

RESOLUTION NO. 07-23

**RESOLUTION OF THE TEHACHAPI-CUMMINGS COUNTY
WATER DISTRICT BOARD OF DIRECTORS APPROVING A
TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
POLICY FOR DISCLOSURE PROCEDURES**

WHEREAS, the Tehachapi-Cummings County Water District (the “District”) is a county water district organized and operating pursuant to the provisions of the laws of the State of California; and

WHEREAS, the District occasionally issues certificates of participation, bonds, notes or other obligations (collectively, “Obligations”) in order to fund or refund capital investments, or other short-term and long-term programs.; and

WHEREAS, in offering Obligations to the public, and at other times when the District makes certain reports, the District must comply with the “anti-fraud rules” of federal securities laws (the “anti-fraud rules” includes Section 17 of the Securities Act of 1933 [15 U.S.C. § 77a, *et seq.*] and Section 10(b) of the Securities and Exchange Act of 1934 [15 U.S.C.A. § 78j], and regulations promulgated by the Securities and Exchange Commission under those Acts (particularly “Rule 10b-5” under the 1934 Act at 17 C.F.R. § 240.10b-5); and

WHEREAS, the Board of Directors of the District now desires to adopt a Tehachapi-Cummings County Water District Policy for Disclosure Procedures (the “Disclosure Procedures”) in order to ensure the District’s compliance with the federal securities laws in connection with the offering of Obligations to the public.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

Section 1. The District’s Disclosure Procedures, in the form on file with the District Secretary, are hereby approved.

Section 2. This Resolution shall take effect immediately.

Section 3. All recitals in this Resolution are true and correct and the Board so finds, determines and represents.

PASSED, APPROVED AND ADOPTED this 17th day of May, 2023.



PRESIDENT OF THE BOARD,
ROBERT W. SCHULTZ

ATTEST:



SECRETARY OF THE BOARD,
CATHERINE ADAMS

SECRETARY'S CERTIFICATE

I, CATHERINE ADAMS, Secretary of the Board of Directors of Tehachapi-Cummings County Water District, hereby certify as follows:

The foregoing is a full, true and correct copy of Resolution No. 07-23 duly adopted at a regular meeting of the Board of Directors of the District, duly and legally held at the regular meeting place thereof on May 17, 2023. All the members of the Board of Directors received due notice of the meeting and a majority thereof was present. At the meeting, the resolution was adopted by the following vote:

AYES: Ables, Hall, Sasia, Schultz, Zanutto

NOES: None

ABSTAIN: None

ABSENT: None

ATTEST:



Catherine Adams, Board Secretary

(SEAL)

TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT

POLICY FOR DISCLOSURE PROCEDURES

PURPOSE

The purpose of this Policy for Disclosure Procedures (the “Policy”) is to memorialize and communicate the policies and procedures in connection with obligations, including notes, bonds and certificates of participation, issued by the Tehachapi-Cummings County Water District (the “District”) to ensure that the District continues to comply with all applicable disclosure obligations and requirements under the federal securities laws.

BACKGROUND

The District occasionally issues certificates of participation, bonds, notes or other obligations (collectively, “Obligations”) in order to fund or refund capital investments, or other long-term programs. In offering Obligations to the public, and at other times when the District makes certain reports, the District must comply with the “anti-fraud rules” of federal securities laws (the “anti-fraud rules” includes Section 17 of the Securities Act of 1933 [15 U.S.C. § 77a, *et seq.*] and Section 10(b) of the Securities and Exchange Act of 1934 [15 U.S.C.A. § 78j], and regulations promulgated by the Securities and Exchange Commission under those Acts (particularly “Rule 10b-5” under the 1934 Act at 17 C.F.R. § 240.10b-5).

The core requirement of these rules is that potential investors in Obligations must be provided with all “material” information relating to the offered Obligations. The information provided to investors must not contain any material misstatements, and the District must not omit material information which would be necessary to provide to investors a complete and transparent description of the Obligations and the District’s financial condition.

When the District issues Obligations, the two central disclosure documents which are prepared are a preliminary official statement (“POS”) and a final official statement (“OS” and, collectively with the POS, “Official Statement”). The Official Statement generally consists of (i) a description of the specific transaction including maturity dates, interest rates, redemption provisions, the specific type of financing and other matters particular to the financing; (ii) information on the source of payment for the Obligations, the financial condition of the District and other relevant financial data (the “District Section”); and (iii) various other appendices, including the District’s audited financial report, form of the proposed legal opinion, and form of continuing disclosure undertaking. Investors use the Official Statement as one of their primary resources for making informed investment decisions regarding the District’s Obligations.

ENGAGEMENT OF OUTSIDE DISCLOSURE COUNSEL

The District engages outside legal counsel with expertise in securities laws for advice with respect to the District’s disclosure obligations and requirements under the federal securities laws (“Disclosure Counsel”). Disclosure Counsel assists the District in preparing the Official Statement, and reviews all new data and updates to the Official Statement. From time to time, the Official Statement or other disclosure document (i.e. Limited Offering Memorandum, which for purposes of this Policy is included in references to “Official Statement”) may be prepared by counsel to the

underwriter. In such case, Disclosure Counsel will review and provide comments regarding the Official Statement and coordinate with District staff and officials with respect to their review of the Official Statement. Throughout the process of receiving and incorporating material, Disclosure Counsel provides advice as to standards of materiality and other securities law issues. Disclosure Counsel has a confidential, attorney-client relationship with the District.

Disclosure Counsel provides a negative assurance letter to the underwriters as to the disclosure set forth in the Official Statement for each Obligation. The letter advises the underwriters that, as a matter of fact and not opinion, no information came to the attention of the attorneys working on the transaction which caused them to believe that the Official Statement as of its date and as of the date of their letter (except for any financial, statistical, economic or demographic data or forecasts, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, and other customary exclusions), contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

DISCLOSURE PROCESS

When the District determines to issue Obligations, the General Manager or his or her designee (the “Manager”) requests involved District staff to commence preparation of the portions of the Official Statement for which they are responsible.

Disclosure Counsel and the District’s Municipal Advisor assist senior District staff in determining the materiality of any particular item, and the development of specific language in the Official Statement. Disclosure Counsel also assists the District in the development of a “big picture” overview of the financial condition of the District. This overview highlights particular areas of concern.

The General Manager may schedule meetings or conference calls of the financing team working group (which includes District officials, the District’s municipal advisor, Bond and Disclosure Counsel, the underwriter of the Obligations, and its counsel), and new drafts of the Official Statement are circulated and discussed. During this part of the process, there is substantial contact among District staff, other members of the financing team and Disclosure Counsel, to discuss issues which may arise, determine the materiality of particular items and ascertain the prominence in which the items should be disclosed.

Before distributing a POS to potential investors, there is a formal meeting which includes District officials involved in the preparation of the POS and the underwriters and their counsel, during which the Official Statement is reviewed in its entirety to obtain final comments and to allow the underwriters to ask questions of the District’s officials. This is referred to as a “due diligence” meeting.

A substantially final form of the POS is provided to the District’s Board of Directors in advance of approval to afford the District’s Board of Directors an opportunity to review the POS, ask questions and make comments. The substantially final form of the POS is approved by the District’s Board of Directors which generally authorizes certain the District staff to make additional corrections, changes and updates to the POS in consultation with Bond and Disclosure Counsel.

At the time the POS is posted for review by potential investors, the General Manager and his/her designee or other authorized District officials execute certificates deeming certain portions of the POS complete (except for certain pricing terms) as required by SEC Rule 15c2-12.

Between the posting of the POS for review by potential investors and delivery of the final OS to the underwriter for redelivery to actual investors in the Obligations, any changes and developments will have been incorporated into the POS, including particularly the District Section, if required. If necessary to reflect developments following publication of the POS or OS, as applicable, supplements will be prepared and published.

In connection with the closing of the transaction, the General Manager and his/her designee or other authorized District officials execute certificates stating that certain portions of the OS, as of the date of each OS and as of the date of closing, do not contain any untrue statement of material fact or omit to state any material fact necessary to make the statements contained in the OS in light of the circumstances under which they were made, not misleading. The District's General Counsel also provides an opinion letter for the underwriters. Generally, that opinion letter will inform underwriters that information contained in the section of the OS relating to the District and its operations (or specified portions thereof) as of the date of the opinion letter did not, and as of the date of the closing, does not, contain any untrue statement of a known material fact or omitted or omits to state any known material fact necessary to make the statements within the OS, in light of the circumstances under which they were made, not misleading. The District's General Counsel does not opine to any financial, statistical, economic or demographic data or forecasts, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, and certain other customary matters.

DEVELOPMENT OF INFORMATION FOR THE OBLIGATIONS

The information contained in the District Section is developed by District staff, under the direction of the General Manager, with the assistance of the financing team. In certain circumstances, additional officials will be involved, as necessary. The following principles govern the work of the respective staffs that contribute information to the District Section:

- District staff members involved in the disclosure process are responsible for being familiar with federal securities laws as they relate to disclosure.
- District staff members involved in the disclosure process should be instructed to err on the side of raising issues when preparing or reviewing information for disclosure. District officials and staff are encouraged to consult with Disclosure Counsel if there are questions regarding whether an issue is material or not.
- District staff should not take shortcuts or eliminate any steps outlined in the Policy on an ad hoc basis. However, the Policy is not necessarily intended to be a rigid list of procedural requirements, but instead to provide guidelines for disclosure review. If warranted, based on experience during financings or because of additional SEC pronouncements or other reasons, the District will consider revisions to the Procedures.
- The process of updating Official Statements from transaction to transaction should not be viewed as being limited to updating tables and numerical information. While it is not anticipated that there will be major changes in the form and content of the Official

Statements at the time of each update, everyone involved in the process should consider the need for revisions in the form, content and tone of the sections for which they are responsible at the time of each update.

- The District must make sure that the particular officials involved in the disclosure process are of sufficient seniority such that it is reasonable to believe that, collectively, they are in possession of material information relating to the District and its finances.

DISTRIBUTION OF PROCEDURES; TRAINING

The Procedures must be provided to all members of senior staff and any other member of the District's staff that is involved in the District's disclosure obligations and shall also be provided to the members of the District's Board of Directors.

Periodic training for the staff involved in the preparation of the Official Statement is coordinated by the General Manager with the assistance of Disclosure Counsel. These training sessions are provided to assist staff members involved in identifying relevant disclosure information to be included in Official Statements. The training sessions also provide an overview of federal laws relating to disclosure, situations in which disclosure rules apply, the purpose of the Official Statement, a description of previous SEC enforcement actions and a discussion of recent developments in the area of municipal disclosure. Attendees at the training sessions are provided the opportunity to ask questions of Disclosure Counsel concerning disclosure obligations and are encouraged to contact Disclosure Counsel at any time if they have questions.

ANNUAL CONTINUING DISCLOSURE REQUIREMENTS

In connection with issuing Obligations, the District will from time to time enter into contractual agreements ("Continuing Disclosure Certificates") to provide annual reports related to its financial condition (including its audited financial statements) as well as notice of certain events relating to the Obligations specified in the Continuing Disclosure Certificates. The District must comply with the specific requirements of each Continuing Disclosure Certificate. The District's Continuing Disclosure Certificates generally require that the annual reports be filed by March 31, and event notices are generally required to be filed within 10 business days of their occurrence.

Specific events which require "enumerated event" notices are set forth in each particular Continuing Disclosure Certificate.

The General Manager and any third party dissemination agent is responsible for preparing and filing the annual reports and enumerated event notices required pursuant to the Continuing Disclosure Certificates and for other secondary market disclosures as described under the caption "Secondary Market Disclosure." Particular care must be paid to the timely filing of any changes in credit ratings on Obligations (including changes resulting from changes in the credit ratings of insurers of particular Obligations).

SECONDARY MARKET DISCLOSURE

On February 7, 2020, the SEC released a staff legal bulletin (the "Bulletin") concerning secondary market disclosure in the municipal bond market. The Bulletin included SEC staff views on a variety of matters, including but not limited to, the applicability of the federal securities law to

public agency websites, reports delivered to governmental and institutional bodies and statements made by public officials including elected board members. Documents, reports and other written statements of the District which contain current financial and operational conditions of the District will be included in a section of the District's website appropriately identified. The District and its Bond and Disclosure Counsel have reviewed the Bulletin and have incorporated certain SEC staff recommendations into this Policy and into disclosure training for staff and members of the District's Board of Directors. The District and its Bond and Disclosure Counsel will be cognizant of those reviews and will consider whether those reviews require the District to make secondary market disclosures.