Wastewater Treatment

Recycled Water

Energy Production

Biosolids Reuse

Delta Diablo

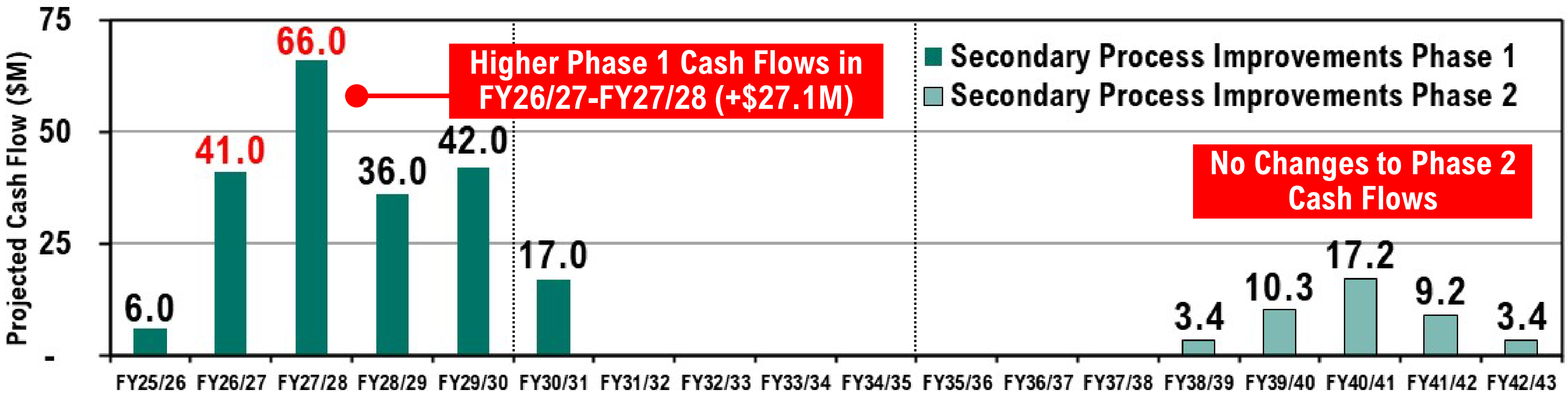
TRANSFORMING WASTEWATER TO RESOURCES

Federal Securities Laws and Disclosure Requirements

Special Integrated Financing Corporation Meeting
July 23, 2026

Secondary Process Improvements Phase 1
Debt Financing Considerations

- Current project **cost estimate = $210M**
- Addresses **aging infrastructure**, meets nutrient removal **regulatory mandate**, and expands **treatment capacity**
- Annual Sewer Service Charge (SSC) increases of +8.5% through FY29/30 should provide sufficient revenue
  - District's financial plan assumes **$82M in debt funding**
- **Construction bids** are expected in **August 2026**



Financing Process
Bond Financing Key Milestones

Delta Diablo

July — Conduct SEC Training for Board Members and Draft Legal Documents

- **Conduct required training** for Board, staff (Disclosure Counsel)
- Prepare **Legal Documents** (Bond Counsel)
- Review **Legal Documents**

Aug — Develop Preliminary Official Statement (POS) and Credit Rating Presentation

- Prepare **POS** (Disclosure Counsel, District staff, Municipal Advisor, and Underwriter)
- Prepare **Rating Presentation** (Municipal Advisor)
- Meet with **Rating Agency**

Sep — Approve Financing Documents, Authorize Bond Sale, and Price Bonds

- Receive **credit rating**
- Conduct Board meeting to **authorize bond sale**, approve financing documents, approve hiring of financing team
- Conduct due diligence call
- Evaluate **bond insurance**
- **Post POS**
- **Sell bonds** (Certificates of Participation [COPs])

Oct — Closing

- Pre-Closing (signing of documents)
- Closing and **receipt of bond proceeds**

Training Overview – Federal Securities Laws and Disclosure Requirements

- Presenter: **Vanessa Legbandt**, Stradling Yocca Carlson & Rauth LLP—**District's Bond and Disclosure Counsel**
- **Agenda**
  - Federal Securities Acts
  - Disclosure Drivers and Materiality Standard
  - Applicability of Disclosure Requirements
  - Key Document – Official Statement
  - Disclosure Principles
  - Disclosure Process
  - Recent SEC Actions

Federal Securities Acts

- Securities Act of 1933
- Securities Exchange Act of 1934
- Both Acts contain anti-fraud provisions that apply to municipal securities
- Rule 10b-5: “It shall be unlawful for any person in connection with the purchase or sale of any security…
  - To employ any device, scheme or artifice to defraud,
  - To make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading…”

Disclosure Drivers and Materiality Standard

- Delta Diablo issues securities in public capital markets
- Investors in municipal securities have rights under federal securities laws
- **All "material" information must be disclosed**

Materiality Standard

- "[w]hether or not there is a substantial likelihood that a reasonable investor or prospective investor would consider the information important in deciding whether or not to invest."
- Materiality is determined in context of all the facts and circumstances, but usually in hindsight
- Guidance comes primarily from court decisions and SEC enforcement cases

Applicability of Disclosure Requirements

- New Offerings
- Ongoing Continuing Disclosure
  - Annual Report under Rule 15c2-12 (Audited Financial Statements and Specified Financial and Operating Data)
  - Rule 15c2-12 Material Event Notices
- Any other circumstance where an Issuer is "speaking to the market"
  - Speeches and presentations by senior staff and elected officials
  - Social Media
  - Website
  - Investor Communications

Key Document
Official Statement

- Official Statement is offering document to investors (equivalent to a prospectus)
- Must contain all material information for particular bond sale
- Underwriters, municipal advisors, and lawyers help develop **Official Statement**
  - Delta Diablo is **ultimately responsible for content** and owns document

Disclosure Principles

- Provide main points, but do not overwhelm readers with detail
- Highlight important developments "up front"
- Determine appropriate level of importance for any particular event or budgetary item
- Assimilate key factors into final product through ongoing, iterative process

Revenue Bonds

- Description of enterprise
- Description of CIP
- Historical and projected revenues, expenses and debt service coverage
- Significant sources of revenues
- Rate covenant, additional bonds test
- Regulatory issues (existing, proposed)
- Information on debt (types, amounts)
- Risks
- Litigation

Disclosure Process

- Disclosure Counsel: Produces draft Preliminary Official Statement (“POS”)
  - Seek input from key District team members, who are required to fully disclose accurate, relevant information
- Delta Diablo Staff: Reviews draft POS
- Delta Diablo Board of Directors: Review and approval—is there anything staff may not be fully aware of? Is content accurate, consistent with public communications?
  - Important to maintain **attorney-client privilege** for sensitive issues
  - Political sensitivity and confidentiality considerations are not exceptions to disclosure

Recent SEC Actions
Increasingly Aggressive Approach

Delta Diablo

- SEC has an **Active Whistleblower Program**
- SEC inquiries are **time consuming** and **expensive**
- SEC Settlement Conditions (examples)
  - Require issuer to implement new procedures and oversight
  - Impose fines on issuer and individual issuer officials
  - Rating downgrades, reduced market access, and/or increased borrowing costs
- SEC brings actions even when there was no default, no rating downgrade, or any evident market impact or harm to investors

Bond Financing Team

- District Municipal Advisor
  - Urban Futures, Inc. (Wing-See Fox)
- Bond and Disclosure Counsel
  - Stradling Yocca Carlson & Rauth LLP (Vanessa S. Legbandt, Esq.)
- Bond Underwriter
  - Ramirez & Co., Inc. (Eric McKean)

Financing Process
Bond Financing Key Milestones

Delta Diablo

July	Aug	Sep	Oct
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