks”) Pumping Plant; Article 10(i) export restrictions; and Article 14(a) the periodic review.

Also, in October 2019, the United States Fish and Wildlife Service (“FWS”) and the United States National Marine Fisheries Service (“NMFS”) issued new biological opinions pursuant to section 7 of the Endangered Species Act for coordinated operations of the CVP and SWP, which were adopted by Reclamation in February 2020. These biological opinions replaced biological opinions issued in 2008 and 2009 by the FWS and NMFS, respectively. Through a record of decision issued by Reclamation, Reclamation decided to operate the CVP, in coordination with SWP, as analyzed in the October 2019 biological opinions.

As a result of the COA Addendum and the operations analyzed under the October 2019 biological opinions, the District estimates its long-term average allocation from the CVP could increase under certain conditions, including real-time adaptive management. (See the caption “LITIGATION” detailing the judicial challenges to the Addendum, the 2019 biological opinions, and Reclamation’s acceptance of the 2019 biological opinions, including a preliminary injunction issued with respect to the 2019 biological opinions and Reclamation’s acceptance of the 2019 biological opinions) See the caption “—Initiation of Reconsultation Under Section 7.” Both the District and individual water users located within the District would continue to acquire supplemental water. The quantities of such supplemental water acquisitions would fluctuate with hydrology and price but remain a significant source of water in all but the wettest years. The demand for quantities of acquired supplemental water would likely decrease as hydrology improves, but the ability to convey it from north of the Delta could continue to be constrained due to regulatory or conveyance capacity limitations.

The effect of the Sustainable Groundwater Management Act of 2014 (“SGMA”) on the competition for and on the willingness to sell water that the District purchases as supplemental water is unknown. Additionally, individual water users would continue to pump groundwater at rates that comply with the Groundwater Sustainability Plan that was prepared pursuant to the Sustainable Groundwater Management Act. See the captions “—Supplemental Water” and “—Effect of New Groundwater Rules.” The District expects that SGMA will impact the availability of supplemental water and groundwater for individual users; however, the District does not project the impact to occur earlier than Fiscal Year 2023.

On or about March 27, 2020, and pursuant to the California Environmental Quality Act (“CEQA”), the California Department of Water Resources (“DWR”) certified an Environmental Impact Report (“EIR”) and issued a Notice of Determination for the long-term operation of the SWP. The California Department of Fish and Wildlife issued DWR a California Endangered Species Act incidental take permit (“ITP”) for those operations on March 31, 2020. DWR’s operation of the SWP, consistent with the conditions of approval imposed through the ITP, are likely to affect the coordinated operations of the CVP and SWP. Whether and how those affects impact the District’s water supply are uncertain at this time.

On January 20, 2021, President Joseph R. Biden Jr. issued the Executive Order on Protecting Public Health and the Environment and Restoring Science to Tackle the Climate Crisis (the “Executive Order”). Pursuant to the Executive Order, the White House, among other things, directed the National Marine Fisheries Service, National Oceanic and Atmospheric Administration, United States Department of Commerce and the United States Fish and Wildlife Service, United States Department of the Interior to review the 2019 biological opinions. The District cannot currently predict the timing of the review of the 2019 biological opinions by such agencies. The District also cannot currently predict whether the review undertaken pursuant to the Executive Order will result in revisions to the 2019 biological opinions or whether revisions, if any, would affect the District’s water supply. The District, however, does not believe that any such revisions would materially adversely affect the ability of the District to pay the Series 2021 Installment Payments because the District has not assumed the operation of the CVP in accordance with the 2019 biological opinions for purposes of the District’s planning or projections and the District projects the proceeds of the Contractual Obligation Assessments to be sufficient for the payment of the Series 2021 Installment Payments as they become due.

9(d) Contract. On December 16, 2016, the 114th Congress of the United States of America enacted the Water Infrastructure Improvements for the Nation Act (Pub. L. 114-322, 130 Stat. 1628) (“WIIN Act”). Section 4011(a)(1) of the WIIN Act provides that: “upon request of the contractor, the Secretary of the Interior shall convert any water service contract in effect on the date of enactment of this subtitle and between the United States and a water users’ association to allow for prepayment of the repayment contract pursuant to paragraph (2) under mutually agreeable terms and conditions.” Section 4011(a)(1) of the WIIN Act further provides that: “the manner of conversion under this paragraph shall be as follows: (A) Water service contracts that were entered into under section (e) of the Act of August 4, 1939 (53 Stat. 1196), to be converted under this section shall be converted to repayment contracts under section 9(d) of that Act (53 Stat. 1195);” and “(B) Water service contracts that were entered under subsection (c)(2) of section 9 of the Act of August 4, 1939 (53 Stat. 1194), to be converted under this section shall be converted to a contract under subsection (c)(1) of section 9 of that Act (53 Stat. 1195).”

Pursuant to the WIIN Act, the United States and the District negotiated terms and conditions that converted the District’s interim renewal contract to a repayment contract, and those terms and conditions are reflected in the 9(d) Contract. The 9(d) Contract also reflects the current standard terms and conditions required by the Reclamation Manual. Reclamation executed and delivered the 9(d) Contract on January 14, 2021.

The 9(d) Contract became effective on July 1, 2021, at which time it superseded the District’s interim renewal contract. The 9(d) Contract has no termination date and remains in effect as long as the District pays applicable rates and charges and complies with the other terms and conditions of the 9(d) Contract, consistent with applicable law. Shortly after the issuance of the 2021 Bonds, the District expects to apply a portion of the proceeds of the 2021 Bonds to repay the District’s then remaining capital repayment obligation, as provided under the 9(d) Contract. See the caption “THE PROJECT” in the forepart of this Official Statement. Upon Reclamation confirming full payment of such repayment obligation, certain restrictions on the receipt and pricing of CVP water based on the landholding of each entity or individual and administrative costs for the District will be eliminated, as well as restrictions on delivery of water to any lands that were ineligible to receive water because such lands constituted “excess lands” under federal reclamation law will be eliminated, as described under the caption “—Land and Land Use.”

While the 9(d) Contract will provide the District with a perpetual contractual right up to 94,000 acre-feet of CVP water, actual deliveries in any year remain subject to “Conditions of Shortage,” which are described in the 9(d) Contract.

Under the 9(d) Contract, ongoing receipt and delivery of water to the District will continue with no expansion of service and no new facilities constructed because the District will deliver the water received under the 9(d) Contract: (1) to lands within the District’s boundaries for beneficial use and that have been in production, and (2) through existing facilities.

Although the specific terms of the 9(d) Contract are set forth within its text, its provisions provide, in part, that:

- (a) it shall be effective July 1, 2021, and shall continue so long as the District pays applicable rates and charges, as defined therein, and consistent with Section 9(d) or 9(c)(1) of the Act of August 4, 1939 (53 Stat. 1195) as applicable, and applicable law;
- (b) the District shall comply with specified repayment obligations to the United States based upon the existing capital obligations and water delivered in accordance with the WIIN Act;
- (c) the District shall receive a water supply, subject to the provisions of the 9(d) Contract and consistent with all applicable State water rights, permits and licenses and federal law, and which the District shall schedule and pay for pursuant to the terms of the 9(d) Contract;
- (d) the parties shall analyze potential impacts to the water supply, and delivery thereof, based upon land retirement;
- (e) the District shall utilize CVP water in accordance with all applicable legal requirements and make reasonable and beneficial use of such water; and
- (f) the parties shall abide by specified provisions related to the transfer of water, additional points of diversion, the delivery of non-CVP water, the operation and maintenance of facilities, and the allocation of water when a condition of shortage exists.

Supplemental Water. Since annual demand for water in the District can exceed its CVP supplies, the District makes up the shortfall through supplemental water purchases through both short and long-term agreements of the District, from participation in transfers through the San Luis & Delta-Mendota Water Authority (the “SLDMWA”) and from various other holders of water entitlements on the open market. In addition, at times, the District makes purchases of supplemental water at the request of its customers. While some District water users arrange their own supplemental water supply acquisition transactions, the District takes subscription orders and acquires supplemental water on behalf of a combined group of water users. Since 2015, the quantity of supplemental surface water acquired by the District has ranged from a low of 12,077 acre-feet to a high of almost 35,756 acre-feet of water. Supplemental water acquired by the District in Fiscal Year 2020-21 was approximately 22,836 acre-feet. Due to the permanent nature of the crops grown in much of the District, future demand for supplemental water will likely be consistent with historic demands. The District has secured and expects to continue to pursue multi-year purchase agreements for supplemental water projects outside of the District directly or through the SLDMWA, of which the District is a member.

The District is currently a party to five multi-year contracts for the purchase of supplemental water which, on average, can yield approximately 23,000 acre-feet per year. Yield fluctuates as contracts are renewed or expire, as water and/or commodity prices fluctuate and as new projects are commissioned.

Sustainable Groundwater Management Act. On September 16, 2014, the California Governor signed Assembly Bill No. 1739 and Senate Bill Nos. 1168 and 1319 (collectively, the Sustainable Groundwater Management Act, or “SGMA”) into law. The SGMA constitutes a legislative effort to achieve sustainability thereby bringing each affected basin or sub-basin into balance on a state-wide basis through groundwater regulation.

On July 9, 2019, the District adopted a resolution authorizing participation as a member of the Central Delta-Mendota Groundwater Sustainability Agency Joint Powers Agreement, which is the groundwater sustainability agency for the Delta-Mendota Sub-basin, which includes all of the lands in the District. The Central Delta-Mendota Groundwater Sustainability Joint Powers Authority has ten agency members, including the District, and was formed to serve as the groundwater sustainability agency for such agencies respective

territories. On December 10, 2019 the District authorized its representatives to cast a vote in support of the adoption of the Northern & Central Delta-Mendota Groundwater Sustainability Plan for the Central Delta-Mendota Region which was submitted to DWR in compliance with the statutory deadline. The Central Delta-Mendota Groundwater Sustainability Joint Powers Authority is currently implementing policies and procedures consistent with the Northern & Central Delta-Mendota Groundwater Sustainability Plan.

Groundwater within the District tends to have higher salinity than surface water and is generally pumped only as needed to supplement surface supplies. However, groundwater does provide a significant source of water transferred into the District as supplemental supply. Also, there are a small number of landowners that have access to groundwater and the implementation of SGMA could have a significant impact on those landowners. Such landowners may need to change the types of crops grown and rely more on supplemental surface water. The District expects that its investment in long term water supply projects will offset the impact of SGMA. See the caption “INVESTMENT CONSIDERATIONS—Sustainable Groundwater Management Act.”

State Water Resources Control Board Update on the Water Quality Control Plan. The SWRCB is in the process of updating the Water Quality Control Plan for the San Francisco Bay/Sacramento-San Joaquin Delta Estuary (“Bay-Delta Plan”). The SWRCB has segregated this process into two phases. Phase 1 involves updating San Joaquin River flow and southern Delta water quality requirements included in the Bay-Delta Plan. Phase 2 involves comprehensive changes to the other sections of the Bay-Delta Plan, to protect beneficial uses not addressed in Phase 1, and may address Delta outflows, Sacramento River inflows, Suisun Marsh salinity, Delta Cross Channel Gate closure, export limits, and reverse flows. Once those two phases are completed, the SWRCB will need to take steps to implement the Bay-Delta Plan.

On December 12, 2018, the SWRCB adopted new water quality objectives for the San Joaquin River’s major tributaries for the protection of fish and wildlife, and revised the water quality objectives for southern Delta salinity (the “Phase 1 Amendments”). The new objectives increase flow on the San Joaquin River and its tributaries to a range of 30 to 50 percent of the unimpaired flow levels, with a starting point of 40 percent of unimpaired flow from February through June. The SWRCB has defined unimpaired flow as the water production of a river basin, unaltered by upstream diversions, storage, or by export or import of water to or from other watersheds. For southern Delta salinity, the SWRCB established a 1.0 Electrical Conductivity (EC) objective throughout the year for the southern Delta for the protection of agricultural beneficial uses and provided the water rights of the DWR and Reclamation are conditioned upon implementation of the southern Delta salinity objectives to protect agricultural beneficial uses. Notwithstanding the statement, the SWRCB indicated an intent to take additional steps to implement the new and revised water quality objectives, including through water rights proceedings.

On October 19, 2016, the SWRCB staff released a working draft Scientific Basis Report (the “SBR”) for fisheries and flows in the Sacramento River and Bay-Delta – Phase 2. The draft SBR identifies the science that the SWRCB staff intended to rely on in considering potential changes to the Bay-Delta Plan to enhance flows in and out of the Sacramento River basin and within the Bay-Delta to protect fish and wildlife. The SBR was finalized in October 2017 and analyzes possible effects of modified requirements for fish and wildlife protection on other beneficial uses of water, including alternatives and economic impacts.

In July 2018, the SWRCB staff released a Framework for the Sacramento/Delta Update to the Bay-Delta Plan (Phase 2 Framework) that described changes SWRCB staff intended to propose through a formal proposal and supporting environmental document. The proposed changes include unimpaired flow requirements for the Sacramento River and its salmon-bearing tributaries that range between 45 and 65 percent, with a starting point of 55 percent, a new narrative cold water habitat objective, and new objectives for fall Delta outflows and interior Delta flows. A decision on Phase 2 will not be made until SWRCB staff has completed their draft staff report and the Substitute Environmental Document and the public has been provided an opportunity to comment.

On December 12, 2018, during the SWRCB hearing to consider adoption of the Phase 1 Amendments, the Directors of DWR and the California Department of Fish and Wildlife presented a framework for a Voluntary

Agreement among DWR, the California Department of Fish and Wildlife, water users in the San Joaquin and Sacramento watersheds, SWP and CVP contractors, and members of the conservation community that would provide more modest additional flows for fish and wildlife combined with commitments to contribute substantial funding for structural habitat improvements and scientific investigations. At the hearing, the SWRCB directed its staff to provide appropriate technical and regulatory information to assist the California Natural Resources Agency in completing the agreement as a potential alternative for a future Bay-Delta Plan update. Since December 2018, the California Natural Resources Agency has been working with federal agencies, other state agencies, local agencies and non-governmental organizations on a Voluntary Agreement. If the Voluntary Agreement is successfully negotiated and approved by the SWRCB, it is likely that a charge of \$7.00 - \$10.00 per acre-foot will be imposed on water delivered by the CVP to the District, as well as other public water agencies that acquire water from the CVP and SWP. This charge will be used to generate revenue to purchase water for instream and Delta outflow and to implement the non-flow and adaptive management programs contemplated by the Voluntary Agreement. Given the state of the SWRCB Phase 2 update and the effort to negotiate a Voluntary Agreement, it is uncertain whether implementation of the updated Bay-Delta Plan will have a positive or negative impact on the District's surface water supply.

Initiation of Reconsultation Under Section 7. Operations of the CVP have been constrained by biological opinions on the long-term coordinated operations of the CVP and the SWP issued under Section 7 of the Endangered Species Act. In 2008 and 2009, the FWS and NMFS issued biological opinions on the coordinated long-term operations of the CVP and SWP, respectively. On August 2, 2016, Reclamation and DWR requested initiation of re-consultation with the FWS and NMFS, under Section 7 of the Endangered Species Act. These requests were based on new information related to multiple years of drought, recent data demonstrating extremely low population levels of listed-salmonid, including the endangered winter-run Chinook salmon, and new information available and expected to become available as a result of ongoing work through collaborative science processes. During the reinitiated consultation, the CVP and SWP operated pursuant to the requirements of the 2008 biological opinion and 2009 biological opinion. Reclamation completed re-consultation on new biological opinions from FWS and NMFS to protect threatened and endangered species issued under Section 7 of the Endangered Species Act and the Record of Decision (“ROD”) on the Long-Term Operations of the CVP and SWP was signed by Reclamation in February 2020. It is anticipated that since the ROD is based on new biological opinions issued in October 2019, the CVP and SWP operators will have more operational flexibility in order to manage the CVP and SWP to avoid jeopardizing listed species while also improving the opportunity to deliver the District's water supply. There can be no assurance that the local supply for water service provided by the District will be maintained at levels described under the caption “—Historic Water Sources.” See the caption “LITIGATION” for a discussion of judicial challenges to the 2019 biological opinions, and Reclamation's acceptance of the 2019 biological opinions, including a preliminary injunction issued with respect to the 2019 biological opinions and Reclamation's acceptance of the 2019 biological opinions.

Historic Water Deliveries

The District records the volume of water delivered in the District. Over the past five years, such deliveries have averaged approximately 51,714 acre-feet of surface water per year. The District owns one groundwater well that is operated only in severe water shortage conditions. Historically, the District has also received some well water pumped from the Drainage District. In the past five years, Drainage District wells

provided 2,078 acre-feet in Fiscal Year 2016-17 and 338 acre-feet in Fiscal Year 2020-21. The following table summarizes such water deliveries for the District for the most recent five fiscal years. Deliveries vary significantly based on the quantities of water available for delivery to the District from Reclamation and the quantity of water transferred to the District by other parties. Over the past ten years, Reclamation allocations to the District have ranged from a low of 0% of the Contract amount in 2014 and 2015 to 100% of the Contract amount in 2017. In certain years, the District’s ability to deliver the full amount of its allocation of CVP water may be affected by a number of factors including, but not limited to, loss of water during transport, ability to take full amount of available water, limited storage capacity for excess water, the sale of water and certain other factors. For Fiscal Year 2021-22 (Water Year 2021), Reclamation has announced an allocation of approximately 0% of the Contract amount to the District.

**PANOCHE WATER DISTRICT
Historic Water Deliveries
(Acre-Feet)**

<i>Fiscal Year</i>	<i>Direct Service Delta-Mendota Canal</i>	<i>Direct Service San Luis Canal</i>	<i>Direct Connection to District⁽¹⁾</i>	<i>Total</i>
2020-21	6,487	28,907	7,144	42,538
2019-20	14,995	30,739	9,400	55,134
2018-19	10,785	27,269	6,822	44,876
2017-18	17,680	33,019	4,864	55,563
2016-17	94	20,040	1,280	21,414

⁽¹⁾ Includes direct connections from Central California Irrigation District and Firebaugh Canal Water District.
Source: District.

Projected Water Deliveries

The District estimates that water deliveries for the District for the current and next four fiscal years will be as set forth below. For planning purposes, the District currently projects on average approximately 55% of deliveries would be derived from the CVP contract and the remaining 45% of deliveries would come from

transfers of other water. Such amounts will vary from year-to-year as described herein and such variations may be material.

PANOCHE WATER DISTRICT
Projected Average Annual Water Deliveries
(Acre-Feet)

<i>Fiscal Year</i>	<i>Water Deliveries in District</i>	<i>Number of District Landowners and Lessees</i>
2021-22	40,000	106
2022-23	52,000	108
2023-24	52,000	108
2024-25	52,000	108
2025-26	52,000	108

Source: The District

Historic Water Sources

The District, San Luis & Delta-Mendota Water Authority and California Department of Water Resources records the volume of water delivered to the District from its sources of supply. The following table summarizes the District's sources of water supply and the amount of water received by the District from such sources for the most recent five Fiscal Years.

PANOCHE WATER DISTRICT
Historic Water Sources
(Acre-Feet)

<i>Fiscal Year</i>	<i>CVP Contract Water⁽¹⁾</i>	<i>Supplemental Water⁽²⁾</i>	<i>Total Water Sources⁽³⁾</i>
2020-21	16,590	30,820	47,410
2019-20	41,769	17,675	59,444
2018-19	26,034	23,701	49,735
2017-18	50,692	9,072	59,764
2016-17	916	41,299	42,215

⁽¹⁾ May include rescheduled CVP water from previous Fiscal Years.

⁽²⁾ Includes supplemental surface water acquired by the District and acquired by water users independent of the District, and rescheduled water from the previous Fiscal Year. Does not match total from the "Supplemental Water Supplies Acquired" table under the caption "—District Water Supply—Supplemental Water" because supplemental water acquired may not be used in the same Fiscal Year that such supplemental water is acquired.

⁽³⁾ Does not include water transferred to other districts.

Source: District.

CVP contract water deliveries have varied dramatically from year to year as a result of variances in precipitation, CVP storage and State and federal regulatory actions.

Projected Water Sources

The following table lists the District's estimated sources of water supply for the District and the estimated amounts of water anticipated from each source for the current and next four Fiscal Years. The historic 10-year average CVP allocation for CVP contractors located south of the Delta is approximately 40%. During the last 10 years, actual allocations of CVP water have varied dramatically from 0% to 100%. For financial planning purposes, the District's projects a 40% CVP allocation even though the District expects to receive

allocations on an annual basis based on precipitation, regulatory action and other factors. See the captions “—Initiation of Reconsultation Under Section 7” and “RISK FACTORS—Regulatory Constraints on CVP Operations,” as such regulatory actions may have a materially adverse effect on the District’s water supply.

The District’s CVP contract water entitlements will vary from year to year as described herein, and such variations may be material. Reduced CVP contract water deliveries may result in an increase in supplemental water purchases. Set forth below is projected water sources for the current Fiscal Year and next four Fiscal Years.

**PANOCHE WATER DISTRICT
Projected Water Sources
(Acre-Feet)**

<i>Fiscal Year</i>	<i>CVP Contract Water⁽¹⁾</i>	<i>Supplemental Water⁽²⁾</i>	<i>Total Water Sources</i>
2021-22 ⁽³⁾	0	11,911	11,911
2022-23	37,400	17,200	54,600
2023-24	37,400	17,200	54,600
2024-25	37,400	17,200	54,600
2025-26	37,400	17,200	54,600

⁽¹⁾ Includes CVP water allocated in the current year and rescheduled water from the previous Fiscal Year.
⁽²⁾ Includes supplemental surface water acquired by the District and acquired by water users independent of the District, and rescheduled water from the previous Fiscal Year.
⁽³⁾ Assumes a 0% allocation for CVP Contract Water entitlements.
 Source: District.

Historic Supplemental Water Supply Acquisitions

Set forth below is a table showing supplemental surface water by and groundwater supplies acquired or pumped by the District and the District’s water users in Fiscal Years 2015-16 to 2020-21.

**Supplemental Water Supplies Acquired
(Acre-feet)**

<i>Fiscal Year</i>	<i>Supplemental Water Acquired by District⁽¹⁾</i>	<i>Supplemental Water Acquired by Water Users⁽²⁾</i>	<i>Groundwater Supplies Pumped by Water Users⁽³⁾</i>	<i>Total⁽⁴⁾</i>
2020-21	17,756	8,037	2,460	28,253
2019-20	13,415	0	0	13,415
2018-19	19,463	1,304	217	20,984
2017-18	12,077	2,024	0	14,101
2016-17	35,756	979	1,856	38,591
2015-16	26,573	506	5,422	32,501

- (1) Supplemental water acquired by the District includes both surface and groundwater supplies, including groundwater developed by the District and the Drainage District wells.
- (2) Supplemental water acquired by water users are quantities transferred into the District by and for specific accounts.
- (3) Groundwater supplies pumped by water users only accounts for the groundwater using District facilities for conveyance. Water users pumping from wells for on-farm use is not accounted for by the District and is in addition to the quantities listed above.
- (4) Total may not match the supplemental water column from the “Historic Water Sources” table under the caption “—Historic Water Sources” because supplemental water acquired may not be used in the same Fiscal Year that such supplemental water is acquired.

Source: The District

Cost of CVP Contract Water

Rates paid by the District to Reclamation are for CVP water actually delivered to the District. The rates are determined by Reclamation pursuant to the provisions of federal reclamation law. Under federal reclamation law, there are today two water rates applicable to agricultural water use, the “Cost of Service rate” and the “Full Cost rate.” In addition, Reclamation imposes a “Municipal & Industrial rate” for CVP water used for municipal and industrial purposes and imposes specific “fund” charges on all water delivered to the District.

1. Cost of Service rate: The Cost of Service rate is the charge per acre/foot necessary to recover Reclamation’s cost of delivering the water to the District. The Cost of Service rate is designed by Reclamation to recover the District’s share of allocated annual operations and maintenance costs, capital costs over the authorized repayment period, and deficit costs over the repayment period. Under Public Law 99-546, the authorized repayment period for allocated CVP capital costs ends in 2030, and Reclamation calculates the capital component of the Cost of Service rate by dividing the District’s share of the outstanding capital obligation by projected water deliveries through the end of the repayment period. The capital component in the Cost of Service rate is non-interest bearing. Upon repayment of the District’s existing capital repayment obligation pursuant to the 9(d) Contract, the Cost of Service rate paid by the District for CVP water will no longer include a capital component. Construction costs for CVP facilities or other capitalized costs incurred after the effective date of the 9(d) Contract or not assigned to the District prior to execution of the 9(d) Contract will be paid to the United States pursuant to a separate agreement between the District and the United States within the timeframe prescribed by the WIIN Act. When the B. F. Sisk Dam Safety of Dams Modification Project is complete (which is currently expected to occur mid 2026), Reclamation will assign reimbursable capital costs based on its Cost Allocation methodology. The cost (est. \$1.5 billion) will be split (44/56) between the United States and the State based on the respective share of storage for each. The federal share that is reimbursable is anticipated to be about 15 percent, with the irrigation purpose receiving about 81 percent. Certain reimbursable capital costs will be proportionally assigned to the District’s water rates. Folsom Reservoir is undergoing Safety of Dams Modifications as well. Similarly, 15 percent of the cost (est. \$500,000,000 in 2010) is reimbursable, with the irrigation purpose receiving about 86.5 percent. Certain reimbursable capital costs will be proportionally assigned to the District’s water rates.

2. Full Cost rates: Under the Reclamation Reform Act of 1982 (Public Law 97-293), water users that lease more than 960 acres of land receiving water under the federal Reclamation Law must pay the Full Cost rate, which includes an interest component on outstanding capital. Under the provisions of the 9(d) Contract, beginning in Fiscal Year 2023, the District will no longer be charged the Full Cost rate.

3. Municipal & Industrial rate: The District provides approximately 250 acre-feet per year, on average, for incidental non-irrigation water service, for which a separate Municipal & Industrial rate applies, which includes an interest component on the capital component.

4. Restoration Fund charge: Section 3407(c) of the CVPIA imposes on the District a fee on each acre foot of CVP contract water delivered by the District in order to fund payments in the Restoration Fund established to carry out the fish and wildlife restoration goals of the CVPIA.

5. Trinity Public Utility District Assessment charge: Under Public Law 106-377, Reclamation imposes an indexed fee per year on the District for payment to the Trinity Public Utility District, which fee amounted to \$0.12 in Fiscal Year 2020-21.

The tables below sets forth the Cost of Service rate, the Full Cost rate, and Restoration Fund charge and the Trinity Public Utility District Assessment charge per acre foot for Fiscal Years 2016-17 through 2020-21 for CVP water from the San Luis Canal and the Delta-Mendota Canal.

**United States Bureau of Reclamation
Annual O&M Rates**

San Luis Canal

<i>Fiscal Year</i>	<i>Cost of Service Rate</i>	<i>Full Cost Rate 202(3)</i>	<i>Full Cost Rate 205(a)(3)</i>	<i>Restoration Fund Charge⁽¹⁾</i>	<i>Trinity Public Utility District Assessment Charge</i>
2020-21	\$ 81.91	\$ 134.07	\$ 168.82	\$10.91	\$0.12
2019-20	97.96	135.67	169.88	10.63	0.30
2018-19	82.83	113.48	142.63	10.47	0.30
2017-18	89.75	121.99	151.54	10.23	0.30
2016-17	73.12	106.56	133.86	10.21	0.30

⁽¹⁾ Restoration Fund charges are made on a federal fiscal year basis.
Source: District.

Delta-Mendota Canal

<i>Fiscal Year</i>	<i>Cost of Service Rate</i>	<i>Full Cost Rate 202(3)</i>	<i>Full Cost Rate 205(a)(3)</i>	<i>Restoration Fund Charge⁽¹⁾</i>	<i>Trinity Public Utility District Assessment Charge</i>
2020-21	\$50.20	\$ 113.58	\$ 141.60	\$10.91	\$0.12
2019-20	70.11	130.08	162.53	10.63	0.30
2018-19	69.12	110.20	138.30	10.47	0.30
2017-18	114.31	161.63	203.74	10.23	0.30
2016-17	90.38	137.84	175.09	10.21	0.30

⁽¹⁾ Restoration Fund charges are made on a federal fiscal year basis.
Source: District.

The Cost of Service Rate and the Full Cost Rates can vary significantly from year to year as a result of changes in Reclamation costs, reductions in total CVP deliveries, reservoir storage levels, and other factors. In addition, the United States Congress has increased Reclamation CVP water rates by legislation in the past and may do so again in the future. For this reason it is difficult for the District to forecast Reclamation rates from year to year.

In addition to the rates set forth above, an amount (the “Potential Deficit”) equal to the difference between the actual cost of operations and maintenance as computed in accordance with Reclamation Law (“Actual O&M”) is accrued by Reclamation. The District has the option to voluntarily pay all or a portion of the Potential Deficit. The amount of Potential Deficit not paid by the District voluntarily (the “Actual Deficit”) is required under current Reclamation Law to be repaid within thirty days after notice by Reclamation and accrues interest thereafter. The District’s practice is to pay the Actual Deficit when recognized.

As of March 1, 1998, responsibility for operation and maintenance (“O&M”) of CVP conveyance systems was transferred to joint powers agencies representing most of the water contractors served by such facilities. At the same time, funding responsibilities were transferred, so that water contractors such as the District directly pay the costs of conveyance O&M. Federal appropriations no longer fund the routine O&M activity, except where the federal government is the water contractor. Pursuant to these agreements, SLDMWA now sets and collects O&M rates for CVP conveyance facilities utilized to deliver water to the District. Overall, the transfer of responsibilities provides greater local control over cost and increases facilities reliability. The conveyance O&M costs must be fully funded on an annual basis, which may cause some year-to-year increases. However, such costs will also be fully accounted for, with overpayments available for credit or refunding to the District. The District will no longer incur interest-bearing deficit obligations to the federal government for the conveyance O&M costs.

The Western Area Power Administration (“WAPA”) and Reclamation are proposing to construct a new 230-kilovolt 600 MW bi-directional transmission project about 85 miles in length between WAPA’s Tracy Substation and San Luis, O’Neill and Dos Amigos substations. The goal of the San Luis Transmission Project (“SLTP”) is to provide the electricity to economically and reliably deliver federal water supplies to water customers in the Central Valley and Bay Area while benefiting reliable grid operations in the region. As part of SLTP, WAPA is also considering constructing, operating and maintaining about seven miles of 70-kV transmission line between San Luis and O’Neill substations. When completed, the District expects that WAPA will own, operate and maintain the SLTP with 400 megawatts of capacity between Tracy and San Luis substations reserved to serve Reclamation and SLDMWA’s member agencies, fulfilling the transmission service

request submitted by Reclamation. An additional 200 megawatts of north to south and 600 MW of south to north capacity could remain for use by other parties.

WAPA is statutorily obligated to provide power to the San Luis pumping units that serve SLDMWA's member agencies. This project ensures that obligation is met at stable and affordable rates. SLDMWA and WAPA completed the environmental review process for the SLTP under the National Environmental Policy Act ("NEPA") and CEQA and identified the preferred route and configuration for the transmission line. In April 2016, WAPA issued its record of decision for the SLTP project, which concluded the environmental review process.

Reclamation is considering options for financing the SLTP, which include financing through SLDMWA and/or private investors. The District does not know if or when the SLTP will be constructed, how Reclamation will finance its share of the SLTP, including whether SLDMWA will participate in such financing, or what share of costs of the SLTP, including finance costs, will be assigned to the District for repayment. In the event that the construction of the SLTP is delayed or does not occur, WAPA will remain statutorily obligated to provide power.

The District makes deliveries to its water users through five diversion points on the San Luis Canal, two diversion points on the Delta-Mendota Canal, and two direct connections with the Central California Irrigation District (the "CCID") and the Firebaugh Canal Water District (the "FCWD"). The San Luis Canal, Delta-Mendota Canal, CCID, and FCWD currently supply approximately 58%, 28%, 8%, and 6% of the District's CVP and supplemental sources of water, respectively. Water is provided to the District water users primarily through a series of pump stations and gravity canal systems located within the District boundaries or, in some cases, directly to landowners from the San Luis Canal and the Delta-Mendota Canal.

In 2009, the Department of the Interior announced it was investing \$1 billion under the American Recovery and Reinvestment Act ("ARRA") in America's water infrastructure. Reclamation identified certain CVP projects that met the criteria for ARRA funding. Reclamation is recovering the cost of such projects as reimbursable O&M costs over a 10 year period. The District cannot currently project the District's portion of such reimbursable O&M expenditures, if any.

The United States owns the C.W. "Bill" Jones Pumping Plant (the "JPP"), which has a total of six units. Through its contract with Reclamation, SLDMWA operates and maintains the JPP, including the performance of capital improvement and extraordinary maintenance projects. In December 2015, the JPP Condition Assessment Report stated that the JPP unit motors are nearing the end of their service life and need refurbishment (commonly referred to as "rewind"). In February 2019, SLDMWA completed the JPP Unit No. 6 Motor Rewind Project, using \$5,000,000 in funds provided pursuant to a repayment contract between the United States and SLDMWA, and approximately \$400,000 in revenue collected through SLDMWA's Extraordinary O&M rate. In September 2019, SLDMWA initiated the JPP Unit No. 2 Motor Rewind Project, using approximately \$6,095,532 in funds collected through SLDMWA's Extraordinary O&M rate, and this rewind was completed in June 2020. The rehabilitation work on JPP Unit No. 5, which began in late June 2020, and was completed in mid-March 2021 and the rehabilitation work on JPP Unit No. 3, which has not yet begun, are expected to be paid for using the proceeds of a loan pursuant to a second repayment contract with Reclamation, dated June 29, 2020. SLDMWA is expected to fund the rewind of Unit 1 and Unit 4 through payments received from the Friant Water Authority pursuant to a funding agreement and the proceeds of bonds issued by SLDMWA on February 4, 2021 in the aggregate principal amount of approximately \$8,020,000. The rehabilitation work on Unit 1 began in March 2021 and is planned to be completed in November 2021 and the rewind of unit 4 will begin in November 2021 and is expected to be completed in August 2022. All District costs related to repayment of repayment contracts with Reclamation and the bonds will be included in SLDMWA's annual O&M rate, which varies depending on water allocation and expenses.

The 116.5-mile long Delta-Mendota Canal has several locations along its course where subsidence has reduced the Delta-Mendota Canal's ability to convey water, below the design capacity through that section. The

areas where the subsidence has resulted in a loss of conveyance capacity occurred where the subsurface geology compacts when there is excessive groundwater pumping and dewatering of certain types of soil. This excessive groundwater pumping typically occurs during extended drought periods, when surface water is not available and the landowners pump groundwater to irrigate their crops.

The broad scope of work for the Delta-Mendota Canal Subsidence Correction Project is to perform modifications necessary on the Delta-Mendota Canal conveyance system to enable the Jones Pumping Plant to pump at permitted rates. SLDMWA and Reclamation are developing planning level cost estimates for the various modifications to the Delta-Mendota Canal that are necessary to restore the Delta-Mendota Canal to its original design conveyance capacity. The first phase of this multi-phased project has received approximately \$5 million in federal funding and is in progress. This phase consists of manufacturing and installing two additional pumping units and appurtenances into the two available pump bays of the Delta-Mendota Canal/California Aqueduct Intertie Pumping Plant. The installation of these pumping units is planned to be performed in late-2021.

The additional phases of the Delta-Mendota Canal project will be determined and developed during the design phase of the project. During this design phase, SLDMWA and Reclamation will determine the total number of structures that will need to be modified during each phase and the order of the phases to best match the future funding for the project. The phases include raising the height of the existing concrete lining, repairing the concrete lining that has been damaged by the subsidence, repairing and further protecting the clay lined embankment where the subsidence has caused significant embankment erosion, raising or replacing irrigation pipeline crossings and storm drain over chutes that have become (or are partially) submerged from the subsidence and raise or replace county road bridges where the bridge structure is impeding the Delta-Mendota Canal flows. Whether these additional phases will be undertaken by Reclamation or others, what the ultimate cost of such potential work might be, how such potential work will be financed, and what share of such costs, including financing costs, may be the responsibility of the District as a member of SLDMWA cannot be predicted.

In addition to the potential projects discussed above, Reclamation or others are evaluating other projects to repair, replace, or improve CVP facilities. These potential projects include repair of the San Luis Canal to restore conveyance capacity lost due to subsidence, the enlargement of Shasta Dam to increase the storage capacity in the Shasta Reservoir, and improvements to and/or enlargement of the B. F. Sisk Dam to address seismic issues and/or increase the capacity of the San Luis Reservoir. A Notice of Availability for the B.F. Sisk Dam Raise and Reservoir Expansion Project Final Environmental Impact Report/Supplemental Environmental Impact Statement was published in the Federal Register in December 2020. Whether these potential projects will be undertaken by Reclamation or others, what the ultimate cost of such potential projects might be, how such potential projects will be financed and what share of such costs, including financing costs, may be the responsibility of the District cannot be predicted.

In addition to the foregoing projects to be undertaken for the benefit of CVP facilities, the District is evaluating participation in the Los Vaqueros Reservoir expansion project, which would expand reservoir capacity to 275,000 acre-feet. The Los Vaqueros Reservoir expansion project is in the early phases of design and development. The District cannot currently predict the ultimate costs of such project or, if the District determines to participate in such project, the District's share of the related costs.

District Water and Acreage Charges

Rate Setting Procedure. The District annually adopts water rates for agricultural water service in the District by Board action after recommendation of the District's staff. Annually, during the budgeting process the District considers the likely CVP water allocation and likely available pools and costs of supplemental supplies, and fixes an anticipated quantity of water to acquire. The District then considers anticipated rates for water service established by Reclamation and SLDMWA, as well as the anticipated cost of target pools of supplemental supply, and uses that information to establish blended irrigation water rates for the District. Supplemental water pools made available only by grower subscription are not included in the blended rate but

are billed at a rate necessary to cover the cost to acquire and deliver such supplemental supplies to the District. If at the end of a water year the blended water rate is insufficient to cover such charges, a supplemental invoice may be issued to water users from time to time. In some cases, the District has used District reserves to offset rates during dry hydrologic year types and to fund charges of Reclamation and SLDMWA.

In addition, annually, during the budget process, the District evaluates projected operations and maintenance costs spread over the District’s estimated irrigation water deliveries. Generally, the O&M rate per acre-foot of irrigation water is the quotient of the estimated operations and maintenance cost divided by the anticipated deliveries. The O&M rate is a second component of water rates imposed by the District to cover the water expense.

Water Rates. The following schedule details the range of water rates payable by agricultural water users in the District for the current and last four Fiscal Years.

**PANOCHE WATER DISTRICT
Summary of Water Rates**

<i>Fiscal Year</i>	<i>Cost (\$/acre foot)</i>	
	<i>CVP Water</i>	<i>Supplemental Water</i>
2021-22	\$198.02	\$407.55
2020-21 ⁽¹⁾	152.00	551.00
2019-20 ⁽²⁾	129.00	276.00
2018-19 ⁽³⁾	145.00	373.00
2017-18	113.00	483.00
2016-17	0.00	400.00

⁽¹⁾ In Fiscal Year 2020-21 supplemental water ranged from \$383 per acre-foot to \$720 per acre-foot. Amount reflects average cost.

⁽²⁾ In Fiscal Year 2019-20 supplemental water ranged from \$235 per acre-foot to \$318 per-acre foot. Amount reflects average cost.

⁽³⁾ In Fiscal Year 2018-19 supplemental water ranged from \$201 per acre-foot to \$545 per acre-foot. Amount reflects average cost

Source: District.

Acreage Charges.

On June 2, 2021, following a notice, hearing and majority affirmative vote of approximately 87%, the Board authorized a benefit assessment up to \$60.00 per beneficial acre. Up to \$38.09 of such benefit assessment, the Contractual Obligation Assessment, will be assessed by the District to pay the 2021 Installment Payments. The remaining \$21.91 of the authorized assessment may be assessed by the District for the purpose of financing capital improvement modernization projects for the benefit of the District (the “Future Modernization Projects Assessment”).

The Future Modernization Projects Assessment is not pledged to, nor will it be available for the payment of, the Series 2021 Installment Payments. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218” in the forepart of this Official Statement. Proceeds of the Contractual Obligation Assessment will be applied by the District to the Series 2021 Installment Payments. See the caption “SECURITY FOR THE 2021 BONDS—General” in the forepart of this Official Statement.

Under the 2021 Installment Purchase Agreement, if the Series 2021 Installment Payment coming due on the last day of February has been paid and the amounts on deposit in the Contractual Obligation Assessment Fund are sufficient to make the Series 2021 Installment Payments coming due on the last day of August and to pay debt service on any obligations issued or incurred to prepay the Series 2021 Installment Payments, then on or after the last day of the Fiscal Year, any amounts in excess of the amount needed to make the foregoing payments is permitted to be applied by the District for any lawful purpose. The District currently intends to use any excess amounts to provide refunds to District landowners who paid the Contractual Obligation Assessment in such Fiscal Year. Pursuant to the terms of the Series 2021 Installment Purchase Agreement, the District is not permitted to apply any surplus Contractual Obligation Assessments as a credit to the succeeding Fiscal Year's Contractual Obligation Assessment, but can apply such surplus Contractual Obligation Assessments as a credit to other assessments or charges owed by the landowner. See Appendix C—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" under the caption "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE 2021 INSTALLMENT PURCHASE AGREEMENT—SECURITY."

Assessment charges will be collected on a per-acre basis from landowners. The Contractual Obligation Assessment will be included in the annual property tax bill and will be collected by Merced and Fresno Counties. The assessment charges are established annually during the budget process prior to the beginning of the Fiscal Year. Payment is due in two installments on or before December 1 and April 1. Assessments must be current before the land is eligible to receive District water deliveries. Generally, assessment charges are applied to pay District administrative operations, including the Series 2021 Installment Payments. The District intends to credit any surplus assessment charge Revenue and certain other surplus Revenues against a landowner's assessment charge payable in the succeeding Fiscal Year. As discussed in the preceding paragraph, the District is not permitted to apply any surplus Contractual Obligation Assessments as a credit to the succeeding Fiscal Year's Contractual Obligation Assessment, but can apply such surplus Contractual Obligation Assessments as a credit to other assessments or charges owed by the landowner.

The Boards of Supervisors of Fresno and Merced Counties have each adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan") as provided for in Section 4701 et seq. of the California Revenue and Taxation Code. The District is taking the necessary actions to have the Contractual Obligation Assessment enrolled in each county's Teeter Plan per each county's rules and procedures, and expects to be able to participate fully starting in Fiscal Year 2025 however, no assurance can be provided that the either or both of the Fresno and Merced Counties will permit the Contractual Obligation Assessment participate in the respective Teeter Plans. Under the Teeter Plan, each participating local agency receives annually 100% of the secured property tax levies to which it is otherwise entitled, regardless of whether a county has actually collected the levies. In turn, such county retains all penalties and interest associated with delinquent taxes when they are paid.

During the COVID-19 pandemic, the treasurer-tax collectors of Merced and Fresno Counties each adopted policies pursuant to which the treasurer-tax collector of such county was permitted to consider waiving fees and penalties levied on a taxpayer who failed to make the property tax installment due on April 10, 2020 by such date due to reasons related to the COVID-19 pandemic. There can be no assurance that such treasurer-tax collectors will not implement similar policies in the future and that such policies will not have a material adverse effect on the collection of the Contractual Obligation Assessment. See the captions "INVESTMENT CONSIDERATIONS—Collection of Contractual Obligation Assessment" and "INVESTMENT CONSIDERATIONS—COVID-19" in the forepart of this Official Statement.

In certain fiscal years, the District has credited excess Revenues remaining after the payment of all other District obligations to landowners, lessees and water users. The landowners, lessees and water users have the option to receive a refund of such credit or to apply such credit to the following fiscal year's rates and charges. To the extent that a landowner, lessee or water user elects to have the credit applied to the following fiscal year's rates and charges, such credit is treated as a Revenue in such following fiscal year, for purposes of compliance with the rate covenant described under the caption "SECURITY FOR THE 2021 BONDS—Rate Covenant" and

the additional debt test described under the caption “SECURITY FOR THE 2021 BONDS—Additional Indebtedness.”

Supplemental Water Charges. The cost of supplemental surface water acquired, either directly by water users or by the District on behalf of its water users or a group of water users, is borne by the individual or the group, respectively. For unsubscribed supplemental water acquired by the District, all water transaction costs are pooled together and a single, blended rate per acre foot of water is then charged to the individuals comprising the group, based upon their individual allocations of such supplemental surface water. See the caption “—District Water Supply—Supplemental Water.”

Water Rate Collection Procedures. The District is on a monthly billing cycle for water rates. All water delivered in the District is metered, with meters read periodically throughout the month and then at the end of the month for the purpose of developing an invoice for each water user. Water usage for the prior month is summarized and invoiced to each water user by the fifteenth day of each month. Invoices are due on or prior to the 15th of the following month, and are considered delinquent if not paid in full by such date, incurring interest at the rate of 18% per annum.

The District’s water accounts are monitored by the District watermaster, while District customer accounts are monitored by the Water Accounting Specialist. Water service will be suspended and locked out if necessary, by the District’s Canal Operators, under the direction of the Water Resources Manager, until such delinquency is resolved. The District’s computerized water ordering system, prevents any new water order from being placed by the delinquent accountholder or accepted by the District. If an account becomes delinquent, notice of delinquency is provided to the water user, and landowner if the water user is a lessee, and a lock-out notice is issued to the Canal Operators, who secure a delinquent accountholder’s turnout(s) to block further water deliveries. Water service is terminated until payment of the delinquent amount and associated interest and/or penalties are made in full. When payment is received, the District removes the hold on the subject account and authorizes recommencement of water service through the District’s computerized water ordering system. The District may place a lien on the properties of accountholders whose accounts remain delinquent for more than 60 days.

See the caption “—Assessments” for a discussion of collection procedures applicable to District assessments.

Water Quality Regulation

Irrigated Lands Regulatory Program. On January 9, 2014, the Regional Water Quality Control Board (the “RWQCB”) adopted new regulatory requirements (the “General Order”) addressing discharges from irrigation to protect groundwater quality underneath lands within the District. The General Order outlines very specific instructions for all landowners whose lands are being used for irrigated agricultural purposes and requires either participation through enrollment in a third party group or by obtaining an individual permit. The third party group available to District landowners is the Grassland Drainage Area Coalition, formed under the SLDMWA. The Grassland Drainage Area Coalition assists District landowners in complying with and fulfilling their obligations under the General Order so long as landowners remain in good standing with the Grassland Drainage Area Coalition.

Central Valley Salinity Alternatives for Long-Term Sustainability. The Central Valley Salinity Alternatives for Long-Term Sustainability (“CV-SALTS”) basin plan amendments were adopted on October 16, 2019. The program aims to achieve long-term sustainability by applying proper antidegradation practices for the discharge of salt, providing solutions for safe drinking water supply, and implementing aquifer restoration. As part of the permit requirements, the Grassland Drainage Area Coalition participates in the Prioritization and Optimization Study to develop a long-term approach to salt management in the Central Valley.

Drainage

In 1960, when the San Luis Unit of the CVP was authorized, it was understood that the delivery of irrigation water to areas within the San Luis Unit, including the District, would also require drainage. Studies of the proposed San Luis Unit confirmed the need for subsurface drainage to protect crop root zones from salts in the water table, which builds up through irrigation. Lands in areas adjacent to the proposed San Luis Unit were experiencing drainage problems, and landowners in those adjacent areas expressed concerns that providing irrigation water to the San Luis Unit lands without drainage could exacerbate their drainage problem. Indeed, California's earliest water plans recognized that if water were exported from the Sacramento – San Joaquin Rivers Delta and used in the San Joaquin Valley, a master drain would be needed. Accordingly, section 1(a) on the San Luis Act, required the Secretary to provide for a drain to the Delta in the event that the State of California did not provide a drainage system. (Act of June 3, 1960, Public Law 86-488, 74 Stat. 156.) In 1961, the State of California informed the Secretary that it would not provide a master drain, and on January 9, 1962, the Secretary advised the Congress that he would make provision for the drain called for by the San Luis Act (the "Drain"). The District's 1974 Contract specified that the United States would provide drainage service to the District and imposed a fee, which remains a component of the District's CVP rates. A lack of appropriations and environmental considerations prevented completion of the Drain, of which some 82 miles had been constructed between 1968 and 1975. The Drain was terminated at the Kesterson Wildlife Refuge, which is about 20 miles north of the District. As of the date of this Official Statement, the United States has not authorized the District's use of the Drain as contemplated under the San Luis Act.

In 1994, the United States District Court for the Eastern District of California (the "District Court") ordered Reclamation to make application to the SWRCB for the water quality permits necessary to complete the Drain. The SWRCB then concluded that a comprehensive environmental review regarding drainage alternatives was necessary and initiated a negotiation process with the District and Reclamation for payment of environmental service costs. In February 2000, the United States Court of Appeals for the Ninth Circuit affirmed the District Court's decision that the Secretary of the Interior has a statutory duty to provide drainage service to the San Luis Unit of the CVP. It reversed, however, the District Court's injunction ordering Reclamation to make the application necessary to complete the Drain. The Ninth Circuit held that the Secretary has discretion to provide drainage service through means other than the Drain, and the form of the injunction impermissibly constrained the exercise of that discretion. On April 18, 2001, Reclamation submitted a plan describing additional studies that it would conduct to assess all viable drainage service alternatives to determine their economic feasibility, environmental impacts and benefits. A final plan and supporting Environmental Impact Statement ("EIS") were completed and released in March 2007. For the area within the District, the plan called for in-valley drainage management, including treatment and disposal of salts without discharge to the Delta.

There are approximately 22,000 acres of drainage impacted lands within the District. Drainage services are provided to these lands by the Panoche Drainage District, which provides collection and conveyance of subsurface agricultural drainage and stormwater. Surface return flows must be managed on farm property and are not accepted into the Panoche Drainage District system. The District and the Panoche Drainage Districts have worked with neighboring public agencies both within and adjacent to the San Luis Unit (the "Grassland Drainage Area") to develop and implement the Westside Regional Drainage Plan (the "WRDP") and one of its tools, the Grassland Bypass Project. The WRDP is a combination of drainage reduction measures applied on a regional basis, both on farm and in-District, that includes landowner installation of high-efficiency irrigation systems, recirculation and blending of drainage water into the irrigation system, both on-farm and in-district; facilities improvements, groundwater management through pumping of shallow wells, regional collection of agricultural subsurface drainage and its use for irrigation of salt tolerant crops on 6,000 acres known as the "San Joaquin River Water Quality Improvement Project or "SJRIIP," and treatment. The Grassland Bypass Project allowed regulated discharge of subsurface agricultural drainage water through the end of 2019. Given the success of the WRDP and use of the SJRIIP, no subsurface agricultural drainage water has been discharged outside the Grassland Drainage Area since 2014, and subsurface drainage water from irrigation is expected to continue to be managed within the Grassland Drainage Area without discharge. A subsequent phase of the Grassland Bypass Project, known as the Long-Term Storm Water Management Plan, began on January 1, 2020.

That phase also is implemented by Grassland Drainage Area participants through the SLDMWA and permits discharge of flows related to storm events through the Drain when necessary to avoid flooding and reduce the likelihood of discharges into adjoining wetland channels. While some lands in the region have been taken out of production, the drainage services provided by the Panoche Drainage District, have prevented the need to eliminate irrigation on acres within the District. No economically viable treatment process for subsurface agricultural drainage water has yet been identified. The District expects that the current suite of management tools will continue to be effective. Further, the District is participating in valley-wide salt management planning effort by participating in the CV-SALTS Salt Control Plan through the Phase 1 Prioritization and Optimization Study. The District anticipates participating in subsequent phases of the CV-SALTS program. See the caption “—Water Quality Regulation— *Central Valley Salinity Alternatives for Long-Term Sustainability*”.

The District has met with the United States periodically in the past to discuss potential San Luis Act drainage service resolution and understands that the United States has entered into drainage agreements with other public agencies in the region. While the District anticipates engaging with the United States in future discussions regarding a potential San Luis Act drainage service resolution, including a drainage agreement, the District is aware that such agreements require legislation for their implementation, and if such legislation is not passed by Congress, the District expects that Reclamation will construct infrastructure to provide drainage services. The costs to construct and operate the drainage services would be reimbursable to Reclamation from the water users, and such costs would be added to the rates for CVP water, which would increase the cost for water to the District’s landowners. The District, together with Panoche Drainage District, is in the process of implementing an expansion of SJRIP and improvements to SRJIP facilities utilizing State grant funding to further assure the ability to successfully manage District drainage through the measures outlined in the WRDP without discharge out of the Grassland Drainage Area, while continuing to preserve its agricultural lands.

On June 25, 2019, the District became a forming member, together with the Panoche Drainage District, of the joint powers authority Grassland Basin Authority (“GBA”). The primary function of the GBA is to provide each member clear, definitive voting power, financial responsibility, and input regarding the operation and maintenance of the SJRIP. The District anticipates that it will continue to participate in the GBA as part of the effective in-valley management of subsurface drainage from irrigation.

The District expects that certain costs of such drainage management described above may be financed from the proceeds of obligations issued by the Panoche Drainage District, the Authority or GBA. In the event that the obligations are issued by the Authority or GBA, the obligation to pay the District’s share of debt service with respect to such obligations would be payable from Net Revenues on a parity with the Series 2021 Installment Payments. The District does not anticipate that the Authority or GBA will issue obligations within the next five years nor, in the event that the Authority or GBA does, that such obligations would result in a lien on District revenues.

Capital Improvement Program

The District is currently in the process of developing a capital improvement program that would modernize the District’s current infrastructure to better serve the modern irrigation systems used by many of the District’s growers. The District intends to undertake a system evaluation to assess where greater efficiency can be realized through improved pumping, conveyance, and automation to reduce the cost to operate and maintain the system. The District anticipates the development of the modernization capital improvement program to take approximately two to three years. If the District determines to implement the modernization capital improvement program, the District expects to enter into an installment purchase agreement and the Authority is expected to issue bonds to finance the construction of the capital improvements. The District expects such bonds to be payable from the Future Modernization Projects Assessment, and to the extent that the Future Modernization Projects Assessment is insufficient, from Net Revenues (but not the Contractual Obligation Assessment) on a parity with the Series 2021 Installment Payments, and the maximum principal amount of such bonds is expected by the District to be approximately \$15 million.

Membership in Joint Powers Authorities

San Luis & Delta-Mendota Water Authority. The District is a member of SLDMWA. One of the primary purposes of SLDMWA was to assume the operation and maintenance responsibilities of certain CVP facilities, and do so at an optimum level and at lower cost than Reclamation. SLDMWA also serves the information and representation needs of the members by developing, providing and disseminating information to legislative, administrative and judicial bodies concerning a variety of issues. SLDMWA has served as the umbrella agency for participation of entities in the Grassland Drainage Area in the drainage management activities described above pursuant to the Grassland Drainage Management Activity Agreement. That sub-group also serves to manage the RWQCB's Irrigated Lands Regulatory Program for individual farmers within the Grassland Drainage Area Coalition.

Central Delta-Mendota Groundwater Sustainability Joint Powers Authority. The State of California passed the SGMA requiring groundwater basins to become sustainable. This required the development of a Groundwater Sustainability Plan and implementation measures. The District along with 9 other agencies formed a joint powers authority to comply with the SGMA. See the caption “-Sustainable Groundwater Management Act.”

Grassland Basin Authority. The District along with 6 other agencies formed a joint powers authority to provide for the operation and maintenance of the SJRIP. The District determined that a joint effort was a more effective and efficient means to provide the common drainage services. See the caption “-Drainage.”

San Joaquin Valley Drainage Authority. The District, along with 9 other agencies, formed the San Joaquin Valley Drainage Authority (the “SJVDA”), initially in anticipation of the expected issuance of a drainage permit for the Drain by RWQCB. See the caption “—Drainage”. The SJVDA now manages monitoring, reporting and compliance with groundwater protection, waste discharge permitting, irrigated lands program and other requirements of the RWQCB for many of its members. Panoche Drainage District participates as a coordinating member, but its compliance with surface water quality monitoring, reporting, and discharge permits and its landowners' participation in the Irrigated Lands Regulatory Program is organized and permitted under the Grassland Basin Drainage Management Activity of the SLDMWA.

Panoche Financing Authority. The District along with the Panoche Drainage District formed the Authority to secure and manage debt financing for the districts. See the caption “THE AUTHORITY” in the forepart of the Official Statement.

Assessments

The District first levied the Contractual Obligation Assessment on June __, 2021 for Fiscal Year 2021-22 through the annual property tax bill for Merced and Fresno Counties. Payment of the initial Contractual Obligation Assessment installment is due on December 1, 2021.

The following table sets forth the ten landowners paying the largest amounts of Contractual Obligation Assessments levied in Fiscal Year 2021-22.

**PANOCHÉ WATER DISTRICT
CONTRACTUAL OBLIGATION ASSESSMENTS
FISCAL YEAR ENDED FEBRUARY 28, 2022**

<i>Assessment Payer (by account)</i>	<i>% of Total District Assessments</i>
Agricultural Account*	6.00%
Agricultural Account*	4.00
Agricultural Account*	3.00
Agricultural Account*	3.00
Agricultural Account*	3.00
Agricultural Account*	3.00
Agricultural Account*	3.00
Agricultural Account*	3.00
Agricultural Account*	3.00
Agricultural Account*	3.00
Total	34.00%

* The District does not provide the names of landowners who are private individuals.
Source: District.

Financial Statements

A copy of the most recent audited financial statements of the District for the Fiscal Year ending February 29, 2020 prepared by Price, Paige and Company, Clovis, California (the “Auditor”) are set forth in Appendix B -“PANOCHÉ WATER DISTRICT FINANCIAL STATEMENTS FOR THE YEAR ENDED FEBRUARY 29, 2020, INCLUDING THE INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS”. The Auditor’s letter concludes that the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of February 29, 2020, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. The Auditor has not reviewed the information contained in this Official Statement.

The District accounts for moneys received and expenses paid in accordance with generally accepted accounting principles applicable to governmental agencies such as the District (“GAAP”) and applies all relevant Governmental Accounting Standard Board pronouncements.

The financial statements of the District are presented using the full accrual method of accounting and conform to accounting principles generally accepted in the United States of America and with the policies and procedures of the office of the State Controller, State of California.

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a set of accounts that comprise the District's assets, liabilities, net position, revenues and expenses. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenue from fees and charges of the activity; or (ii) that are required by law or regulation that the activity's costs of providing services, including capital costs (such as depreciation or debt service) be recovered with fees and charges, rather than with taxes or similar revenue; or (iii) that the pricing policies of the activity establishes fees and charges designated to recover its costs, including capital costs (such as depreciation or debt service).

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus all assets and all liabilities associated with the operations are included on the statement of net position. Net position (i.e., total assets less total liabilities) are segregated into net investment in capital assets, restricted and unrestricted components.

In certain cases GAAP requires or permits moneys collected in one Fiscal Year to be recognized as revenue in a subsequent Fiscal Year and requires or permits expenses paid or incurred in one Fiscal Year to be recognized in a subsequent Fiscal Year. See the Appendix B—“PANOCHE WATER DISTRICT FINANCIAL STATEMENTS FOR THE YEAR ENDED FEBRUARY 29, 2020, INCLUDING THE INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING” attached hereto for a discussion of accounting practices of the District. Except as otherwise expressly noted herein, all financial information derived from the District’s audited financial statement reflect the application of GAAP.

The summary operating results contained under the caption “—Historic Operating Results and Debt Service Coverage” are derived from these financial statements (excluding certain non-cash items and after certain other adjustments) and are based on the financial covenants included in the 2021 Installment Purchase Agreement. See the definition of Revenues and Operating and Maintenance Costs set forth in Appendix C attached hereto for additional information with respect to such exclusions and adjustments. The summary operating results are qualified in their entirety by reference to such financial statements, including the notes thereto, and the provisions of the 2021 Installment Purchase Agreement summarized in Appendix C hereto.

In providing a rating on the 2021 Bonds, certain rating agencies may have performed independent calculations of coverage ratios using their own internal formulas and methodology which may not reflect the provisions of the 2021 Installment Purchase Agreement. See the caption “RATINGS” in the forepart of this Official Statement. The District makes no representations as to any such calculations, and such calculations should not be construed as a representation by the District as to past or future compliance with any financial covenants, the availability of particular revenues for the payment of Debt Service or for any other purpose.

Historic Operating Results and Debt Service Coverage

The following tables set forth a summary of water system operating results and debt service coverage with respect thereto for the last five Fiscal Years. See Appendix B—“PANOCHE WATER DISTRICT FINANCIAL STATEMENTS FOR THE YEAR ENDED FEBRUARY 29, 2020, INCLUDING THE INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS” attached hereto. The following summary for the Fiscal Year ended the last day of February for the years indicated and is qualified in its entirety by reference to such statements for such years, including the notes thereto. The Auditor has not reviewed the information set forth in the following table.

Panoche Water District
Historic Operating Results and Debt Service Coverage (Fiscal Years)
Fiscal Year (March 1 through last day of February)

	2020	2019	2018	2017	2016
REVENUES					
Irrigation water sales	\$ 10,522,623	\$ 14,772,572	\$ 11,101,468	\$ 17,615,174	\$ 24,862,719
District operations and maintenance	7,642,685	6,856,774	6,080,556	5,451,290	5,010,437
Expense reimbursements from other governments ⁽¹⁾	3,799,018	2,400,440	2,691,586	3,080,811	2,795,451
Interest revenues ⁽²⁾	198,744	161,064	92,578	64,781	43,300
Other revenues ⁽³⁾	577,749	131,748	569,311	536,895	393,411
Total Revenues	\$ 22,740,819	\$ 24,322,598	\$ 20,535,500	\$ 26,748,951	\$ 33,105,318
OPERATION AND MAINTENANCE COSTS⁽⁴⁾					
Water Cost ⁽⁵⁾	\$ 11,282,662	\$ 14,000,350	\$ 10,452,748	\$ 14,404,250	\$ 16,884,261
Transmission and distribution	3,342,013	4,030,941	5,067,241	5,279,305	5,344,073
Administrative and general	5,674,380	4,910,074	4,243,844	4,375,677	2,918,475
General plant	1,484,989	1,047,442	800,566	1,043,360	1,284,300
Total Operation and Maintenance Costs	\$ 21,784,045	\$ 23,988,807	\$ 20,564,398	\$ 25,102,592	\$ 26,431,109
NET REVENUES	\$ 956,774	\$ 333,791	\$ (28,898)	\$ 1,646,359	\$ 6,674,209
DEBT SERVICE⁽⁵⁾	-	272,119	272,356	272,355	1,277,353
DEBT SERVICE COVERAGE	-	1.23	(0.11) ⁽⁷⁾	6.04	5.23
NET REVENUES AVAILABLE FOR OTHER PURPOSES	\$ 956,774	\$ 61,672	\$ (301,254)	\$ 1,374,004	\$ 5,396,856

⁽¹⁾ Primarily reimbursement from the Panoche Drainage District for staff costs and Panoche Drainage District share of repair and replacement costs and capital improvements.

⁽²⁾ Excluded unrealized gains and losses on investments.

⁽³⁾ Included other operating revenues, municipal and industrial water sales, capital improvement fees and sale of capital assets.

⁽⁴⁾ Excludes noncash operating expenses such as depreciation and noncash nonoperating expenses including settlement expenses being paid from proceeds of the 2021 Bonds.

⁽⁵⁾ Does not include inventory adjustments. Includes amounts payable to the Water Authority under the DHCCP Activity Agreement.

⁽⁶⁾ Reflects amounts payable under a line of credit and a loan from the SWRCB. The loan with the SWRCB was paid in full in Fiscal Year 2019. The line of credit terminated on August 31, 2019.

⁽⁷⁾ Debt service in Fiscal Year 2017-18 funded primarily from District reserves.

Source: District.

Management Discussion of Historic Operating Results and Debt Service Coverage

In its Financial Statements for Fiscal Year 2015-16, the District determined that certain transactions were recorded incorrectly in prior fiscal years. The District did not recognize an allowance for doubtful accounts in prior fiscal years' accounts that were significantly overdue through Fiscal Year 2015-16, resulting in a \$574,657 increase in the allowance for doubtful accounts for Fiscal Year 2015-16. In addition, the District incorrectly recognized \$162,132 in grant reimbursement revenue in the current year for grant expenses incurred in a prior year. The District did not reduce its deficit deposit liability for actual payment made on account, resulting in a \$1,042,451 decrease to deficit deposits liability. The District incorrectly capitalized costs related to the Delta Habitat Conservation and Conveyance Program (the "DHCCP"), resulting in a \$2,401,930 decrease to DHCCP asset. The District did not recognize a \$9,547,178 increase in water inventory. The District previously reported its Net Position as \$19,163,183 and restated its beginning Net Position as \$26,938,357 for Fiscal Year 2015-16.

In the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* prepared by the Auditor in connection with the District Fiscal Year 2019-20 audited financial

statements, and dated March 10, 2021 (the “Report on Internal Control”), the Auditor identified a deficiency in internal control that it considered to be a material weakness. The material weakness identified was that the internal controls over the year-end financial reporting process were not properly designed and were not placed in operation. This material weakness resulted in the District incorrectly “reversing” a prior year adjusting entry in the amount of \$264,369, which the District had believed was an accrual entry but was in fact a correcting entry for revenue and accounts receivable. The Auditor recommended that the District create a year-end financial closing checklist which includes the necessary steps, in detail, that should be undertaken at year-end to ensure proper reconciliation and report all significant account balances.

The Report on Internal Control also discussed certain material weaknesses that were identified in a report delivered in connection with the District’s audited financial statements for Fiscal Year 2018-19. The first material weakness was that internal controls over the year-end financial reporting process were not properly designed and were not placed in operation. This resulted in the District not properly recording all payables, receivables, expenses and revenues during the year-end closing process. The Auditor recommended that the District create a year-end financial closing checklist which includes the necessary steps, in detail, that should be undertaken at year-end to ensure proper reconciliation and report all significant account balances. The Auditor concluded that the recommendation had been partially implemented. The second material weakness related to the District not having a properly designed or operating control system. Specifically, the report identified that the District did not have adequate written policies and procedures to address payroll/personnel transactions. The Auditor also noted that monitoring of financial transactions was weak or non-existent. This resulted in the District not obtaining proper authorization for payroll related transactions during the fiscal year. The Auditor recommended that the District create policies and procedures which include the necessary steps, in detail, that should be undertaken to ensure proper documentation, authorization and reporting of all accounting transaction. The Auditor concluded that this recommendation had been implemented.

Since 2018, District staff has reviewed and modified District audit and accounting practices to address material weaknesses previously identified in prior reports prepared by District auditors.

See Appendix B—“PANOCHE WATER DISTRICT FINANCIAL STATEMENTS FOR THE YEAR ENDED FEBRUARY 29, 2020, INCLUDING THE INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS” attached hereto for the Report on Internal Control.

Projected Operating Results and Debt Service Coverage

Estimated projected operating results on an aggregate basis for Fiscal Years 2020-21 through 2024-25 are set forth below. The projected operating results reflect a projected 0% allocation for CVP contract water entitlements for Fiscal Year 2021-22 and 40% allocation for CVP contract water entitlements for Fiscal Years 2022-23 through 2024-25. For more information, see the caption “—Projected Water Sources.” Certain assumptions have been made by the District in the development of the projections. Many of these assumptions are reflected in the footnotes accompanying the projections. While the District believes its assumptions are reasonable, there can be no assurance that the assumed conditions will in fact occur. The District’s projections may be affected (favorably or unfavorably) by unforeseen future events and such effects could be material. Therefore, the results projected below cannot be assured.

**Panoche Water District
Projected Operating Results and Debt Service Coverage
Fiscal Year (March 1 through last day of February)***

	2020-21 ⁽¹⁾	2021-22 ⁽²⁾	2022-23	2023-24	2024-25
Contractual Obligation Assessments⁽³⁾	\$ --	\$1,363,555	\$1,403,886	\$1,403,886	\$1,390,442
Series 2021 Installment Payments	--	1,239,229	1,277,108	1,277,273	1,263,028
Portion of Series 2021 Installment Payments Not Paid from Contractual Obligation Assessments	--	--	--	--	--
Contractual Obligation Assessments Remaining after Payment of Series 2021 Installment Payments	--	124,326	126,777	126,613	127,414
Series 2021 Installment Payment Coverage from Contractual Obligation Assessments	--	1.10	1.10	1.10	1.10
REVENUES					
Irrigation water sales ⁽⁴⁾	\$ 15,234,589	\$ 18,000,000	\$ 16,407,392	\$ 16,571,466	\$ 16,737,181
Expense reimbursements from other governments ⁽⁵⁾	1,752,314	750,000	757,500	765,075	772,726
District operations and maintenance ⁽⁶⁾	5,134,747	6,400,000	6,760,000	6,827,600	6,895,876
Interest revenue ⁽⁷⁾	121,903	149,240	141,337	134,387	131,497
Other revenues ⁽⁸⁾	275,199	283,455	291,959	300,717	309,739
Less Transfer to 2021 Stabilization Fund ⁽⁹⁾	-	-	-	-	-
Plus Transfer from 2021 Stabilization Fund	1,062,492 ⁽¹⁰⁾	-	-	-	-
Total Revenues	\$ 23,581,245	\$ 25,582,695	\$ 24,358,188	\$ 24,599,246	\$ 24,847,018
OPERATION AND MAINTENANCE COSTS					
Water cost ⁽¹¹⁾	\$ 14,080,303	\$ 17,100,000	\$ 15,587,023	\$ 15,742,893	\$ 15,900,322
Transmission and distribution ⁽¹²⁾	3,124,622	2,398,361	2,290,312	2,359,021	2,429,792
Administrative and general ⁽¹³⁾	5,278,289	4,691,582	4,635,413	4,728,122	4,822,684
General plant ⁽¹⁴⁾	1,098,030	1,030,971	1,061,900	1,093,757	1,126,570
Other expenses ⁽¹⁵⁾	--	-	-	-	-
Total Expenses	\$ 23,581,245	\$ 25,220,914	\$ 23,574,648	\$ 23,923,793	\$ 24,279,368
NET REVENUES	\$ 0	\$ 361,781	\$ 783,540	\$ 675,453	\$ 567,651
NET REVENUES AVAILABLE FOR PAYMENT OF PARITY OBLIGATIONS	\$ 0	\$ 361,781	\$ 783,540	\$ 675,453	\$ 567,651
DEBT SERVICE WITH RESPECT TO PARITY OBLIGATIONS					
Portion of 2021 Installment Payments Not Paid from Contractual Obligation Assessments	\$ --	\$ --	\$ --	\$ --	\$ --
Total Debt Service with Respect to Parity Obligations⁽¹⁶⁾	\$ --	\$ --	\$ --	\$ --	\$ --
DEBT SERVICE COVERAGE WITH RESPECT PARITY OBLIGATIONS	--	--	--	--	--
NET REVENUES AVAILABLE FOR OTHER DISTRICT PURPOSES	\$ 0	\$ 361,781	\$ 783,540	\$ 675,453	\$ 567,651

* Totals may not sum due to rounding.

(1) Reflects Fiscal Year 2020-21 actual, unaudited results.

(2) Reflects approved Fiscal Year 2022 budget except Irrigation Water Sales and Water Costs have been increased to reflect projected supplemental water purchases.

(3) Reflects proceeds of Contractual Obligation Assessment which is expected to be levied in an amount equal to at least 110% of the amount necessary to make the Series 2021 Installment Payments. See the caption "PANOCHÉ WATER DISTRICT—District Water Charges—Acreage Charges." See the caption "PANOCHÉ WATER DISTRICT—Assessments."

(4) Fiscal Year 2022 budget amount is currently \$9,873,471, the additional amounts in excess of the budgeted amount reflect the expected sale of supplemental water, which are expected to be reflected in a subsequent amendment to the Fiscal Year 2022 Budget. Fiscal Year 2023 projects a melded water rate of \$315.53, Fiscal Year 2024 projects a melded water rate of \$318.68 and Fiscal Year 2024 projects a melded water rate of \$321.87. Water deliveries for Fiscal Years 2022 through 2025 are as projected in the table titled "Projected Average Annual Water Deliveries." See the caption "- Projected Water Deliveries."

(5) Decrease from Fiscal Year 2021 amount attributable to projected decrease in services provided by the District to the Drainage District due to a transfer of operation and maintenance of SJRIP to GBA and a decrease in services to the Pacheco Water District due Pacheco Water District decision to hire a management company to provide services previously provided by the District. Projected to increase by approximately 1% per annum from Fiscal Year 2021-22 amount.

- (6) Increase in Fiscal Year 2022 attributable to the expected increase in the sale of supplemental water. Projected to increase by approximately 6% in Fiscal Year 2023 and by 1% per annum in Fiscal Year 2024 and 2025.
- (7) Increase in Fiscal Year 2022 attributable to a projected increase in interest rates to 3%. Projected to decrease by 5% in Fiscal Years 2023 and 2024 due to the amortization of notes payable by the District and GBA and to decrease by 2% in Fiscal Year 2025 due to the amortization of notes payable by the District and GBA.
- (8) Includes other operating revenues, municipal and industrial water sales, capital improvement fees and sale of capital assets. Projected to increase by approximately 3% per annum from Fiscal Year 2020-21 amount.
- (9) No amounts are projected to be transferred to or from the 2021 Stabilization Fund.
- (10) 2021 Stabilization Fund will be established on the date of issuance of the 2021 Bonds. In future Fiscal Years, the District could transfer amounts from the 2021 Stabilization Fund to pay Operation and Maintenance Costs or debt service with respect to any Bonds or Contracts instead of transferring amounts from District reserves.
- (11) Fiscal Year 2022 budget amount is currently \$10,117,622, the additional amounts in excess of the budgeted amount reflect additional costs attributable to the expected sale of supplemental water, which are expected to be reflected in a subsequent amendment to the Fiscal Year 2022 Budget. Fiscal Year 2023 projects a melded water cost of \$299.75, Fiscal Year 2024 projects a melded water cost of \$302.75 and Fiscal Year 2025 projects a melded water cost of \$305.78. Water deliveries for Fiscal Years 2022 through 2025 are as projected in the table titled “Projected Average Annual Water Deliveries.” See the caption “- Projected Water Deliveries.”
- (12) Decrease in Fiscal Year 2022 due to reductions in District labor force and projected maintenance costs. Decrease in Fiscal Year 2023 due to projected decreases in maintenance costs. Projects increases of 3% in each of Fiscal Year 2024 and 2025.
- (13) Decrease in Fiscal Year 2022 due to a projected reduction in labor and legal costs. Decrease in Fiscal Year 2023 due to projected reduction in labor and legal costs. Projects increases of 2% in each of Fiscal Year 2024 and 2025. Includes amounts payable to the Water Authority under the DHCCP Activity Agreement.
- (14) Decrease in Fiscal Year 2022 due to the implementation of drought related cost control measures. Projects increases of 3% per annum for Fiscal Year 2023 through 2025.
- (15) No other expenses are projected.
- (16) Bonds and Contracts expected to be paid from Net Revenues on a parity with the 2021 Installment Payments are not projected to be issued during the projection period.

Source: District.

Management Discussion of Projected Operating Results and Debt Service Coverage

The District’s Projected Operating Results for Fiscal Years 2020-21 through 2024-25 are based on the District’s actual, unaudited financial results for Fiscal Year 2020-21, subject to certain adjustments and assumptions, and assume a 0% allocation of CVP Contract Water entitlements for Fiscal Year 2021-22 and a 40% allocation for CVP Contract Water entitlements thereafter. Water sales and purchased water costs are the District’s primary revenue sources and expenses. The District’s projections of Revenues and Operation and Maintenance Costs for Fiscal Years 2022-23 through 2024-25 use average water deliveries, and assume changes in water rates and water costs described in the footnotes to the Projected Operating Results for Fiscal Years 2020-21 through 2024-25 table. Other revenues and expenses are projected to increase as described in footnotes to the table titled “Projected Operating Results and Debt Service Coverage” above. The District projects continuing to supplement its water supply from outside sources and the costs associated with the acquisition of supplemental water supplies are captured in water rates charged to water users. See the caption “—Projected Water Sources” for water supply projections for the current and next four Fiscal Years.

In Fiscal Year 2020-21, the District transferred amounts from District reserves to pay certain Operation and Maintenance Costs. The 2021 Stabilization Fund will be established on the date of issuance of the 2021 Bonds. In future Fiscal Years, the District could transfer amounts from the 2021 Stabilization Fund to pay Operation and Maintenance Costs or debt service with respect to any Bonds or Contracts instead of transferring amounts from District reserves. See the caption “—2021 Stabilization Fund” under “SECURITY FOR THE 2021 BONDS” in the forefront of this Official Statement.

Investment of District Funds

All funds held by the District are invested in accordance with the District’s Statement of Investment Policy. The primary objectives, in priority, are safety of principal, liquidity, and yield. The comprehensive Statement of Investment Policy was last reviewed and adopted by the District on April 27, 2021 and is approved or revised annually as required by State law. On the date of issuance of the 2021 Bonds, the District expects to hold approximately \$5 million in funds.

All investments, including the Permitted Investments and those authorized by law from time to time for investments by public agencies, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected and loss or delayed receipt of principal.

The District's Statement of Investment Policy may be changed at any time by the Board (subject to State law provisions relating to authorized investments) and as the California Government Code is amended. There can be no assurance, therefore, that the State law and/or the Statement of Investment Policy will not be amended in the future to allow for investments which are currently not permitted under State law or the Investment Policy or that the objectives of the District with respect to investments or its investment holdings at any point in time will not change.

For additional information with respect to District Cash and Cash Equivalents see Note 2 of APPENDIX B—"PANOCHE WATER DISTRICT FINANCIAL STATEMENTS FOR THE YEAR ENDED FEBRUARY 29, 2020, INCLUDING THE INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS" attached hereto.

Outstanding Obligations

The District has no outstanding Bonds or Contract payable for the Contractual Obligation Assessment, Revenue or Net Revenue.

Future Financings

The projected operating results and debt service coverage set forth under the caption "—Projected Operating Results and Debt Service Coverage" do not reflect implementation of any other capital improvements for water system modernization projects since the timing of the issuance of such additional Bonds or Contracts, if any, is unclear at this time.

RECENT SETTLEMENTS

The District and the United States entered into a Settlement Agreement on January 15, 2021. The key financial terms of the Settlement Agreement are that the District may be liable to the United States for up to \$8,261,361.00, not including interest (the "Settlement Amount"), for what the United States contends to be the District's unauthorized diversion of water from the Delta Mendota Canal and the San Luis Canal between 2009 and 2015. In the Settlement Agreement, the United States specifically contended that between on or about January 1, 2009, and April 20, 2015, the District diverted federally-owned water from the Delta-Mendota and San Luis Canals, and that the diversions were unauthorized and that the District did not compensate the United States Bureau of Reclamation for the diversions (collectively, the "Covered Conduct"). The District has made an initial payment of \$1,000,000.00 to the United States as required by the Settlement Agreement. The District intends to fund the remaining amount owed to the United States pursuant to the Settlement Agreement from proceeds of the 2021 Bonds (the "Lump Sum Payment").

The Settlement Agreement also provides that the San Luis & Delta-Mendota Water Authority (the "Water Authority") sustained damages of \$798,653.00 as a result of the Covered Conduct. The District agreed in the Settlement Agreement make reasonable efforts to negotiate and resolve the final amount to be paid by the District to the Water Authority for damages resulting from the Covered Conduct and, in return, to obtain release from the Water Authority for the benefit of both the District and the United States relating to the Covered Conduct. The District and the Water Authority are currently negotiating a damages amount. The District and the Water Authority are currently negotiating a damages amount. The District currently projects paying approximately \$1,100,000.00 to the Water Authority in connection with a settlement with the Water Authority from proceeds of the 2021B Bonds. There can be no assurance that the amount of final settlement will not

exceed \$1,100,000. The District expects to pay any amounts in excess of \$1,100,000.00 from District reserves. The District does not currently expect any settlement in excess of \$1,100,000.00 with the Water Authority to have a material adverse effect on the ability to pay the Series 2021 Installment Payments.

The Settlement Agreement contains two additional monetary terms, one potential and one actual. The potential monetary term relates to the requirement that the Water District continue to maintain certain programs, policies, and procedures, provide certain training, and undergo a limited annual review of the District's programs, policies, procedures, and trainings by an entity or person, such as an accounting or auditing firm or non-district personnel for the period ending December 31, 2025. In the event the Water District does not comply, it could be subject to an annual payment of \$100,000 for each calendar year in which the non-compliance occurs. The District currently expects to comply with these requirements and therefore has not projected any such annual payments.

For additional information about these settlements, see Note 13 to the District financial statements for the year ended February 29, 2021 attached hereto as Appendix B.

LITIGATION

General. There are no pending lawsuits contesting or affecting the execution and delivery of the 2021 Bonds, the collection of Revenues or the Proposition 2018 Special Benefit Assessments or, except as described below, which could have a material adverse effect on the District's Water System or the financial condition of the District, including the ability of the District to pay the Series 2021 Installment Payments.

Validation of Proceedings for 9(d) Contracts. In connection with the 9(d) Contract, the District filed an action (the "Validation Action") in the Superior Court for the County of Fresno on February 1, 2021 requesting an order validating the proceedings on the part of the District for the authorization of the execution of the 9(d) Contract pursuant to Chapter 9 (commencing with Section 860) of Title 10 of Part L of the Code of Civil Procedure of the State of California (the "Validation Statute"). In response to the published summons, no challenges to the Validation Action were filed. The Court entered a judgment on April 12, 2021, validating the 9(d) Contract, to the effect, among other things that: that the District had, and at all times relevant has had, the authority to enter into said 9(d) Contract and all of the proceedings of the District and its Board leading up to and including the making and approval of the 9(d) Contract were in all respects legal and valid; that the 9(d) Contract is in all respects valid and binding upon the respective parties thereto. Pursuant to Section 870 of the California Code of Civil Procedure, because no party answered the complaint, the judgment can only be appealed on grounds relating to the jurisdiction of proceedings. The last day to timely file a notice of appeal was on or about May 12, 2021, after which, the judgment is expected to become binding and conclusive in accordance with State law. The District is unaware of any threatened challenge to the judgment.

Center for Biological Diversity, et al. v. United States Bureau of Reclamation, et al. On May 20, 2020, the Center for Biological Diversity, Restore the Delta, and the Planning and Conservation League filed a complaint against Reclamation, David Bernhardt, in his official capacity as Secretary of the Interior, and the United States Department of the Interior for declaratory and injunctive relief. Through their complaint, the Center for Biological Diversity et al. seek an order and judgment setting aside and rescinding 14 repayment contracts. The Center for Biological Diversity et al. claim Reclamation by executing the 14 repayment contracts, violated NEPA, the Administrative Procedures Act, and the Endangered Species Act. The Center for Biological Diversity et al. also seek an order and judgment restraining Reclamation from entering into any other repayment contracts. In August 2020, the federal defendants moved for an order from the Court requiring plaintiffs to join water contractors whose contracts they seek to affect or dismiss the case. Center for Biological Diversity et al. opposes this motion, arguing that they should not be required to join all affected water contractors, but also stating they would not oppose the intervention of water contractors if representation of the contractors was consolidated. As of the date of this Official Statement, the motion remains pending. The District does not currently expect that this lawsuit will have a material adverse effect on the ability to pay the Series 2021 Installment Payments.

North Coast Rivers Alliance, et al., v. US Department of Interior. In March of 2016, North Coast Rivers Alliance, California Sportfishing Protection Alliance, Pacific Coast Federation of Fishermen's Associations, San Francisco Crab Boat Owners Association, Inc., and Institute for Fisheries Resources filed a lawsuit captioned North Coast Rivers Alliance, et al., v. US Department of Interior ("Federal Defendants") in the District Court seeking an order overturning Reclamation's 2016 Environmental Assessment and Finding of No Significant Impact for certain interim renewal contracts. Although the interim renewal contracts that were the subject of the 2016 Environmental Assessment were since renewed, the Court retained jurisdiction because the short duration and serial nature of interim water service contracts placed plaintiffs' claims within the mootness exception for disputes capable of repetition yet evading review. Cross-motions for summary judgment on the merits of certain aspects of the remaining claims in the case were pending before the Court. The Court subsequently recognized that its finding that the claims were capable of repetition, yet evading review, may have been affected by efforts to convert water service contracts to 9(d) contracts, pursuant to the WIIN Act. Pursuant to Court order, Reclamation has been updating the Court on the efforts to convert water service contracts to 9(d) contracts. On March 30, 2020, the Court issued an order requiring Reclamation to continue providing updates periodically as well as if the current trajectory of WIIN Act conversions of certain water services contracts materially changes. The Court also (1) directed the Clerk of Court to administratively terminate the pending cross-motions for summary judgment and (2) informed the parties that it would notify the parties if and when it determines that it is appropriate to rule on those motions or whether it will require further briefing from the parties addressing the issue of mootness.

Plaintiffs amended their complaint to add challenges to Reclamation's authority to enter into repayment contracts under NEPA, federal validation statutes, and other federal laws. Plaintiffs' amended complaint seeks a judgment from the Court that Reclamation's approval of repayment contracts that have already been executed be "set aside" and Reclamation be enjoined from executing additional repayment contracts until an environmental impact study is completed. On October 7, 2020, the District, Westlands Water District and San Luis Water District jointly moved to dismiss the remaining challenges to the interim contracts as moot because those contracts are no longer operative, and to require Plaintiffs to either join other water contractors whose repayment contracts they seek to affect or dismiss these claims. The federal defendants moved to dismiss the interim contract claims as moot. Pursuant to a minute order issued by the Court, the federal defendant's motion will be determined by the filings made by the parties, and hearing will not be held on the motion unless the Court determines that one is necessary. The District does not currently expect that this lawsuit will have a material adverse effect on the ability to pay the Series 2021 Installment Payments.

Pacific Coast Federation of Fishermen's Associations et al. v. Ross, et al./California Natural Resources Agency et al. v. Ross, et al. On or about December 2, 2019, Pacific Coast Federation of Fishermen's Association ("PCFFA") and several other Non-Governmental Organizations filed lawsuit challenging biological opinions that analyzed coordinated operations of the CVP and SWP, issued by the FWS and NMFS. PCFFA et al. subsequently filed an amended complaint which added a challenge to Reclamation's issuance of a Record of Decision for the coordinated operations and reliance on the biological opinions. On February 20, 2020, the Attorney General of California, California Natural Resources Agency and California Environmental Protection Agency (collectively, the "State Agencies") filed a similar complaint, which also challenges the biological opinions, Reclamation's record of decision and its reliance on the biological opinions and claims violations of the California Endangered Species Act. Both PCFFA et al. and the State Agencies asked the Court for declaratory and injunctive relief and preliminary and permanent injunctions.

On March 5, 2020, PCFFA et al. filed a motion for preliminary injunction to enjoin CVP operations until the Court resolves the merits of PCFFA et al.'s claims. On April 21, 2020, the State Agencies also filed a motion for preliminary injunction to enjoin CVP operations until May 31, 2020. The motions were argued on May 7, 2020.

On May 11, 2020, the Court issued two orders, one in the State Agencies case and one in the PCFFA et al. case. The order in the State Agencies case granted their request for a preliminary injunction, and the order in the PCFFA et al. case granted in part and denied in part as moot for preliminary injunction and holding certain

issues in abeyance. The Court indicated, for those aspects of PCFFA's motion held in abeyance, it intends to issue a separate order "in the near future" and, on June 24, 2020, the Court issued an order denying the motion based on those issued previously held in abeyance.

The effect of the two orders is that Reclamation operated the C.W. "Bill" Jones Pumping Plant at minimum levels from May 12, 2020 through May 31, 2020. On May 19, 2020, Reclamation increased the allocation to the District and other agricultural water service contractors to 20%. On or about September 23, 2020, the federal defendants lodged the records supporting the challenged federal agency decisions. On or about December 18, 2020, the State Agencies and PCFFA et al. filed motions to complete the administrative records or, in the alternative, supplement the administrative records. Briefing on those motions continues. The District now anticipates that the Court will not resolve the motions until June 2021, and that the Court will schedule dates for briefing on the merits thereafter. The District is not able to determine if an adverse ruling in this action will have material adverse effects on the ability to pay principal of and interest on the 2021 Bonds.

North Coast Rivers Alliance et al. v. Department of Water Resources et al. On January 16, 2019, North Coast Rivers Alliance, Institute for Fisheries Resources, Pacific Coast Federation of Fishermen's Associations, San Francisco Crab Boat Owners Association, and Winnemem Wintu Tribe ("Petitioners") filed a "Verified Petition for Writ of Mandate and Complaint for Declaratory and Injunctive Relief and for Attorneys' Fees" ("Petition") in Sacramento Superior Court challenging in part approval of the Addendum to the Agreement Between the United States of America and the Department of Water Resources of the State of California for Coordinated Operation of the Central Valley Project and the State Water Project ("COA Addendum"). The Petition alleges in part that, by entering in the COA Addendum, DWR violated CEQA, the Delta Reform Act, and the Public Trust Doctrine. The North Delta Water Agency ("NDWA") was granted leave to intervene in the action, and it filed a Complaint in Intervention alleging that the COA Addendum allows reductions in water quality and/or supply that can cause harm to crops in NDWA's service area. The COA Addendum amends four elements of the 1986 Agreement to reflect the evolved manner in which the CVP and SWP have coordinated operations since the 1986 Agreement was signed. The administrative record for the action is being prepared. The Court has not yet scheduled any dates for briefing, hearing or ruling on the merits. The District is not able to determine if an adverse ruling in this action will have material adverse effects on the ability to pay principal of and interest on the 2021 Bonds.

Hoopa Valley Tribe v. United States Bureau of Reclamation, et al. On August 13, 2020, the Hoopa Valley Tribe filed a complaint in United States District Court for the Northern District of California, Eureka Division against Reclamation, David Bernhardt in his official capacity as Secretary of the United States Department of Interior, Brenda Burman in her official capacity as Commissioner of Reclamation, Ernest Conant in his official capacity as Reclamation's California-Great Basin Regional Director, and the United States Department of Interior. The Hoopa Valley Tribe also seeks rescission of any conversion of interim renewal contracts for CVP water into permanent repayment contracts and enjoinder of Reclamation from converting or amending any additional interim renewal contracts into permanent repayment contracts. If the court grants an injunction with respect to any additional conversions or amendments of interim renewal contracts into repayment contracts, District cannot predict the effect that such injunction would have on the effectiveness of the 9(d) Contract. On October 7, 2020, Reclamation and United States Department of Interior moved to transfer the case to the Eastern District. In their motion, Reclamation and the United States Department of Interior also asserted that WIIN Act water contractors are "necessary parties" that should be joined to the case and stated their intent to move to consolidate this case with the two other WIIN Act cases (Center for Biological Diversity et al. and North Coast Rivers Alliance et al.) in front of the same judge (Judge Dale Drozd) once the case is transferred. On October 26th, Reclamation and the United States Department of Interior moved to dismiss only the Hoopa Valley Tribe's claim under the CVPIA. The motion to dismiss also seeks to compel joinder of required parties. A virtual hearing on the motion to transfer and the motion to dismiss was heard by the Court on December 10, 2020. On December 21, 2020, the Court issued an order granting the motion to transfer the case from the Northern District of California to the Eastern District of California. The Court indicated that the District's motion to intervene, as well as the motion by Reclamation and United States Department of Interior, will need to be re-noticed after transfer. The case has since been assigned to United States District Judge Dale Drozd. The

District is not able to determine if an adverse ruling in this action will have a material adverse effect on the District's ability to pay the Series 2021 Installment Payments.

City of Fresno, et al. v. United States of America. On October 5, 2016, the City of Fresno and 17 other water, irrigation and utility districts filed a lawsuit captioned City of Fresno, et al. v. United States of America. Plaintiffs allege that Reclamation violated the Fifth Amendment of the United States Constitution by appropriating Plaintiffs' water without just compensation.

Each Plaintiff has a water supply contract to receive water from the facilities of the Friant Division of the Central Valley Project. In water year 2014, Reclamation appropriated all of the water of the Friant Division of the Central Valley Project of California in order to satisfy what it determined to be a contractual requirement to provide substitute water to a group of water users referred to as the Exchange Contractors who had invoked their senior water rights during drought. Plaintiffs allege that there were other water supplies sufficient to satisfy the Exchange Contractors. As a result of such appropriation, Plaintiffs allege that they (and the landowners and water users Plaintiffs represent) suffered crop losses, loss of groundwater reserves, water shortages and rationing, and incurred millions of dollars to purchase emergency water supplies.

The Complaint includes the allegation that the United States acquired water and water rights for the benefit of Plaintiffs, not for the use of the government, and that such water rights became property of the landowners. The validation of such a claim could potentially impact future CVP water allocation. The case concluded the preliminary motion stage in March 2020, with the result that the plaintiffs' takings claims were dismissed while the breach of contract claims survived. The case is now in the pre-trial discovery stage and the trial is currently anticipated to occur in late 2021. The District does not currently expect that this lawsuit will have a material adverse effect on the ability to pay the Series 2021 Installment Payments.

AquAlliance et al. v. United States Bureau of Reclamation. On May 11, 2020, AquAlliance, California Sportfishing Protection Alliance, California Water Impact Network, Central Delta Water Agency, and South Delta Water Agency filed with the United States District Court a complaint for declaratory and injunctive relief and petition for writ of mandate, challenging what is commonly referred to as the "Long-Term Water Transfers" program. The Long-Term Water Transfers program provides environmental coverage during the period 2020 through 2024 for a range of potential water transfers from water contractors north of the Sacramento-San Joaquin Delta to CVP water contractors south of the Sacramento-San Joaquin Delta, including the District. AquAlliance et al. allege, when approving that program: (1) Reclamation violated NEPA, (2) SLDMWA violated the CEQA, and (3) SLDMWA abridged and abrogated its public trust duties. On June 5, 2020, plaintiffs in this action filed an amended complaint and petition, which added a claim against the United States Fish and Wildlife Service (the "FWS") alleging that the FWS issued a biological opinion for the program and, by its actions, was arbitrary, capricious, and failed to proceed as required by law, including the federal Endangered Species Act. On or about January 4, 2021, AquAlliance et al. and the federal defendants filed a stipulation, and on January 6, 2021, the Court issued an order that authorizes AquAlliance et al. to file a second amended complaint. On January 8, 2021, AquAlliance et al. filed a second amended complaint that alleges Reclamation violated the federal Endangered Species Act by accepting the biological opinion issued by the FWS and implementing the program. The District is not a party to the litigation. AquAlliance et al. have not sought monetary damages; however, AquAlliance et al. may seek to recover their attorneys' fees and costs. Such attorneys' fees and costs, if awarded, would be payable by the members of SLDMWA, including the District. The District does not anticipate that a ruling adverse to Reclamation, FWS, or SLDMWA would have a material adverse effect on the District's the ability to pay the Series 2021 Installment Payments.

Pacific Gas and Electric Company, Wholesale Distribution Tariff, FERC Docket Nos. ER20-2878-000 et seq. On September 15, 2020, pursuant to Section 205 of the Federal Power Act and Section 35.13 of the Regulations of the Federal Energy Regulatory Commission ("FERC"), Pacific Gas and Electric Company ("PG&E") submitted for filing proposed rate changes and revisions to certain non-rate terms and conditions of PG&E's Wholesale Distribution Tariff ("WDT"). PG&E also submitted for filing related proposed rate changes to the existing Service Agreements for Wholesale Distribution Service ("WDT Service Agreements") of eight

customers: the City and County of San Francisco, the Port of Oakland, the Power and Water Resources Pooling Authority, the Shelter Cove Resort Improvement District No. 1, the Westside Power Authority and WAPA. The proposed changes, if accepted by FERC, will impact the rates the District pays to WAPA (through Reclamation) for distribution of power generated by the CVP as well as for power acquired by WAPA under long-term and annual supplemental purchase arrangements. The District is still assessing the extent of impact, but the proposed changes could result in an increase in WDT charges of over 500% on average compared to current charges.

The District is not a party in the FERC proceedings in which the proposed changes will be considered. However, as a result of the proceedings, PG&E's WDT rates and rate methodologies may change, albeit in potentially different ways from what PG&E has proposed, and those changes are likely to increase the amount the District pays to WAPA (through Reclamation). As is not uncommon in the case of a contested rate filing, FERC ordered the rates and rate methodologies, as proposed by PG&E, to become effective on April 15, 2021, subject to adjustments and, if appropriate, refund based terms established through settlement or order by FERC that resolves the proceedings. The District does not currently expect that this lawsuit will have a material adverse effect on the ability to pay the Series 2021 Installment Payments.

Stephen Sloan v Panoche Water District (Fresno County Superior Court Case 18CECG00511). In 2018, the plaintiff filed a complaint alleging that the District breached a multi-year agreement with the plaintiff to purchase well water from the plaintiff. Damages claimed by the plaintiff under such action are \$2.1 million for five years. In January 2020, the District filed a motion of summary judgment based on the plaintiff's failure to make a government claim. On February 24, 2021, the trial court granted the motion and rendered judgment in favor of the District and dismissed the case. In April 2021, the plaintiff appealed the court's order, and the District expects to continue to diligently defend the case. The District cannot predict when the matter will be resolved or the ultimate outcome of the litigation. The District does not believe that an adverse outcome in such case would materially adversely affect the District's ability to pay the Series 2021 Installment Payments.

Imani Percoats and Chris Bettencourt v. Panoche Water District (Fresno County Superior Court Case 18CECG01651). In 2018, the plaintiffs filed a complaint against the District alleging that the District failed to pay the plaintiffs overtime pay in the amount required by California law. A trial date for this matter is currently set for December 13, 2021. The District believes that it has a strong defense to the claims raised by the plaintiffs and will continue to diligently defend against such claims. The District does not believe that an adverse outcome in such case would materially adversely affect the District's ability to pay the Series 2021 Installment Payments.

USEPA Action. Due to the litigation filed by the California Department of Justice against certain former District employees discussed under "California Department of Justice Action" below, the United States Environmental Protection Agency ("USEPA") in April 2018, issued a Notice of Suspension to District and Panoche Drainage District suspending the two districts from participation on future federal contracts. The suspension was subsequently reversed and a notice to show cause issued. The District submitted documentation of its present responsibility to act as a federal contractor and provided supplemental information in the fall of 2019. The District's understanding is that USEPA has not yet acted in response to that submittal, but the District does not expect any further action by the USEPA based upon the issues in that proceeding. The District is currently an authorized federal contractor, and currently has no reason to believe that this matter will have an adverse material affect on the District's ability to pay the Series 2021 Installment Payments.

California Department of Justice Action. Commencing in approximately May 2016, the District was subject to investigation by the California Department of Justice relating to issues regarding the handling and disposal of chemicals under the jurisdiction of the Department of Toxic Substance Control. The investigation also potentially relates to whether personnel of the District may have misused District credit cards, issued or received District loans to public employees, or violated requirements under the Fair Political Practices Act. On February 20, 2018, the California Department of Justice filed a felony complaint against the former General Manager, former office manager, two former employees and one employee (since separated from the District), People v. Cascia, Fresno County Superior Court Case No. F18901227. Following a preliminary hearing, two

former employees were held over for trial on three counts each of embezzlement of public funds, and one was held over on one count of unlawful disposal of hazardous waste. As of the date of this Official Statement, the District does not expect the California Department of Justice to commence a criminal or civil action against the District in connection with this matter, and currently has no reason to believe that this matter will have an adverse material affect on the District's ability to pay the Series 2021 Installment Payments.

PCFFA v. Glaser. A coalition of fishermen's organizations filed suit against the San Luis & Delta-Mendota Water Authority, of which the District is a member, in 2011. This lawsuit remains pending, although the District is not individually named. Plaintiffs allege that the Authority and the United States Bureau of Reclamation have violated the Clean Water Act by failing to obtain a National Pollution Elimination System Discharge (the "NPDES") permit for discharges of drainage water from the Grassland Bypass Project, conducted under the SLDMWA's Grassland Basin Drainage Management Activity Agreement, in which the District participates. The SLDMWA and Reclamation maintain there is no such violation because the discharges fit within the exemptions from the NPDES permit requirements. The case, having been remanded back to the District Court, involves legal theories and claims that were not addressed previously to determine whether or not an NPDES permit is required for discharges from the Grasslands Bypass Project through the San Luis Drain. SLDMWA's response remains that it denies that an NPDES permit is required and the District and SLDMWA believe the defenses are meritorious. At the present time, the possibility of an unfavorable outcome for SLDMWA, and therefore for the members of the SLDMWA's Grassland Basin Drainage Management Activity Agreement, is possible but not probable, though at this time the District does not have sufficient information to determine the potential amount of liability in the improbable event of an adverse ruling.

Other. There exist lawsuits and claims against the District which are incidental to the ordinary course of business of the operation of the District. In the view of the District's general counsel, no such incidental litigation, present or pending, will individually or in the aggregate have an adverse material affect on the District's ability to pay the Series 2021 Installment Payments.

CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES

Article XIII B

The 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 appropriation 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 source 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: (a) regulatory licenses, user charges, and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation); and (b) 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.

The District is of the opinion that the rates imposed by the District do not exceed the costs that the District reasonably bears in providing water service. The District will covenant in the 2021 Installment Purchase Agreement that, to the fullest extent permitted by law, it will prescribe rates and charges sufficient to provide Net Revenues for payment of the Series 2021 Installment Payments as described under the caption “SECURITY FOR THE 2021 BONDS—Rate Covenant.”

Proposition 218

General. An initiative measure entitled the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIIC and Article XIID to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.”

Article XIID. Article XIID defines the terms “fee” and “charge” to mean “any levy other than an ad valorem tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property-related service.” A “property related service” is defined as “a public service having a direct relationship to property ownership.” Article XIID further provides that reliance by an agency on any parcel map (including an assessor’s parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership.

Article XIID requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, if and to the extent that a fee or charge imposed by a local government for water service is ultimately determined to be a “fee” or “charge” as defined in Article XIID, the local government’s ability to increase such fee or charge may be limited by a majority protest.

The notice, hearing, and protest procedures in Article XIID have not been held to apply to agricultural-only water service which is based on the voluntary decision by landowners to receive water for agricultural purposes. The District will continue to monitor developments in the case law to ensure compliance with Article XIID. If a ratepayer or other plaintiff successfully challenges the District’s decision not to follow the procedures in Article XIID, the District’s rates for water service could be set aside or potentially refunded. The District would then be required to comply with Article XIID going forward.

The District has complied with the procedural requirements of Article XIID for its land-based assessments, which are not considered “property-related fees” but special assessments. Under Article XIID, assessments must be based on the proportional special benefit provided to parcels as supported by an engineer’s report. Assessments further require a majority protest proceeding by affected owners. This process requires notices to affected property owners and the opportunity to submit a ballot in favor or against the proposed assessment at or before a hearing. A majority protest exists if, upon the conclusion of the hearing, ballots submitted in opposition to the assessment exceed the ballots submitted in favor of the assessment. In tabulating the ballots, the ballots are weighted according to the proportional financial obligation of the affected property. The District has levied a new assessment to provide a dedicated funding source of the 2021 Bonds and related obligations. The procedures the District took to impose this assessment comply with the requirements of Article XIID.

Article XIIC. 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 and that the power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments. Article XIIC does not define the terms “local tax,” “assessment,” “fee” or “charge,” so it was unclear whether the definitions set forth in Article XIID referred to above are applicable to Article XIIC. Moreover, the provisions of Article

XIIIC are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. On July 24, 2006, the State Supreme Court held in the Bighorn Case that the provisions of Article XIIIC included property-related rates and fees charged for water use. In the decision, the Court noted that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations.

On August 3, 2020, the State Supreme Court issued an opinion in *Wilde v. City of Dunsmuir* (Cal. S. Ct. S252915) holding that taxpayers do not have the right under Proposition 218 to challenge property-related water rates by referendum, and the District does not believe that Article XIIIC grants to the voters within the District the power (whether by initiative under Article XIIIC or otherwise, or by referendum, which is not addressed by Article XIIIC) to repeal or reduce rates, charges, or assessments for the Water Service in a manner that would interfere with the contractual obligations of the District or the obligation of the District to maintain and operate the Water System. However, there can be no assurance of the availability of particular remedies adequate to protect the beneficial owners of the 2021 Bonds. Remedies that are available to Beneficial Owners of the 2021 Bonds in the event of a default by the District are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain. So long as the 2021 Bonds are held in book-entry form, DTC (or its nominee) will be the sole registered owner of the 2021 Bonds and the rights and remedies of the 2021 Bond Owners will be exercised through the procedures of DTC.

In addition to the specific limitations on remedies contained in the applicable documents themselves, the rights and obligations with respect to the 2021 Bonds, the 2021 Installment Purchase Agreement and the Trust Agreement are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State. The various opinions of counsel to be delivered with respect to such documents, including the opinion of Bond Counsel (the form of which is attached as Appendix D), will be similarly qualified.

The District believes that its current water rates, land-based charges, and assessments comply with the requirements of Proposition 218 to the extent they are applicable and expects that any future levies will comply with Proposition 218's procedural and substantive requirements to the extent they are applicable.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution to expand the definition of "tax" to include "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 XIIID. Proposition 26 provides that 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 District does not believe that the enactment of Proposition 26 will affect its ability to levy rates and charges for Water Service.

Future Initiatives

Articles XIII B, XIII C and XIII D were adopted as measures that qualified for the ballot pursuant to the State’s initiative process. From time to time other initiatives could be proposed and adopted affecting the District’s revenues or ability to increase revenues.

Execution and Delivery

The execution and delivery of this Appendix have been duly authorized by the District.

PANOCHE WATER DISTRICT

By: _____
President

DRAFT

APPENDIX B

**PANOCHÉ WATER DISTRICT FINANCIAL STATEMENTS,
INCLUDING THE AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND OTHER MATTERS**

DRAFT

APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a summary of certain provisions of the 2021 Installment Purchase Agreement and the Indenture which are not described elsewhere. This summary does not purport to be comprehensive and reference should be made to the respective agreement for a full and complete statement of the provisions thereof.

[TO COME FROM BOND COUNSEL]

DRAFT

APPENDIX D

FORMS OF OPINION OF BOND COUNSEL

Upon issuance of the 2021 Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinions in substantially the following form:

July __, 2021

Panoche Financing Authority
52027 W Althea Ave
Firebaugh, California 93622

Re: Panoche Financing Authority Revenue Bonds (Panoche Water District), Series 2021A and Series 2021B (Taxable)

Members of the Board of Directors:

We have acted as Bond Counsel to the Panoche Financing Authority (the “Authority”) in connection with the issuance of \$_____ aggregate principal amount of Revenue Bonds (Panoche Water District), Series 2021A (the “2021A Bonds”) and \$_____ aggregate principal amount of Revenue Bonds (Panoche Water District), Series 2021B (Taxable) (the “2021B Bonds”) and, together with the 2021A Bonds, the “2021 Bonds”). The 2021A Bonds have been issued by the Authority pursuant to the terms of the Indenture of Trust, dated as of May 1, 2021 (the “Indenture”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”).

The 2021 Bonds are limited obligations of the Authority payable from Revenues (as such term is defined in the Indenture), consisting of payments (the “Series 2021 Installment Payments”) to be made by the Panoche Water District (the “District”) to the Authority pursuant to an Installment Purchase Agreement, dated as of May 1, 2021 (the “Installment Purchase Agreement”), by and between the District and the Authority.

In connection with our representation we have examined a certified copy of the proceedings relating to the 2021A Bonds. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigations.

Based upon the foregoing and after examination of such questions of law as we have deemed relevant in the circumstances, but subject to the limitations set forth herein, we are of the opinion that:

1. The proceedings of the Authority show lawful authority for the issuance by the Authority of the 2021 Bonds under the laws of the State of California now in force, and the Indenture has been duly authorized, executed and delivered by the Authority, and, assuming due authorization, execution and delivery by the Trustee, as appropriate, the 2021 Bonds and the Indenture are valid and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms.

2. The obligation of the Authority to make the payments of principal and interest on the 2021 Bonds from Revenues (as such term is defined in the Indenture) is an enforceable obligation of the Authority and does not constitute an indebtedness of the Authority in contravention of any constitutional or statutory debt limit or restriction.

3. Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the 2021A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

4. Interest on the 2021 Bonds is exempt from State of California personal income tax.

5. The excess of the stated redemption price at maturity over the issue price of a 2021A Bond (the first price at which a substantial amount of the 2021A Bond of a maturity is to be sold to the public) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a 2021A Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a 2021A Bond Owner will increase the Owner's basis in the applicable 2021A Bond. Original issue discount that accrues to the 2021A Bond Owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and is exempt from State of California personal income tax.

6. The amount by which a 2021A Bond Owner's original basis for determining gain or loss on sale or exchange of the applicable 2021A Bond (generally the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes "amortizable bond premium" which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable bond premium reduces the 2021A Bond Owner's basis in the applicable 2021A Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a 2021A Bond Owner realizing a taxable gain when a 2021A Bond is sold by the Bond Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bond Owner. Purchasers of the 2021A Bond should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The opinions that are expressed herein as to the exclusion from gross income of the interest (and original issue discount) on the 2021A Bonds are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Code that must be satisfied subsequent to the issuance of the 2021 Bonds to assure that interest (and original issue discount) on the 2021A Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the 2021A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2021A Bonds. The District has covenanted to comply with all such requirements.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Indenture and the 2021 Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

The opinions that are expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement with respect to the 2021 Bonds terminates on the date of their issuance. The Indenture and the Tax Certificate relating to the 2021 Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the exclusion from gross income of interest (and original issue discount) on the 2021 Bonds for federal income tax purposes with respect to any 2021 Bond if any such action is taken or omitted based upon the opinion or advice of counsel other than ourselves. Other than expressly stated herein, we express no other opinion regarding tax consequences with respect to the 2021 Bonds.

By delivering this opinion, we are not expressing any opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the 2021 Bonds, the Indenture or the Installment Purchase Agreement, nor are we expressing any opinion with respect to the state or quality of title to or interest in any assets described in or as subject to the lien of the Indenture or the Installment Purchase Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on any assets thereunder.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the 2021 Bonds or other offering material relating to the 2021 Bonds and expressly disclaim any duty to advise the owners of the 2021 Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

DRAFT

APPENDIX E

INFORMATION CONCERNING DTC

INFORMATION CONCERNING THE DEPOSITORY TRUST COMPANY

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the District and the Underwriter believe to be reliable, but neither the District nor the Underwriter takes any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the 2021 Bonds, payment of principal, premium, if any, accreted value, if any, and interest with respect to the 2021 Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the 2021 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2021 Bonds. The 2021 Bonds will be executed and delivered 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 bond will be executed and delivered for each annual maturity of the 2021 Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. 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 is rated AA+ by Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2021 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 2021 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2021 Bonds, except in the event that use of the book-entry system for the 2021 Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2021 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2021 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the 2021 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2021 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2021 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the 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, the Trustee, or the District, 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 District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Bond Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Bond by causing the Direct Participant to transfer the Participant's interest in the 2021 Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2021 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the 2021 Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical Bonds are required to be printed and delivered.

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

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE 2021 BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE 2021 BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

DRAFT

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

Upon issuance of the 2021 Bonds, the District proposes to enter into a Continuing Disclosure Certificate in substantially the following form:

[TO BE INSERTED BY BOND COUNSEL]

DRAFT

From: [Josh Marquez](#)
To: [Ara Azhderian](#)
Subject: FW: Water transfer (DelBosque)
Date: Friday, June 18, 2021 1:04:53 PM

From: Joe Del Bosque [mailto:Joe@delbosquefarms.com]
Sent: Friday, June 18, 2021 12:57 PM
To: Josh Marquez
Cc: Donna Bosque
Subject: Water transfer

Board of Directors
Panoche Water District

I am requesting to transfer my 14.57acre feet of rescheduled water in Panoche Water District to Pacheco Water District.

We determined last month that, due to shortage of water, we would not have a sufficient supply for our asparagus crop in Panoche this year. We therefore decided to sacrifice our asparagus. As Pacheco has no supplemental sources of water, we are in desperate need of this rescheduled water for our melon crops in the Pacheco.

Thank you for your consideration,

Joe Del Bosque
Empresas Del Bosque
from my iPad