

**Issue Date Schedule Report**  
 Issued on 10-May-18 to 10-May-18

**SCVDBB**      **100,000,000**      **Dated: 02/12/2018**      **Final Maturity:**  
 80169B      SANTA CLARA VALLEY WATER DISTRICT CA  
 COMMERCIAL PAPER CERTIFICATES SERIES  
 B (TAXABLE)

<u>Trade Number</u>	<u>Orig Issue Date</u>	<u>Coupon</u>	<u>Interest</u>	<u>Days</u>	<u>Price</u>	<u>Put Date</u>	<u>Cusip</u>	<u>Quant</u>
153602	05/10/2018	2.08	139,793.33	60	100	07/09/2018	80169B2S2	40,325,000
	Wtd Avg Cpn	2.08					Total Amt	40,325,000

## COMMERCIAL PAPER OFFERING MEMORANDUM

### BOOK-ENTRY ONLY

RATINGS: See "Ratings" herein.

*In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation ("Special 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 with respect to the Series A Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference or purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Special Counsel, interest with respect to the Series A Certificates is exempt from State of California personal income tax. See "TAX MATTERS" herein with respect to other tax consequences relating to the Series A Certificates.*

*In the opinion of Special Counsel, interest with respect to the Series B Certificates is exempt from State of California personal income taxes. HOWEVER, NO ATTEMPT HAS BEEN MADE OR WILL BE MADE TO COMPLY WITH CERTAIN REQUIREMENTS RELATING TO THE EXCLUSION FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES OF INTEREST WITH RESPECT TO THE SERIES B CERTIFICATES, AND INTEREST WITH RESPECT TO THE SERIES B CERTIFICATES THEREFORE WILL NOT BE EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES.*

*Special Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of or the accrual or receipt of interest with respect to the Commercial Paper Certificates. A complete copy of the opinion to be delivered by Special Counsel is set forth in Appendix A hereto.*

**\$150,000,000**

### **SANTA CLARA VALLEY WATER DISTRICT Commercial Paper Certificates, Series A (Tax-Exempt) Commercial Paper Certificates, Series B (Taxable)**

The Santa Clara Valley Water District Commercial Paper Certificates, Series A (Tax-Exempt) (the "Series A Certificates") and Series B (Taxable) (the "Series B Certificates") (collectively referred to herein as the "Commercial Paper Certificates" or the "Certificates") will be offered from time to time in an aggregate principal amount outstanding at any time not to exceed \$150,000,000 (or such lesser amount as is available to be drawn under the Letter of Credit to pay principal and interest with respect to the Commercial Paper Certificates). The Commercial Paper Certificates will be executed and delivered by the Paying Agent pursuant to a Restated Issuing and Paying Agent Agreement, among the Santa Clara Valley Water District (the "District"), the Paying Agent and the Santa Clara Valley Water District Public Facilities Financing Corporation (the "Corporation"), and pursuant to a Resolution adopted by the Corporation (the "Certificate Resolution"), providing for the execution and delivery of the Commercial Paper Certificates and certain revolving certificates (the "Revolving Certificates") and the entering into of various agreements in connection therewith.

Each Commercial Paper Certificate will be dated its respective date of delivery thereof and will mature not more than two hundred seventy (270) days from the respective date thereof. The Series A Certificates will be sold as interest bearing Certificates. The Series B Certificates may be sold as interest bearing Certificates. Interest payable with respect to Commercial Paper Certificates will be calculated as described herein. The maximum rate of interest (or effective yield) with respect to the Commercial Paper Certificates may not exceed 12% per annum.

The Commercial Paper Certificates will be issued as fully registered Certificates in denominations of \$100,000, and integral multiples of \$5,000 in excess thereof. When executed and delivered, the Commercial Paper Certificates will be registered in the name of Cede & Co. as the registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). So long as Cede & Co. is the registered owner of the Commercial Paper Certificates, the principal of and interest, if any, on the Commercial Paper Certificates are payable by the Paying Agent, to Cede & Co., as nominee for DTC. See APPENDIX B – "DTC AND THE BOOK ENTRY ONLY SYSTEM."

Pursuant to the terms of a Reimbursement Agreement dated as of February 1, 2015, as amended and restated by the Amended and Restated Reimbursement Agreement dated as of March 1, 2016, each by and among the Corporation, the District and The Bank of Tokyo-Mitsubishi UFJ, Ltd., acting through its New York Branch (the "Bank"), the Bank issued an irrevocable, transferable direct-pay letter of credit (the "Letter of Credit"). The Paying Agent will make draws under the Letter of Credit to pay the principal and interest (if any) with respect to the Commercial Paper Certificates at maturity. The Letter of Credit will be issued with a Maximum Stated Amount of \$163,500,000 (representing principal and interest). The Letter of Credit will expire on February 12, 2018, unless extended or terminated or replaced sooner in accordance with its terms and the terms of the Certificate Resolution. See "THE LETTER OF CREDIT AND THE AMENDED AND RESTATED REIMBURSEMENT AGREEMENT."



The District, in continuing this commercial paper program through the Corporation, has issued tax and revenue anticipation notes (the "TRANS") pursuant to State law and Resolution No. 16-10 providing for the allocation of water utility system revenues, adopted by the District on February 23, 2016 and amended by Resolution 16-82, adopted by the District on December 13, 2016 (collectively, the "Parity Master Resolution"). The current TRANS were issued pursuant to a Resolution of the District's Board of Directors adopted on May 10, 2016. Payments to be made by the District on each of the TRANS have been assigned by the Corporation to U.S. Bank National Association as trustee (the "Trustee") for the benefit of the holders of the Commercial Paper Certificates. Revolving Certificates executed and delivered by the Paying Agent pursuant to the Restated Issuing and Paying Agent Agreement and the Certificate Resolution will have a *pari passu* claim on payments to be made by the District on the TRANS. See "SECURITY FOR THE COMMERCIAL PAPER CERTIFICATES." It is expected that subsequent tax and revenue anticipation notes will be issued by the District prior to the maturity of each of the TRANS in order to facilitate the ongoing issuance of the Commercial Paper Certificates.

The principal and interest, if any, with respect to the Commercial Paper Certificates is payable solely and exclusively from: (a) the proceeds of drawings on the Letter of Credit; and (b) to the extent that draws on the Letter of Credit are not honored and proceeds received from the sale of Commercial Paper Certificates of the applicable Series executed and delivered for that purpose are insufficient to make up the resulting deficiency, payment on the respective TRAN paid by the District to the Corporation in accordance with the terms of the respective TRAN and amounts on deposit in the Payment Fund applicable to such Series, as described herein. The obligation of the District to make payments of principal and interest on the TRANS is a general obligation of the District. The District has additionally pledged the Net Water Utility System Revenues of the District subordinate to the obligation of the District to the payment of certain Senior Obligations outstanding on the date hereof and certain Parity Obligations outstanding on the date hereof or which may be issued in accordance with the Parity Master Resolution.

IN MAKING AN INVESTMENT DECISION REGARDING A POSSIBLE PURCHASE OF THE COMMERCIAL PAPER CERTIFICATES, PROSPECTIVE PURCHASERS OF THE COMMERCIAL PAPER CERTIFICATES SHOULD RELY SOLELY ON THE CREDIT OF THE BANK AND NOT ON THE CREDIT OF THE DISTRICT.

IF FOR ANY REASON THE BANK FAILS TO MAKE A PAYMENT DUE UNDER THE LETTER OF CREDIT, NO ASSURANCE CAN BE GIVEN THAT THE DISTRICT WOULD HAVE SUFFICIENT FUNDS ON HAND AND AVAILABLE TO MAKE THE CORRESPONDING PAYMENT OF PRINCIPAL OF AND INTEREST ON THE TRANS WITH RESPECT TO COMMERCIAL PAPER CERTIFICATES.

This cover page is not intended to be a summary of the terms of, or the security for, the Commercial Paper Certificates. Investors are advised to read this Commercial Paper Offering Memorandum in its entirety to obtain information essential to the making of an informed investment decision. Capital terms used on this cover page not otherwise defined shall have the meanings set forth herein.

Barclays

Dealers

J.P. Morgan

The date of this Commercial Paper Offering Memorandum is January 19, 2017.

The information in this Offering Memorandum has been obtained from the District, the Bank, DTC and other sources believed to be reliable. Information herein concerning the District is limited. Furthermore, no attempt is made herein to provide a complete summary of the terms of the Certificate Resolution, the Restated Issuing and Paying Agent Agreement, the Letter of Credit, the Amended and Restated Reimbursement Agreement, the TRAN Resolution, the Senior Master Resolution or the Parity Master Resolution. The references herein to the Certificate Resolution, the Restated Issuing and Paying Agent Agreement, the Letter of Credit, the Amended and Restated Reimbursement Agreement, the TRAN Resolution, the Senior Master Resolution and the Parity Master Resolution do not purport to be complete or definitive, do not constitute complete summaries thereof and are qualified in their entirety by reference to the provisions thereof, copies of which may be obtained from the District.

No dealer, salesperson or other person has been authorized to give any information or to make any representation other than those contained in this Offering Memorandum and, if given or made, such other information or representation should not be relied upon as having been authorized by the District or any other person. Barclays Capital Inc. and J.P. Morgan Securities LLC, the dealers for the Commercial Paper Certificates, have reviewed this Offering Memorandum, but make no guaranty, warranty or other representation respecting accuracy and completeness of the information contained in this Offering Memorandum.

This Offering Memorandum is not to be construed as a contract between the District and the purchasers of the Commercial Paper Certificates. This Offering Memorandum does not constitute an offer to sell securities in any jurisdiction to any person to whom it is unlawful to make such offers. Prospective purchasers of the Commercial Paper Certificates are expected to conduct their own review and analysis before making an investment decision.

The District maintains a website. However, the information presented there is not part of this Offering Memorandum and should not be relied upon in making an investment decision with respect to the Commercial Paper Certificates.

The information and expressions of opinion in this Offering Memorandum are subject to change without notice and neither the delivery of this Offering Memorandum nor any sale hereunder shall under any circumstances create the implication that there has been no change in the matters referred to in this Offering Memorandum since the date hereof.

The Commercial Paper Certificates are exempted from the requirements of Rule 15c2-12 adopted by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended. The Commercial Paper Certificates have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained therein, and have not been registered or qualified under the securities laws of any state. The Certificate Resolution has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon an exemption contained therein. The Commercial Paper Certificates have not been recommended by any federal or state securities commission or regulatory commission. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Offering Memorandum.

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## COMMERCIAL PAPER OFFERING MEMORANDUM

### NOT TO EXCEED \$150,000,000 SANTA CLARA VALLEY WATER DISTRICT COMMERCIAL PAPER CERTIFICATES SERIES A (TAX-EXEMPT) AND SERIES B (TAXABLE)

#### INTRODUCTION

##### General

The purpose of this Commercial Paper Offering Memorandum (this “Offering Memorandum”), which includes the cover page and appendices, is to provide certain general information in connection with the execution, delivery and sale, from time to time, of Santa Clara Valley Water District Commercial Paper Certificates, Series A (Tax-Exempt) (the “Series A Certificates”), and Commercial Paper Certificates, Series B (Taxable) (the “Series B Certificates”). The Series A Certificates and the Series B Certificates are collectively referred to herein as the “Commercial Paper Certificates” or the “Certificates.” Capitalized terms used but not defined herein shall have the meanings set forth in the Certificate Resolution (as hereinafter defined).

##### Authorization and Purpose

The Commercial Paper Certificates will be executed and delivered by U.S. Bank National Association, as trustee (the “Trustee”) and authenticated thereby as paying agent (in such capacity the “Paying Agent”), pursuant to a Restated Issuing and Paying Agent Agreement, dated as of January 1, 2017, the “Restated Issuing and Paying Agent Agreement”, among the Santa Clara Valley Water District (the “District”), the Paying Agent and the Santa Clara Valley Water District Public Facilities Financing Corporation (the “Corporation”), and pursuant to a Resolution adopted by the Corporation on November 10, 2016 (the “Certificate Resolution”), providing for the execution and delivery of the Commercial Paper Certificates and certain revolving certificates (the “Revolving Certificates”) and the entering into of various agreements in connection therewith.

The District, in entering into this commercial paper program through the Corporation, has issued tax and revenue anticipation notes (the “TRANS”) pursuant to Article 7.6 (commencing with Section 53850) of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code and Resolution No. 16-10 providing for the allocation of water utility system revenues, adopted by the District on February 23, 2016 as amended by Resolution No. 16-82 adopted by the District on December 13, 2016 (the “Parity Master Resolution”). The current TRANS were issued pursuant to a Resolution of the District’s Board of Directors (the “Board”) adopted on May 10, 2016 (the “TRANS Resolution”). Payments to be made by the District on each of the TRANS have been assigned by the Corporation to U.S. Bank National Association as trustee (the “Trustee”) for the benefit of the holders of the Commercial Paper Certificates. Revolving Certificates executed and delivered by the Paying Agent pursuant to the Restated Issuing and Paying Agent Agreement and the Certificate Resolution will have a *pari passu* claim on payments to be made by the District on the TRANS. See “SECURITY FOR THE COMMERCIAL PAPER CERTIFICATES.” It is expected that subsequent tax and revenue anticipation notes will be issued by the District prior to the maturity of each of the TRANS in order to facilitate the ongoing execution and delivery of the Commercial Paper Certificates.

The proceeds of the Commercial Paper Certificates will be used for District purposes, including, but not limited to capital expenditures and other purposes of the District and the discharge of any obligation or indebtedness of the District (including the payment of principal of or interest with respect to maturing Commercial Paper Certificates when due and the repayment to the Bank (as defined below) for any authorized advances under the Letter of Credit (as defined below)).

The District and the Corporation entered into a Reimbursement Agreement, dated as of February 1, 2015, as amended and restated by an Amended and Restated Reimbursement Agreement, dated March 1, 2016 (as so amended and restated, the “Amended and Restated Reimbursement Agreement”), each with The Bank of Tokyo-Mitsubishi UFJ, Ltd., acting through its New York Branch (the “Bank”). Pursuant to the Amended and Restated Reimbursement Agreement, the Bank has issued an irrevocable, transferable direct-pay letter of credit (the “Letter of Credit”), under which funds will be advanced for the payment of the principal and interest with respect to the Commercial Paper Certificates in accordance with the terms thereof. See “THE LETTER OF CREDIT AND THE AMENDED AND RESTATED REIMBURSEMENT AGREEMENT.”

### **THE COMMERCIAL PAPER CERTIFICATES**

The District may cause the Commercial Paper Certificates to be executed and delivered from time to time in an amount which will not exceed, together with any outstanding Revolving Certificates executed and delivered pursuant to the Restated Issuing and Paying Agent Agreement and the Certificate Resolution, the maximum amount of indebtedness that the District may incur in accordance with Section 53850 of the Government Code of the State of California (the “Statutory Limit”). The maximum aggregate principal amount of Commercial Paper Certificates which may be outstanding at any one time shall not in any case exceed the maximum principal amount provided under and in accordance with the Letter of Credit (or such lesser amount as is available to be drawn under the Letter of Credit). See “THE LETTER OF CREDIT AND THE AMENDED AND RESTATED REIMBURSEMENT AGREEMENT” for discussion of the principal component of the Stated Amount (defined below) of the Letter of Credit.

The Commercial Paper Certificates are to be dated the date of their respective authentication and issuance, are to be issued in book-entry form only, in denominations of \$100,000 and in integral multiples of \$5,000 in excess thereof. Each Commercial Paper Certificate will mature on a Business Day not more than 270 days after its date, but in no event later than the earlier of: (a) the maturity date of the respective TRAN; (b) the Business Day prior to the stated expiration date of the Letter of Credit; or (c) the effective date of an Alternate Letter of Credit. The Series A Certificates will be sold as interest bearing Certificates. The Series B Certificates may be sold as either discount Certificates or as interest bearing Certificates. Interest payable with respect to Series A Certificates will be calculated on the basis of a 365/366-day year and actual days elapsed. Interest payable with respect to the Series B Certificates, if any, will be calculated on the basis of a 360-day year and actual days elapsed. The maximum rate of interest (or effective yield) with respect to the Commercial Paper Certificates may not exceed 12% per annum.

The Commercial Paper Certificates will be executed and delivered as fully registered Certificates and registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York. Beneficial ownership interests in the Commercial Paper Certificates will be available in book-entry form only, and purchasers of the Commercial Paper Certificates will not receive certificates representing their interests in the Commercial Paper Certificates purchased. While held in book-entry only form, all payments of principal of and interest with respect to the Commercial Paper Certificates will be made by the Trustee as Paying Agent by wire transfer to DTC or its nominee as the sole registered owner of the Commercial Paper Certificates. Payments to the beneficial owners are the responsibility of DTC and its participants. See APPENDIX B – “DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

### **SECURITY FOR THE COMMERCIAL PAPER CERTIFICATES**

At the time of execution and sale of the Commercial Paper Certificates, from time to time, a letter of credit will be in effect. Pursuant to the Restated Issuing and Paying Agent Agreement, the Paying Agent is directed to draw on the letter of credit in accordance with the terms thereof on the maturity date of each Commercial Paper Certificate in an amount equal to the amount of the principal and interest, if any, with respect thereto and to apply the proceeds of each such drawing to pay the principal of, and interest, if any, with

respect to the Commercial Paper Certificates at maturity. See “THE LETTER OF CREDIT AND THE AMENDED AND RESTATED REIMBURSEMENT AGREEMENT.”

The principal of and interest, if any, with respect to the Commercial Paper Certificates is payable solely and exclusively from: (a) the proceeds of drawings on the Letter of Credit issued by the Bank in the initial principal amount of \$150,000,000, plus an amount equal to 270 days interest on such amount at an assumed rate of 12% per annum on the basis of a 360-day year; and (b) to the extent that draws on the Letter of Credit are not honored and proceeds received from the sale of Commercial Paper Certificates of the applicable Series executed and delivered for that purpose are insufficient to make up the resulting deficiency, payments on the respective Tax-Exempt TRAN or Taxable TRAN paid by the District to the Corporation in accordance with the terms of the respective TRAN and amounts on deposit in the Payment Fund applicable to such Series into which such payments are deposited.

Pursuant to the Restated Issuing and Paying Agent Agreement and the Certificate Resolution, in addition to the Commercial Paper Certificates, Revolving Certificates, may be executed and delivered from time to time thereunder that have a *pari passu* claim on payments to be made by the District on the TRANs. The District and the Corporation have entered into a certificate purchase and reimbursement agreement, dated as of January 1, 2017, with a commercial bank, pursuant to which such commercial bank has agreed, under certain terms and conditions, to purchase Revolving Certificates from time to time in an aggregate principal amount not to exceed \$75,000,000 outstanding at any one time. The bank’s commitment to purchase Revolving Certificates is for a three-year term, unless extended or earlier terminated in accordance with its terms. The District and the Corporation may enter into other or additional arrangements in connection with the execution and delivery of Revolving Certificates in the future. As noted above, the maximum amount of Commercial Paper Certificates and Revolving Certificates executed and delivered pursuant to the Certificate Resolution in the aggregate may not exceed the Statutory Limit. See “THE COMMERCIAL PAPER CERTIFICATES.”

The current TRANs are dated July 1, 2016 and mature on October 1, 2017. The TRANs are payable from taxes, income, revenue, cash receipts and other moneys which are received by the District for fiscal year 2016-2017 and which are lawfully available for the payment of current expenses and other obligations of the District. The obligation of the District to make payments of principal and interest on the TRANs is a general obligation of the District. The District has additionally pledged “Net Water Utility System Revenues” (generally, water utility system revenues less maintenance and operation costs plus transfer of amounts on deposit in certain special purpose funds) to the payment of the principal of and interest on the TRANs on a basis subordinate to the obligation of the District to make payment of (i) certain Senior Obligations outstanding as of June 30, 2016 in the aggregate principal amount of \$128,950,000 pursuant to Resolution No. 94-58 (the “Senior Master Resolution”) and (ii) certain Parity Obligations outstanding as of June 30, 2016 in the aggregate principal amount of \$279,575,000, and any additional Parity Obligations which may be issued or incurred in the future in accordance with the Parity Master Resolution. See “THE DISTRICT AND THE WATER SYSTEM—Debt Structure of the District.”

The TRANs do 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.

IF FOR ANY REASON THE BANK FAILS TO MAKE A PAYMENT DUE UNDER THE LETTER OF CREDIT, NO ASSURANCE CAN BE GIVEN THAT THE DISTRICT WOULD HAVE SUFFICIENT FUNDS ON HAND AND AVAILABLE TO MAKE THE CORRESPONDING PAYMENT OF PRINCIPAL OF AND INTEREST ON THE TRANs WITH RESPECT TO COMMERCIAL PAPER CERTIFICATES. IN MAKING AN INVESTMENT DECISION REGARDING A POSSIBLE PURCHASE OF THE COMMERCIAL PAPER CERTIFICATES, PROSPECTIVE PURCHASERS OF THE COMMERCIAL PAPER CERTIFICATES SHOULD RELY SOLELY ON THE CREDIT OF THE BANK AND NOT ON THE CREDIT OF THE DISTRICT.

## **THE LETTER OF CREDIT AND THE AMENDED AND RESTATED REIMBURSEMENT AGREEMENT**

*The following summaries of the Letter of Credit and the Amended and Restated Reimbursement Agreement do not purport to be comprehensive or definitive and are subject in all respects to all of the terms and provisions of the Letter of Credit and the Amended and Restated Reimbursement Agreement, to which reference is made hereby. Investors are urged to obtain and review copies of the Letter of Credit and the Amended and Restated Reimbursement Agreement in order to understand all of their respective terms. Capitalized terms used but not defined herein shall have the meanings set forth in the Letter of Credit or the Amended and Restated Reimbursement Agreement, as applicable.*

### **The Letter of Credit**

The Commercial Paper Certificates are payable from and supported by the Letter of Credit issued by the Bank. The stated amount (the “Stated Amount”) of the Letter of Credit is \$163,500,000, consisting of a principal component equal to \$150,000,000 and an interest component equal to 270 days’ interest with respect to the Commercial Paper Certificates calculated at an assumed maximum interest rate of 12% per annum on the basis of a 360-day year.

U.S. Bank National Association, as Paying Agent, may draw upon the Letter of Credit to pay the unpaid principal amount of Certificates on their respective stated maturity dates, together with accrued and unpaid interest thereon. The Letter of Credit will expire at 5:00 p.m. New York City time on the date (the “Termination Date”) which is the earliest to occur of (i) February 12, 2018 (the “Stated Expiration Date”) as such date may be extended pursuant to the terms of the Letter of Credit and the Amended and Restated Reimbursement Agreement, (ii) the date of payment of a Drawing, not subject to reinstatement, which when added to all other Drawings honored under the Letter of Credit which were not subject to reinstatement as provided therein, in the aggregate equals the Stated Amount on the date of issuance of the Letter of Credit, as adjusted pursuant to the terms of the Letter of Credit, (iii) the date the Bank receives notice from the Paying Agent to the effect that an Alternate Letter of Credit in full and complete substitution for the Letter of Credit has been issued and is in effect, but only after the Bank has honored any properly presented and conforming draw request made on such date, (iv) the date on which the Bank receives notice from the Paying Agent to the effect that all of the Commercial Paper Certificates are wholly defeased or no Commercial Paper Certificates remain outstanding under the Restated Issuing and Paying Agent Agreement or the Certificate Resolution and the Corporation and the District do not intend to issue any additional Commercial Paper Certificates and desire to terminate the Letter of Credit, or (v) the earlier of (A) the 15th calendar day (or if such date is not a Business Day, the immediately succeeding Business Day) after the date on which the Paying Agent receives notice from the Bank that an Event of Default under and as defined in the Amended and Restated Reimbursement Agreement has occurred and is continuing and that the Paying Agent should cease issuing Commercial Paper Certificates and make the final Drawing under the Letter of Credit to provide for the payment of outstanding Commercial Paper Certificates that are to mature (the “Final Drawing Notice”), and (B) the date on which the Drawing resulting from the delivery of the Final Drawing Notice is honored under the Letter of Credit.

### **The Amended and Restated Reimbursement Agreement**

*General.* The Amended and Restated Reimbursement Agreement sets forth the terms and conditions whereby the District is required to repay to the Bank any amounts drawn by the Paying Agent under the Letter of Credit.

*Events of Default.* If any of the following events occur, each such event will be an “Event of Default” under the Amended and Restated Reimbursement Agreement:



(a) the District shall fail to pay (i) any principal of or interest on any Loan or the Bank Note as and when due under the Amended and Restated Reimbursement Agreement or (ii) any other Obligations (other than Obligations described in the foregoing clause (i) of this paragraph) within three (3) calendar days of when due under the Amended and Restated Reimbursement Agreement or under the Fee Letter;

(b) any representation or warranty made by the District or the Corporation under or in connection with the Amended and Restated Reimbursement Agreement or any of the Related Documents shall prove to be untrue in any material respect on the date as of which it was made; or the documents, certificates or statements of the District and the Corporation (including unaudited financial reports, budgets, projections and cash flows of the District) furnished to the Bank by or on behalf of the District and the Corporation in connection with the transactions contemplated thereby, when taken as a whole, are materially inaccurate in light of the circumstances under which they were made and as of the date on which they were made;

(c) default by the District or the Corporation in the due observance or performance of certain specified covenants set forth in the Amended and Restated Reimbursement Agreement;

(d) default by the District or the Corporation of any other term or provision of the Amended and Restated Reimbursement Agreement (other than those specifically referred to under this subcaption “—Events of Default”) which is not cured within thirty (30) days after the occurrence thereof;

(e) (i) an “event of default” shall have occurred and be continuing under any of the Related Documents or (ii) any “event of default” shall occur under any other agreement between the District and the Bank;

(f) the District or the Corporation shall (i) have entered involuntarily against it an order for relief under the United States Bankruptcy Code, as amended, (ii) not pay, or admit in writing its inability to pay, its debts generally as they become due, (iii) make an assignment for the benefit of creditors, (iv) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its Property, (v) institute any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy Code, as amended, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, marshalling of assets, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (vi) take any corporate action in furtherance of any matter described in parts (i) through (v) above, or (vii) fail to contest in good faith any appointment or proceeding described in paragraph (h) below under this subcaption “—Events of Default”;

(g) a custodian, receiver, trustee, examiner, liquidator or similar official shall be appointed for the District or the Corporation or any substantial part of any of their respective Property, or a proceeding described in clause (v) of paragraph (f) above under this subcaption “—Events of Default” shall be instituted against the District or the Corporation and such appointment continues undischarged or any such proceeding continues undismissed or unstayed for a period of 30 or more days;

(h) any material provision of the Amended and Restated Reimbursement Agreement or any of the Related Documents or the pledge of, lien on or security interest in the Tax and Revenue Anticipation Notes or Net Water Utility System Revenues shall cease to be valid and binding, or the District or Corporation, as applicable, shall contest or repudiate any such provision, or the District or Corporation, as applicable, or any agent or trustee on its behalf shall deny that it has any or further liability under the Amended and Restated Reimbursement Agreement or any of the Related Documents to which it is a party;

(i) The District shall impose, or any Governmental Authority having appropriate jurisdiction over the District or the Corporation shall make a finding or ruling or shall enact or adopt legislation or issue an executive order or enter a judgment or a decree which results in, a debt moratorium, debt restructuring, debt

adjustment or comparable extraordinary restriction on the repayment when due and payable of the principal of or interest on any of the Commercial Paper Certificates or any Senior Lien Obligations, Parity Obligations or Subordinate Obligations of the District;

(j) Any of the funds or accounts established pursuant to the Senior Master Resolution, the Parity Master Resolution, the Certificate Resolution or the TRANs Resolution or any moneys or amounts on deposit, or otherwise to the credit of, such funds or accounts shall become subject to any stay, writ, judgment, warrant of attachment, execution or similar process by any of the creditors of the District or the Corporation and such stay, writ, judgment, warrant of attachment, execution or similar process shall not be released, vacated or stayed within fifteen (15) days after its issue or levy;

(k) a default shall occur under any evidence of Debt secured by or payable from Net Water Utility System Revenues issued, assumed, or guaranteed by the District or the Corporation or under any indenture, agreement or other instrument under which the same may be issued and such default shall continue for a period of time sufficient to permit the acceleration of the maturity of any such Debt (whether or not such maturity is in fact accelerated); or any such Debt shall not be paid when and as due (whether by lapse of time, acceleration or otherwise);

(l) a final, non-appealable judgment or order for the payment of money in excess of \$5,000,000 shall have been rendered against the District and such judgment or order shall not have been satisfied, stayed or bonded within a period of sixty (60) days from the date on which it was first so rendered;

(m) (i) any of Fitch Ratings, Inc. ("Fitch"), Moody's Investor's Service, Inc. ("Moody's") or Standard & Poor's Ratings Services ("S&P") (in each case if such rating agency then provides a rating on any long-term unenhanced Parity Obligations of the District) shall downgrade its respective rating of any long-term unenhanced Parity Obligations of the District to below "Baa2" (or its equivalent) by Moody's, "BBB" (or its equivalent by S&P or "BBB" (or its equivalent) by Fitch or (ii) any of Moody's, S&P or Fitch (in each case if such rating agency then provides a rating on any long-term unenhanced Parity Obligations of the District) shall suspend or withdraw for credit-related reasons its respective rating of any long-term, unenhanced Parity Obligations of the District;

(n) any pledge or security interest created by the Senior Master Resolution, the Parity Master Resolution, the Certificate Resolution or the TRANs Resolution or the Amended and Restated Reimbursement Agreement to secure any amount due under any Certificates, the Obligations, the Amended and Restated Reimbursement Agreement or the Fee Letter shall fail to be fully enforceable or fail to have the priority required under such Resolutions or the Amended and Restated Reimbursement Agreement, in either case, by reason of a final, non-appealable judgment of a court of competent jurisdiction; or

(o) any provision of the TRANs Act or the District Act is repealed, reenacted, amended or otherwise modified (including, without limitation, by legislative or judicial action) or any other legislation is enacted, repealed, reenacted, amended or otherwise modified, and in the event of a repeal, reenactment, amendment, modification or enactment, such repeal, reenactment, amendment, modification or enactment, in the sole judgment of the Bank, could reasonably be expected to result in a Material Adverse Effect; or the District's or the Corporation's existence shall terminate or dissolve.

**Remedies.** Upon the occurrence of any Event of Default, the Bank may exercise any one or more of the following rights and remedies in addition to any other remedies in the Amended and Restated Reimbursement Agreement or by law provided:

(a) declare all Obligations to be, and such amounts shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are waived by the District in the Amended and Restated Reimbursement Agreement, provided that upon the occurrence of an

Event of Default under paragraph (f) or (g) above under the subcaption “—Events of Default” such acceleration shall automatically occur without notice;

(b) may deliver a non-issuance instruction to the Trustee/Paying Agent in the form attached to the Amended and Restated Reimbursement Agreement (each, a “Stop-Issuance Instruction”) which shall (i) prohibit, until such time, if any, as the Bank shall withdraw (in writing) such notice, the issuance of additional Certificates and (ii) reduce the Stated Amount of the Letter of Credit to the amount of the then Outstanding Certificates supported by the Letter of Credit and interest payable thereon at maturity of such Certificates and/or terminate and/or permanently reduce such Stated Amount as the then Outstanding Certificates are paid;

(c) issue the Final Drawing Notice (the effect of which shall be to cause the Termination Date of the Letter of Credit to occur on the 15th day after the date of receipt thereof by the Trustee/Paying Agent);

(d) pursue any rights and remedies it may have under the Related Documents; or

(e) pursue any other action available at law or in equity.

### **ALTERNATE LETTER OF CREDIT**

Pursuant to the Certificate Resolution, if at any time there shall have been delivered to the Paying Agent (i) a letter of credit or other security or liquidity device which shall have a term of not less than one year (an “Alternate Letter of Credit”) in substitution for the Letter of Credit then in effect, (ii) a Favorable Opinion of Special Counsel, (iii) written evidence from Fitch if the Commercial Paper Certificates are rated by Fitch, from Moody’s if the Commercial Paper Certificates are rated by Moody’s, and from S&P, if the Commercial Paper Certificates are rated by S&P, in each case to the effect that such rating agency has reviewed the proposed Alternate Letter of Credit and that the substitution of the proposed Alternate Letter of Credit for the Letter of Credit then in effect will not, by itself, result in a reduction, suspension or withdrawal of the rating(s) of the Commercial Paper Certificates from those which then prevail, and (iv) written evidence satisfactory to the Bank of the provision for payment of all amounts due it under the Amended and Restated Reimbursement Agreement on or before the effective date of such Alternate Letter of Credit, then the Paying Agent shall accept such Alternate Letter of Credit and shall surrender the Letter of Credit then in effect to the Bank. The District shall give the Dealer, the Paying Agent, the Bank and the Commercial Paper Certificate holders written notice of the proposed substitution of an Alternate Letter of Credit for the Letter of Credit then in effect no less than 30 days prior to the date of such substitution. The Certificate Resolution requires that the Paying Agent provide not less than 15 days prior written notice to registered owners of the Commercial Paper Certificates of the substitution of the Letter of Credit.

### **THE BANK**

*The information in this Section has been furnished by the Bank for inclusion herein. This information has not been verified independently by the District or the Dealers. The District and the Dealers cannot and do not make any representation as to the accuracy or completeness of such information or the absence of material adverse changes in such information subsequent to the date hereof. The delivery of this Offering Memorandum shall not create any implication that there has been no change in the affairs of the Bank since the date hereof or that the information contained or referred to in this Section is correct as of any time subsequent to the date hereof.*

#### **The Bank of Tokyo-Mitsubishi UFJ, Ltd.**

The Bank of Tokyo Mitsubishi UFJ, Ltd. (“BTMU”), is a Japanese banking corporation with its head office in Tokyo, Japan. It is a wholly owned subsidiary of Mitsubishi UFJ Financial Group Inc. (the “Parent”).

With 34,865 employees (as of March 31, 2016) and approximately 841 branches worldwide (as of March 31, 2015), BTMU is Japan's largest bank. BTMU also provides a wide range of banking and financial services worldwide, and is one of the largest banks in the world by deposits and loan portfolio. Mitsubishi UFJ Financial Group is one of the top 10 banks in the world as measured by assets and market capitalization.

As of March 31, 2016, BTMU and subsidiaries had total assets of approximately ¥222,797 billion (U.S. \$1,977 billion) and deposits of approximately ¥147,784 billion (U.S. \$1,312 billion). Net income for BTMU and subsidiaries for the Fiscal Year ended March 31, 2016, was approximately ¥686 billion (U.S. \$6 billion). These figures are extracted from The Annual Securities Report (Excerpt) for the Fiscal Year ended March 31, 2016, for BTMU and subsidiaries (the "Annual Securities Report"). The Annual Securities Report can be found at [www.bk.mufg.jp](http://www.bk.mufg.jp).

The financial information presented above was translated into U.S. dollars from the Japanese yen amounts set forth in the audited financial statements in the Annual Securities Report, which were prepared in accordance with the auditing standards generally accepted in Japan ("JGAAP"), and not in accordance with U.S. GAAP. The translations of the Japanese yen amounts into U.S. dollar amounts were included solely for the convenience of readers outside Japan, and were made at the rate of ¥112.68 to U.S. \$1, the approximate rate of exchange at March 31, 2016. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

The Letter of Credit will be solely an obligation of BTMU, and will not be an obligation of, or otherwise guaranteed by, the Parent, and no assets of the Parent or any affiliate of BTMU or the Parent will be pledged to the payment thereof.

The information contained under this caption, including financial information, relates to and has been obtained from BTMU, and is furnished solely to provide limited introductory information regarding BTMU, and does not purport to be comprehensive. Any financial information provided under this caption is qualified in its entirety by the detailed information appearing in the Annual Securities Report referenced above. The delivery hereof shall not create any implication that there has been no change in the affairs of BTMU since March 31, 2016.

## **THE DISTRICT AND THE WATER SYSTEM**

### **Organization, Purpose and Powers**

The Santa Clara Valley Water District is a special district organized and existing in accordance with the Santa Clara Valley Water District Act, Chapter 1405 of Statutes 1951 of the State of California, as amended (the "Law"). The District is authorized to supply water and provide flood protection services in Santa Clara County, California (the "County"), which includes 15 cities/towns (Campbell, Cupertino, Gilroy, Los Altos, Los Altos Hills, Los Gatos, Milpitas, Monte Serena, Morgan Hill, Mountain View, Palo Alto, San Jose, Santa Clara, Saratoga and Sunnyvale). The District encompasses all of the territory within the County, one of the nine counties which make up the San Francisco Bay Area and constitutes a major portion of "Silicon Valley."

The District has broad powers relating to the management of flood and storm waters within the District. The District is also authorized to import, store, treat and distribute water within its jurisdictional boundaries to provide water in sufficient quantity and quality for present and future beneficial use by the lands and population within the District.

The District has been providing flood protection measures since 1951. These measures include maintenance and construction of flood protection facilities. The District's priority is to provide flood protection in a non-structural way, through coordination with the local land use agencies, resorting to using structural flood protection methods only as a last alternative. The level of protection that the District aims to

provide as a matter of policy is protection from flood damage that would result from a one percent flood (the flood that has a one percent chance of occurring in any given year).

The District seeks to provide water supply of adequate quantity and quality to meet the desired quality of life in the community. To fulfill this mission, the District imports water into the County, manages the groundwater basin, and owns and operates three water treatment plants, an advanced water purification center, a state-of-the-art water quality laboratory, ten reservoirs, three pumping stations, a hydroelectric plant, 18 recharge facilities in six major recharge systems, and related distribution facilities.

The District wholesales water to water retailers as well as protects and augments groundwater for the benefit of multiple water retailers, mutual water companies and thousands of private well owners that pump groundwater. Water retailers then deliver water to the consumers in the County. The District receives revenue from groundwater charges for water pumped from the groundwater basin, from the sale of treated water and from the sale of non-potable surface water and recycled water. See the caption “LITIGATION—Great Oaks Matter” for a discussion of certain litigation relating to the District’s imposition of charges on groundwater producers.

The District’s current contracts with its water retailers for the sale of treated water have a term of the greater of: (1) 70 years from the date of execution or (2) the date all loans and debt service for the construction of the District’s water treatment and distribution facilities have been paid. In the event the District terminates a contract due to a water retailer’s failure to cure a material breach (such as failure to remit payment), the District may pursue remedies to which it is entitled under applicable law, which may include recovery of amounts the District would have received if the retailer had not breached the contract and any other damages that are reasonably foreseeable from the water retailer’s breach.

Some of the water retailers within the District also receive supplies from the San Francisco Public Utilities Commission through the Bay Division Pipelines (“SFPUC” or “Hetch Hetchy”). Additional storage and supply is provided by San Jose Water Company, which owns and operates two small surface water reservoirs, Williams and Elsmar, and two small water treatment plants within the County. Some local governmental agencies operate water reclamation projects. The District does not receive revenue from the sale of water from the SFPUC water source, San Jose Water Company local water sources or wastewater reclamation sources other than the Gilroy Reclamation Facility.

The sources of District water are the California State Water Project (“SWP”), the U.S. Bureau of Reclamation’s Central Valley Project (“CVP”), District reservoirs, naturally recharged groundwater, and recycled water produced by the South County Regional Wastewater Authority. The District is one of the 29 contractors with the SWP and receives imported state water through the South Bay Aqueduct. The District also receives imported water through the San Felipe Division of the CVP. Both the SWP and the CVP water are transported to the District from the Sacramento – San Joaquin Bay-Delta. Locally, the District owns and operates ten surface water reservoirs which collect runoff during the winter rains. The District also owns and operates the Silicon Valley Advanced Water Purification Center which has the ability to deliver up to 8,000,000 gallons per day of purified water.

The District operates a conjunctive use system in which the District recharges surface water, from the imported water sources and the local reservoirs, into the groundwater basin to augment the natural recharge into the groundwater basin. The District uses streams and ponds as recharge facilities. The groundwater basin serves as a natural storage, conveyance, and treatment facility.

The Law authorizes the District to exercise the power of eminent domain; to levy and collect taxes; to levy and collect a groundwater charge for the production of water from groundwater supplies benefited by District recharge activities; and to contract for the fixing, revision and collection of rates or other charges under contract for the delivery of treated water, use of facilities or property or provisions for service. The

District may also issue bonds, borrow money and incur indebtedness. The District may also acquire property of any kind; enter into contracts; and adopt ordinances with the force of law to effectuate its purposes.

As provided under California law, the District receives its share of the County-wide 1% tax levied. A portion of the taxes received is used to pay maintenance and operations cost of the Water System. While the remaining portion of the taxes received is available to pay obligations secured by revenues of the flood protection system facilities of the District (the “Flood Control System Obligations”), such proceeds are available to pay maintenance and operation costs of the Water System after the annual payments on debt service on Flood Control System Obligations have been met.

The District’s contract with SWP requires the District to reimburse the State for capital costs (including interest thereon) and minimum operating, maintenance, power and replacement costs of the SWP transportation and conservation facilities. A property tax is levied by the District to pay the cost of this obligation. Such property taxes do not constitute Net Water Utility System Revenues and such costs are not Maintenance and Operation Costs of the Water Utility System.

### **The Water Utility System**

The District’s service area encompasses the entire County, one of nine counties that make up the San Francisco Bay area. The service area is approximately 1,330 square miles and constitutes a major portion of “Silicon Valley.” According to the U.S. Census Bureau, the County’s population increased by approximately 7.6% between 2010 and 2015 to a total of approximately 1,918,000. Of the approximately 300,000 acre-feet of water used in the County on average in a normal rainfall year, the District estimates that approximately 55% of water use in the County is residential, approximately 20% is commercial, approximately 10% is industrial, approximately 10% is agricultural, and approximately 5% is public water use.

### **Primary Sources of Revenues**

*Water Charges.* Water charges are established by the District’s Board and are not subject to regulation by the California Public Utilities Commission or by any other local, state or federal agency.

*Groundwater Charges.* The District’s Board has the power to, and does, levy and collect a groundwater charge for the production of water from the groundwater supplies within zones of the District that will benefit from the recharge of underground water supplies or the distribution of imported water in such zones. The District has established two primary zones, one in the northern area of the County and one in the southern area of the County. The District prepares an annual report supporting the basis for the groundwater charges that are recommended. The charges are levied upon the production of groundwater from all water-producing facilities, whether public or private. A fixed and uniform rate per acre-foot is set for agricultural water, and another rate per acre-foot is set for all water other than agricultural water. See the captions “—Historical Revenues” and “LITIGATION—Great Oaks Matter.”

*Treated Water and Other Charges.* The groundwater charge per acre-foot for water other than agricultural water becomes the basic user charge per acre-foot for treated water delivered pursuant to treated water delivery contracts. The contracts also provide for the imposition of a treated water surcharge which is annually set by the Board. Water which is purchased and delivered in addition to certain fixed or minimum deliveries under the contract is charged at a non-contract rate per acre-foot. Surface water deliveries of District water to users is charged at variants of these rates. In the southern portion of the County, rates are charged for usage of recycled water produced by the South County Regional Wastewater Authority and sold by the District under a producer-wholesaler agreement.

## Historical Revenues

The table below summarizes the District's revenue from groundwater, treated water and other charges for the past three fiscal years.

	<b>Revenue from Water Charges (Dollars in Thousands)</b>		
	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
Groundwater Charges	\$ 84,308	\$ 77,095	\$ 61,128
Treated Water Charges	86,386	76,799	89,375
Surface and Recycled Water	1,680	925	732
Total	<u>\$ 172,374</u>	<u>\$ 154,819</u>	<u>\$ 151,235</u>

## Debt Structure of the District

As of June 30, 2016, the District's long-term debt outstanding consists of the following:

<b>Schedule of Long-Term Indebtedness (Dollars in Thousands) (as of June 30, 2016)</b>		
<i>Type of Indebtedness</i>	<i>Final Maturity</i>	<i>Balance Outstanding</i>
Water Utility System Senior Obligations:		
Water Utility System Refunding Revenue Bonds, Taxable Series 2006B	2035	\$ 20,370
Revenue Certificates of Participation (Water Utility System Improvement Projects), Series 2007A and Taxable Series 2007B	2037	108,580
Total Senior Water System Obligations		<u>\$ 128,950</u>
Water Utility System Parity Obligations:		
Water System Refunding Revenue Bonds, Series 2016A and Taxable Series 2016B	2046	\$ 181,530
Revenue Certificates of Participation (Water Utility System Improvement Projects), Series 2016C and Taxable Series 2016D	2029	98,045
Total Parity Water System Obligations		<u>\$ 279,575</u>
All Other Debt Not Secured by Water Utility System Revenues:		
1994 Installment Purchase Agreement <sup>(1)</sup>	2024	\$ 41,865
1995 Installment Purchase Agreement <sup>(2)</sup>	2030	57,195
Total Other Debt		<u>\$ 99,060</u>
Total Long-Term Indebtedness		<u>\$ 507,585</u>

<sup>(1)</sup> Installment payments under the Installment Purchase Agreement dated as of June 15, 1994, by and between the District and the Corporation secure the District's Refunding and Improvement Certificates of Participation, Series 2004A (the "2004A Certificates") and Refunding and Improvement Certificates of Participation, Series 2012A (the "2012A Certificates"). Proceeds of the 2004A Certificates and 2012A Certificates were used to finance and refinance the District's flood protection system facilities.

<sup>(2)</sup> Installment payments under the Installment Purchase Agreement dated as of June 27, 1995, by and between the District and the Corporation secure the District's Certificates of Participation (Water Utility System Improvement Projects) Series 2007A. Proceeds of the 2007A Certificates were used to finance and refinance the District's flood protection system facilities.

Source: District.

## INVESTMENT CONSIDERATION

IN MAKING AN INVESTMENT DECISION REGARDING A POSSIBLE PURCHASE OF THE COMMERCIAL PAPER CERTIFICATES, PROSPECTIVE PURCHASERS OF THE COMMERCIAL PAPER CERTIFICATES SHOULD RELY SOLELY ON THE CREDIT OF THE BANK AND NOT ON THE CREDIT OF THE DISTRICT OR THE WATER SYSTEM. The purchase and ownership of the Commercial Paper Certificates involve investment risk. Prospective purchasers of the Commercial Paper Certificates are urged to read this Offering Memorandum in its entirety.

## TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California ("Special 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 with respect to the Series A Certificates 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 and corporations. In the further opinion of Special Counsel, interest with respect to the Series A Certificates is exempt from State of California personal income tax. Special Counsel notes that, with respect to corporations, interest with respect to the Series A Certificates may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations.

In the opinion of Special Counsel, interest with respect to the Series B Certificates is exempt from State of California personal income tax. HOWEVER, NO ATTEMPT HAS BEEN MADE OR WILL BE MADE TO COMPLY WITH CERTAIN REQUIREMENTS RELATING TO THE EXCLUSION FROM GROSS INCOME FOR FEDERAL TAX PURPOSES OF INTEREST WITH RESPECT TO THE SERIES B CERTIFICATES, AND INTEREST WITH RESPECT TO THE SERIES B CERTIFICATES THEREFORE WILL NOT BE EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. Special Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest with respect to, the Series B Certificates.

Special Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest with respect to the Series A Certificates is based upon certain representations of fact and certifications made by the District, the Corporation, the Dealers and others and is subject to the condition that the District and the Corporation comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Series A Certificates to assure that interest with respect to the Series A Certificates will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest with respect to the Series A Certificates to be included in gross income for federal income tax purposes retroactive to the date of delivery of the Series A Certificates. The District and the Corporation have covenanted to comply with all such requirements.

The Internal Revenue Service (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 Series A Certificates will be selected for audit by the IRS, and it is also possible that the market value of the Series A Certificates might be affected as a result of such an audit of the Series A Certificates (or by an audit of similar 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 delivery of the Series A Certificates to the extent that it adversely affects the exclusion from gross income of interest on the Series A Certificates or their market value.



SUBSEQUENT TO THE DELIVERY OF THE SERIES A CERTIFICATES THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE SERIES A CERTIFICATES OR THE MARKET VALUE OF THE SERIES A CERTIFICATES. LEGISLATIVE CHANGES HAVE BEEN PROPOSED IN CONGRESS, WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME TAX BEING IMPOSED ON CERTAIN OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE SERIES A CERTIFICATES. THE INTRODUCTION OR ENACTMENT OF ANY OF SUCH CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE SERIES A CERTIFICATES. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE DELIVERY OF THE SERIES A CERTIFICATES SUCH CHANGES (OR OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE SERIES A CERTIFICATES, 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 SERIES A CERTIFICATES.

Special Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date of delivery of the Series A Certificates. Special Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Restated Issuing and Paying Agent Agreement, the Certificate Resolution, and the Tax Certificate relating to the Series A Certificates permit certain actions to be taken or to be omitted if a favorable opinion of Special Counsel is provided with respect thereto. Special Counsel expresses no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest with respect to the Series A Certificates if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth.

Although Special Counsel is rendering an opinion that interest with respect to the Series A Certificates is excluded from gross income for federal income tax purposes provided that the District and the Corporation continue to comply with certain requirements of the Code, the ownership of the Series A Certificates and the accrual or receipt of interest with respect to the Series A Certificates may otherwise affect the tax liability of certain persons. The extent of these other tax consequences will depend upon the recipient's particular tax status and other items of income or deductions. Special Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Series A Certificates, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Series A Certificates.

A copy of the form of opinion of Special Counsel is attached hereto as Appendix A.

#### **THE PAYING AGENT**

U.S. Bank National Association is serving as Paying Agent for the Commercial Paper Certificates pursuant to the Certificate Resolution and the Restated Issuing and Paying Agent Agreement.

#### **THE DEALERS**

The District has appointed Barclays Capital Inc. and J.P. Morgan Securities LLC as dealers with respect to the offering and sale of the Commercial Paper Certificates. Under the respective Restated Dealer Agreements, each dated as of June 1, 2012, each as amended by the respective Amendment No. 1 to Restated Agreements, each dated as of March 1, 2016 (the "Dealer Agreements"), each by and between the District and the respective Dealer, the Dealers have no commitment to purchase any of the Commercial Paper Certificates, but are obligated only to use their best efforts to solicit and arrange sales of the Commercial Paper Certificates from time to time on behalf of the District.

Neither Dealer has any obligations with respect to the Revolving Certificates. Neither Dealer is an affiliate of the commercial bank that has agreed to purchase the Revolving Certificates from time to time as described herein.

## LITIGATION

### General

As of the date of this Offering Memorandum, there is no action, suit, litigation, inquiry or investigation before or by any court, governmental agency, public board or body served, or to the best knowledge of such counsel threatened, against the District in any material respect affecting the existence of the District or the titles of its officers to their respective offices or seeking to prohibit, restrain or enjoin the sale or delivery of the TRAns, the adoption of the Certificate Resolution or the execution and delivery by the District of the Restated Issuing and Paying Agent Agreement, the Dealer Agreements or the Amended and Restated Reimbursement Agreement.

### Great Oaks Matter

As a public entity and due to its size and its activities, at virtually all times, the District is a defendant, co-defendant, or cross-defendant in court cases in which money damages are sought. Such a case is Great Oaks Water Company v. Santa Clara Valley Water District, Santa Clara County Superior Court Case No. 105-CV-053142; Cal. Court of Appeals Nos. HO35260 and HO35885 (the “Great Oaks Case”).

In 2005, Great Oaks Water Company (hereinafter “Great Oaks”) filed an administrative claim alleging that the groundwater charges for 2005-06 violated the Law and sought a partial refund. After the claim was deemed denied, Great Oaks filed its lawsuit that subsequently included an allegation that the groundwater production charges violated Proposition 218, or Article XIII D of the state constitution because proceeds are used to fund projects and services that benefit the general public, not just ratepayers. Great Oaks demanded a partial refund as well as declaratory, injunctive and mandamus relief.

On February 3, 2010, the Honorable Kevin Murphy issued Judgment After Trial and decided that the District owes Great Oaks a refund of groundwater charges in the amount of \$4,623,096 plus interest at 7% per annum. The award of pre-judgment interest as of December 1, 2009, amounted to \$1,285,524. Judge Murphy also awarded post-judgment interest at the rate of \$886.62 per day until the date of the entry of judgment. Judge Murphy also decided that the District owes Great Oaks damages in the amount of \$1,306,830. Recovery of this damages amount is in the alternative to the award of refund described above. The District appealed this decision to the Sixth District Court of Appeals.

During the pendency of the appeal, in accordance with the requirements of GASB Statement No. 62, the District has recorded a liability in the amount of \$5,930,000, which includes the Judgment After Trial decision amount plus interest in fiscal year 2008-09. The District recorded \$160,000 in Fiscal Year 2009-10, \$324,000 in Fiscal Year 2010-11, \$325,000 in Fiscal Year 2011-12, and \$324,000 in Fiscal Years 2012-13 and 2013-14 as liability for the post-judgment interest from January 1, 2010 through June 30, 2014 at the rate of \$886.62 per day. The total liability as of June 30, 2016 in the amount of \$7,386,000 is presented under the caption “Litigation Claim” in the Statement of Net position – Proprietary Funds in the District’s Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2016.

On March 26, 2015, the California Court of Appeal for the Sixth Appellate District (“Court of Appeal”) reversed in full the judgment of the trial court in the Great Oaks case. The Court of Appeal found that under Proposition 218 the District’s groundwater charge is a “property-related fee,” but also a fee for water service excepted from the voter ratification requirement. The Court of Appeal also found that the trial court erred when it found that the 2005-06 groundwater charges failed to satisfy the applicable procedural requirements. The Court of Appeal also reversed the trial court’s finding that the District had failed to comply

with the Law in setting the groundwater fee. The effect of the Court of Appeals decision is to reverse the refund the trial court had ordered the District to pay to Great Oaks, as well as reverse the awards of damages, pre-judgment interest, and certain other amounts. The Court of Appeal remanded the case to the trial court for proceedings consistent with its decision.

On April 10, 2015, the District and Great Oaks each filed their separate petitions for rehearing with the Court of Appeal, which were granted on April 24, 2015. On August 12, 2015, the Court of Appeal again reversed in full the judgment of the trial court in the Great Oaks case, leaving intact the substantive findings from its prior opinion. On August 27, 2015, Great Oaks again filed its petition for rehearing. On September 10, 2015, the Court of Appeal, without requiring any reply by the District granted Great Oaks petition for rehearing. On December 8, 2015, the Court of Appeal again reversed in full the judgment of the trial court in the Great Oaks case.

Great Oaks has filed refund actions for subsequent years of annual groundwater charges, all of which are currently stayed (Santa Clara Superior Court Case Nos. 107-CV-087884; 108-CV-119465; 108-CV-123064; 109-CV-146018; 110-CV-178947; 111-CV-205462; 112-CV-228340; 113-CV-249349; AND 115-CV-281385).

Similar to the Great Oaks Case, Shatto Corporation, Mike Rawitser Golf Shop and Santa Teresa Golf Club have filed a refund action, Santa Clara Superior Court under Case No. 111-CV-195879. This action is currently stayed.

Other water retailers including San Jose Water Company, the cities of Morgan Hill, Gilroy and Santa Clara and the Los Altos Golf and Country Club, and Stanford University dispute the District's groundwater charges and have subsequently entered into tolling agreements with the District pending the final decision in the Great Oaks Case.

The District filed its petition for review in the California Supreme Court on January 19, 2016, and on March 23, 2016 review was granted. The District cannot predict the nature or extent of proceedings on remand, if any, at this time.

The District is currently reviewing its estimates of potential liability with respect to this case as well as other cases filed by Great Oaks and other plaintiffs or potential claimants which have either been stayed or are subject to tolling agreements. The District expects to update such estimates in connection with the preparation of its audited financial statements for the fiscal year ending June 30, 2017.

## **LEGAL MATTERS**

Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California ("Special Counsel"), acted as Special Counsel to the District in connection with the Commercial Paper Certificates. Certain legal matters in connection with the Amended and Restated Reimbursement Agreement and the Letter of Credit were passed upon for the Bank by Chapman and Cutler LLP, Chicago, Illinois, and the Law Offices of Yumoto, Ota & Miyazaki, as counsel to the Bank, and for the District by its General Counsel. Special Counsel has not passed upon the adequacy, accuracy or completeness of this Offering Memorandum and has not rendered a legal opinion with respect thereto.

## **MUNICIPAL ADVISOR**

The District has retained Public Resources Advisory Group, Los Angeles, California, as financial advisor (the "Municipal Advisor") in connection with the issuance of the Commercial Paper Certificates. The Municipal Advisor has not been engaged, nor has it undertaken, to audit, authenticate or otherwise verify the information set forth in this Offering Memorandum, or any other related information available to the District,

with respect to accuracy and completeness of disclosure of such information. The Municipal Advisor has reviewed this Offering Memorandum, but makes no guaranty, warranty or other representation respecting accuracy and completeness of the information contained in this Offering Memorandum.

## **RATINGS**

Moody's and Fitch have assigned ratings on the Commercial Paper Certificates of "P-1" and "F1," respectively. Each of such ratings is based on the issuance of the Letter of Credit by the Bank. Such ratings reflect only the views of such organizations and an explanation of the significance of such ratings may be obtained only from Moody's and Fitch, respectively. The District has furnished to such rating agencies certain information and materials regarding the Commercial Paper Certificates and the District. In addition, the Bank has furnished certain information to such rating agencies regarding the Bank and the Letter of Credit. Generally, rating agencies base their ratings on the information and materials furnished to them and on their own investigations, studies and assumptions. There is no assurance such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such change in or withdrawal of such ratings could have an adverse effect on the market price of the Commercial Paper Certificates. The District undertakes no responsibility to oppose any such change or withdrawal. The above ratings are not recommendations to buy, sell or hold the Commercial Paper Certificates, and such ratings may be subject to revision or withdrawal at any time by the rating agencies.

## **EXEMPTION FROM CONTINUING DISCLOSURE REQUIREMENTS**

The Commercial Paper Certificates have a maximum maturity of two hundred seventy (270) days and are issued in authorized denominations of \$100,000 and integral multiples of \$5,000 in excess of \$100,000. Accordingly, the Commercial Paper Certificates are exempt from the continuing disclosure requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, and no party or person, including the District, has undertaken to provide any continuing disclosure information in connection with the issuance of the Commercial Paper Certificates.

## **ADDITIONAL INFORMATION**

The District's audited financial statements for the fiscal year ended June 30, 2016 are available from the Electronic Municipal Market Access ("EMMA") website ([www.emma.msrb.org](http://www.emma.msrb.org)) operated by the Municipal Securities Rulemaking Board. Other information pertaining to the District is contained in the most recent annual report of the District, which is also available on EMMA.

Copies of the Certificate Resolution, the Restated Issuing and Paying Agent Agreement, the Letter of Credit, the Amended and Restated Reimbursement Agreement, the TRAN Resolution, the Senior Master Resolution, the Parity Master Resolution and the District's audited financial statements and annual report may also be obtained from, and other inquiries may be made to, the District at the following address:

Santa Clara Valley Water District  
5750 Almaden Expressway  
San Jose, California 95118  
Attention: Charlene Sun, Treasury/Debt Officer  
408/630-2528

APPENDIX A

PROPOSED FORM OF LEGAL OPINION

*Upon the first execution and delivery of Commercial Paper Certificates on and after the date of this Commercial Paper Offering Memorandum, Stradling Yocca Carlson & Rauth, a Professional Corporation, Special Counsel, proposes to render its approving opinion in substantially the following form:*

\_\_\_\_\_, 2017

Santa Clara Valley Water District  
5750 Almaden Expressway  
San Jose, California 95118-3686

*Re: Santa Clara Valley Water District Commercial Paper Certificates*

Members of the Board of Directors:

We have acted as Special Counsel to the Santa Clara Valley Water District (the "District") in connection with the authorization of the execution and delivery of the Santa Clara Valley Water District Commercial Paper Certificates, Series A (Tax-Exempt) (the "Series A Certificates") and Series B (Taxable) (collectively, the "Certificates") in an aggregate sum not to exceed \$150,000,000 outstanding from time to time. The Certificates will be executed and delivered pursuant to and by authority of resolutions of the Board of Directors of the Santa Clara Valley Water District Public Facilities Financing Corporation (the "Corporation") duly adopted on November 10, 2016 (together, the "Resolution"), and are secured by tax and revenue anticipation notes (the "TRANS") which may be issued by the District from time to time, including the tax- exempt TRAN and the taxable TRAN issued by the District in accordance with a resolution of the Board of Directors of the District duly passed and adopted on May 10, 2016 (the "District Resolution"). Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Resolution.

In connection with our representation we have examined a certified copy of the proceedings relating to the Certificates. 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 show lawful authority for the adoption by the District of the District Resolution and for the issuance of the TRANS issued by the District in accordance with the District Resolution and for the adoption by the Corporation of the Resolution under the laws of the State of California now in force. The TRANS are valid and binding obligations of the District enforceable against the District in accordance with their terms.

2. The Certificates, assuming due execution and delivery by U.S. Bank National Association, are entitled to the benefits of the Resolution.

3. The obligation of the District to make payments on the TRANS issued by the District in accordance with the District Resolution from the sources described therein is an enforceable obligation of the District 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 limit or restriction, and does not

constitute an obligation 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.

4. Under existing statutes, regulations, rulings and judicial decisions, the interest represented by the Series A Certificates 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 and corporations; however, it should be noted that, with respect to corporations, the interest represented by the Series A Certificates may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.

5. The interest represented by the Certificates is exempt from State of California personal income tax.

The opinions expressed herein as to the exclusion from gross income of the interest represented by the Series A Certificates 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 Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the execution and delivery of the Series A Certificates to assure that such interest represented by the Series A Certificates will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest represented by the Series A Certificates to be included in gross income for federal income tax purposes retroactive to the date of execution and delivery of the Series A Certificates. The District has covenanted to comply with all such requirements.

The opinions 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. The Resolution and the Tax Certificate relating to the Series A Certificates permit certain actions to be taken or to be omitted if a favorable opinion of Special Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of the interest represented by the Series A Certificates for federal income tax purposes with respect to any Series A Certificate 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 Certificates.

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 Resolution, the District Resolution, the TRANs, the Reimbursement Agreement, dated as of February 1, 2015, as amended and restated by the Amended and Restated Reimbursement Agreement dated as of March 1, 2016 (as so amended and restated, the "Reimbursement Agreement"), each by and among the Corporation, the District and The Bank of Tokyo-Mitsubishi UFJ, Ltd., acting through its New York Branch (or any alternate letter of credit substituted therefor in accordance with the Resolution), and the Certificates 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.

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 Commercial Paper Offering Memorandum relating to the Certificates or other offering material relating to the Certificates and expressly disclaim any duty to advise the owners of the Certificates with respect to matters contained in the Commercial Paper Offering Memorandum.

Unless otherwise notified by us, you may continue to rely on this opinion to the extent that (i) there is no change in pertinent existing state or Federal law; (ii) the representations, warranties and covenants of the parties contained in the Resolution, the District Resolution, the Reimbursement Agreement and certain certificates dated the date hereof and delivered by authorized officers of the District remain true and accurate and are complied with in all material respects; and (iii) no litigation affecting the execution and delivery or legality of the Certificates is pending or threatened at the time of the delivery of any such instruments.

Respectfully submitted,

## APPENDIX B

### DTC AND THE BOOK-ENTRY ONLY SYSTEM

*The information in this Section concerning DTC and DTC's book-entry only system has been obtained from sources that the District, the Corporation and the Dealers believe to be reliable, but none of the District, the Corporation or the Dealers 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 Commercial Paper Certificates, payment of principal, premium, if any, accreted value, if any, and interest with respect to the Commercial Paper Certificates to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Commercial Paper Certificates and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the Direct Participants, the Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Commercial Paper Certificates. The Commercial Paper Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Master Note Certificate has been issued for the Series A Certificates, and one fully registered Master Note Certificate has been issued for the Series B Certificates, each such Master Note Certificate being in the aggregate principal amount of \$150,000,000, and being on deposit 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 has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Commercial Paper Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Commercial Paper Certificates on DTC's records. The ownership interest of each actual purchaser of each Commercial Paper Certificate ("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 Commercial Paper Certificates 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 Commercial Paper Certificates, except in the event that use of the book-entry system for the Commercial Paper Certificates is discontinued.

To facilitate subsequent transfers, all Commercial Paper Certificates 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 Commercial Paper Certificates 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 Commercial Paper Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Commercial Paper Certificates 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 the Commercial Paper Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Commercial Paper Certificates, such as defaults and proposed amendments to the Commercial Paper Certificate documents. For example, Beneficial Owners of the Commercial Paper Certificates may wish to ascertain that the nominee holding the Commercial Paper Certificates 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Commercial Paper Certificates 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 or the Paying Agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Commercial Paper Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments with respect to the Commercial Paper Certificates 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 Paying Agent, on the payment 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 District or the Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time-to-time. Payment of principal and interest 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 Paying Agent, 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.

DTC may discontinue providing its services as depository with respect to the Commercial Paper Certificates at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates representing the Commercial Paper Certificates 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, physical certificates representing the Commercial Paper Certificates will be printed and delivered to DTC.

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AMENDED AND RESTATED REIMBURSEMENT AGREEMENT

Dated as of March 1, 2016

by and among

SANTA CLARA VALLEY WATER DISTRICT PUBLIC FACILITIES FINANCING CORPORATION,

SANTA CLARA VALLEY WATER DISTRICT

and

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.,  
acting through its New York Branch

Relating to

\$150,000,000  
Santa Clara Valley Water District  
Commercial Paper Certificates,  
Series A (Tax-Exempt) and Series B (Taxable)

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## AMENDED AND RESTATED REIMBURSEMENT AGREEMENT

This AMENDED AND RESTATED REIMBURSEMENT AGREEMENT (as amended, modified, restated or supplemented from time to time, this "*Agreement*") is dated as of March 1, 2016, by and among SANTA CLARA VALLEY WATER DISTRICT, a flood control and water district of the State of California (the "*District*"), SANTA CLARA VALLEY WATER DISTRICT PUBLIC FACILITIES FINANCING CORPORATION, a nonprofit public benefit corporation organized and existing under the laws of the State of California (the "*Corporation*"), and THE BANK OF TOKYO-MITSUBISHI UFJ, LTD., acting through its New York Branch, as the issuer of the hereinafter defined Letter of Credit (in such capacity, the "*Bank*").

### WITNESSETH:

WHEREAS, the Bank, the Corporation and the District are parties to that certain Reimbursement Agreement dated as of February 1, 2015 (the "*Original Agreement*"), pursuant to which the Bank issued its Letter of Credit (as hereinafter defined) in an initial aggregate amount of \$163,500,000 (such amount being in a principal amount of \$150,000,000 plus an amount equal to 270 days interest on such amount at an assumed rate of twelve percent (12%) per annum on the basis of a 360 day year) to support the Certificates (as hereinafter defined); and

WHEREAS, the Corporation and the District have requested that the Bank agree to make certain amendments to the Original Agreement and, for the sake of clarity and convenience, amend and restate the Original Agreement in its entirety. This Agreement amends the Original Agreement in its entirety and from and after the Amendment and Restatement Effective Date all references made to the Original Agreement in any Related Document or in any other instrument or document shall be deemed to refer to this Agreement. This Agreement shall become effective and supersede all provisions of the Original Agreement upon the execution and delivery of this Agreement by each of the parties hereto and the fulfillment of all conditions precedent hereof.

NOW THEREFORE, in consideration of the premises and the mutual agreements herein contained, the Corporation, the District and the Bank agree as follows:

### ARTICLE I

#### DEFINITIONS AND ACCOUNTING TERMS

*Section 1.01. Defined Terms.* As used in this Agreement, the following terms shall have the meanings set forth below:

"*Advance Maturity Date*" has the meaning set forth in Section 2.03(a)(iii) hereof.

"*Affiliate*" means, with respect to a Person, any Person (whether for-profit or not-for-profit), which "controls," or is "controlled" by, or is under common "control" with such Person. For purposes of this definition, a Person "controls" another Person when the first Person possesses or exercises directly, or indirectly through one or more other affiliates or related

entities, the power to direct the management and policies of the other Person, whether through the ownership of voting rights, membership, the power to appoint members, trustees or directors, by contract, or otherwise.

*"Agreement"* has the meaning set forth in the introductory paragraph hereof.

*"Alternate Letter of Credit"* has the meaning set forth in the Certificate Resolution.

*"Amendment and Restatement Effective Date"* means March 30, 2016.

*"Amortization End Date"* means, with respect to any Term Loan, the earliest to occur of: (i) the third (3rd) anniversary of the date on which the related Drawing was made, (ii) the third (3rd) anniversary of the Stated Expiration Date, (iii) the date on which an Alternate Letter of Credit becomes effective in substitution of the Letter of Credit with respect to the Certificates, (iv) the date on which the Stated Amount is permanently reduced to zero or the Letter of Credit is otherwise terminated in accordance with its terms (other than as a result of the Letter of Credit terminating on the Stated Expiration Date), including as a result of the occurrence of an Event of Default and (v) the end of the term of the commercial paper program in respect of the Certificates as determined in accordance with the Certificate Resolution or any resolution of the Corporation.

*"Bank"* has the meaning set forth in the introductory paragraph hereof.

*"Bank Note"* has the meaning set forth in Section 2.03(d) hereof.

*"Bank Obligations"* has the meaning set forth in the Certificate Resolution.

*"Bank Rate"* means the rate of interest per annum with respect to a Loan (a) for any day commencing on the date the related Drawing is made to and including the 60<sup>th</sup> day next succeeding the date such Drawing is made, equal to the Base Rate; and (b) for any day commencing on the 61<sup>st</sup> day next succeeding the date such Drawing is made to and thereafter, equal to the sum of the Base Rate from time to time in effect plus one percent (1.00%); *provided, however,* that immediately and automatically upon the occurrence of an Event of Default (and without any notice given with respect thereto) and during the continuance of such Event of Default, "Bank Rate" shall mean the Default Rate; and *provided further* that, at no time shall the Bank Rate be less than the applicable rate of interest on any outstanding Certificates.

*"Base Rate"* means, for any day, the highest of (i) the Prime Rate in effect on such day *plus* one percent (1.00%), (ii) the Federal Funds Rate in effect on such day *plus* two percent (2.00%) and (iii) eight percent (8.00%). Each change in the Base Rate shall take effect simultaneously with the corresponding change or changes in the Prime Rate or Federal Funds Rate, as the case may be. Each determination of the Base Rate by the Bank shall be conclusive and binding on the District and the Corporation absent manifest error.

*"Bonds"* has the meaning set forth in the Parity Master Resolution.

*"Business Day"* means a day on which (a) banks located in Los Angeles, California, in New York, New York and in each of the cities in which the principal offices of the Trustee and Paying Agent, the Bank and the Dealer are located and the office of the Bank at which drawings under the Letter of Credit are to be presented is located (initially, New York, New York) are not required or authorized by law or executive order to close for business, and (b) The New York Stock Exchange is not closed.

*"Capital Lease Obligations"* of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

*"Certificate Resolution"* means Resolution No. PFFC-12-001, adopted by the Corporation on May 10, 2012, as amended by Resolutions No. PFFC-14-001 (Amendment No. 1) and No. PFFC-14-002 (Amendment No. 2), each adopted by the Corporation on December 10, 2014, and Resolution No. PFFC-16-001, adopted by the Corporation on January 28, 2016, and as each of the same may be further amended, supplemented or otherwise modified pursuant to the terms hereof and thereof.

*"Certificates"* means collectively, the Series A Certificates and the Series B Certificates.

*"Closing Date"* means February 12, 2015, the date on which the Letter of Credit is issued.

*"Code"* means the Internal Revenue Code of 1986, as amended, and any successor statute thereto.

*"Contracts"* has the meaning set forth in the Parity Master Resolution.

*"Control"* means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. *"Controlling"* and *"Controlled"* have meanings correlative thereto. Without limiting the generality of the foregoing, a Person shall be deemed to be Controlled by another Person if such other Person possesses, directly or indirectly, power to vote 10% or more of the securities having ordinary voting power for the election of directors, managing general partners or the equivalent.

*"Corporation"* has the meaning set forth in the Introductory paragraph hereof.

*"Current Water Utility System Revenues"* has the meaning set forth in the Parity Master Resolution.

*"Dealer"* means, as the context requires, each of Barclays Capital, Inc. and J.P. Morgan Securities LLC, or their respective successors and assigns.



*“Dealer Agreement”* means, as the context requires, (a) the Restated Dealer Agreement, dated as of June 1, 2012, between the District and Barclays Capital, Inc., as amended, restated and supplemented from time to time, in accordance with the terms hereof and thereof or (b) the Restated Dealer Agreement, dated as of June 1, 2012, between the District and J.P. Morgan Securities LLC, as amended, restated and supplemented from time to time, in accordance with the terms hereof and thereof.

*“Debt”* of any Person means at any date and without duplication, (i) all obligations of such Person for borrowed money, and all obligations of such Person evidenced by bonds, debentures, notes, securities, loan agreements or other similar instruments, (ii) all direct or contingent obligations of such Person arising under letters of credit, bankers’ acceptances, bank guaranties, surety bonds and similar instruments, (iii) Capital Lease Obligations, (iv) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business (including, without limitation, accounts payable to construction contractors and other professionals for services rendered), (v) all indebtedness of others secured by a lien on any asset of such Person, whether or not such indebtedness is assumed by such Person, (vi) all indebtedness of others guaranteed by, or secured by any of the revenues or assets of, such Person and (vii) payment obligations of such Person under any Swap Contract.

*“Debtor Relief Laws”* means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

*“Default”* means any condition or event which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

*“Default Rate”* means a fluctuating interest rate per annum equal to the sum of the Base Rate from time to time in effect *plus* two percent (2.00%).

*“District”* has the meaning set forth in the introductory paragraph hereof.

*“District Act”* means the Santa Clara Valley Water District Act, Chapter 1405 of Statutes 1951 of the State of California, as amended.

*“Dodd-Frank Act”* means the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, as enacted by the United States Congress, and signed into law on July 21, 2010, and all statutes, rules, guidelines or directives promulgated thereunder.

*“Dollar”* and *“\$”* mean lawful money of the United States.

*“Drawing”* has the meaning assigned to that term in the Letter of Credit.

*“Environmental Laws”* means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

*“ERISA”* means the Employee Retirement Income Security Act of 1974, as amended from time to time, and all rules and regulations from time to time promulgated thereunder, or any successor statute.

*“Event of Default”* has the meaning set forth in Section 8.01 hereof.

*“Excess Amount”* has the meaning set forth in Section 2.03(e) hereof.

*“Excess Interest”* has the meaning set forth in Section 3.04 hereof.

*“Excluded Principal”* means each payment of principal of Subordinate Obligations with a maturity of less than 42 months and which the District specifies in a certificate of the District signed by an Authorized Officer (as defined in the Parity Master Resolution) and filed with the Bank that it intends to pay such principal payments from the proceeds of Subordinate Obligations, other bonds, notes or other obligations of the Districts or other moneys other than Water Utility System Revenues, Current Water Utility System Revenues or Net Water Utility System Revenues. No such determination shall affect the security for such Subordinate Obligations or the obligation of the District to pay such Subordinate Obligations from Net Water Utility System Revenues.

*“Experienced Banker or Advisor”* has the meaning set forth in the Parity Master Resolution.

*“Federal Funds Rate”* means for any day, a fluctuating interest rate per annum (rounded upwards, if necessary, to the nearest one one-hundredth (1/100th) of one percent (1%)) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Bank from three (3) Federal funds brokers of recognized standing selected by the Bank. Each determination of the Federal Funds Rate by the Bank shall be conclusive and binding on the District and the Corporation, absent manifest error.

*“Fee Letter”* means that certain Amended and Restated Fee Letter dated as of the Amendment and Restatement Effective Date, between the District and the Bank, as the same may be amended, restated and supplemented from time to time.

*“Final Drawing Notice”* has the meaning set forth in the Letter of Credit.

*"Fiscal Year"* has the meaning set forth in the Parity Master Resolution.

*"Fitch"* means Fitch, Inc. and any successor rating agency.

*"GAAP"* means generally accepted accounting principles in the United States as in effect from time to time, applied by the District on a basis consistent with the District's most recent financial statement furnished to the Bank.

*"Governmental Approval"* means an authorization, consent, approval, license, or exemption of, registration or filing with, or report to any Governmental Authority.

*"Governmental Authority"* means any national, supranational, state or local government (whether domestic or foreign), any political subdivision thereof or any other governmental, quasigovernmental, judicial, administrative, public or statutory instrumentality, authority, body, agency, department, commission, bureau, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory, fiscal, monetary or administrative powers or functions of or pertaining to government, or any arbitrator, mediator or other Person with authority to bind a party at law.

*"Guarantees"* of or by any Person (the *"guarantor"*) means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Debt or other obligation of any other Person (the *"primary obligor"*) in any manner, whether directly or indirectly, and including, without limitation, any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Debt or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Debt or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Debt or obligation; provided, that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

*"Indemnitee"* has the meaning set forth in Section 9.04(b) hereof.

*"Independent Consultant"* shall mean a firm (but not an individual) which (1) is in fact independent, (2) does not have any direct financial interest or any material indirect financial interest in the Corporation or the District or the Water System, (3) is not connected with the Corporation or the District as an officer, employee, promoter, trustee, partner, director or person performing similar functions, (4) is a nationally recognized certified public accounting firm or a nationally recognized professional management consultant, and designated by the District and (5) is qualified to pass upon questions relating to the financial affairs or facilities of the type or types operated by the District and having the skill and experience necessary to render the particular opinion or report required by the provision hereof in which such requirement appears.

*“Investment Grade”* means a rating of *“Baa3”* (or its equivalent) or better by Moody’s and *“BBB-”* (or its equivalent) or better by S&P or Fitch.

*“Investment Policy”* means, collectively, the investment policies of the District delivered to the Bank on or prior to the Closing Date, or any revision thereof delivered to the Bank pursuant to Section 6.16 hereof.

*“ISP”* means, with respect to the Letter of Credit, the *“International Standby Practices 1998”* published by the Institute of International Banking Law & Practice, Inc.

*“Issuing and Paying Agent Agreement”* means that certain Restated Issuing and Paying Agent Agreement dated as of June 1, 2012 among the District, the Corporation and the Paying Agent, as amended, supplemented, restated and otherwise modified from time to time in accordance with the terms thereof and hereof.

*“Laws”* means, collectively, all international, foreign, Federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

*“Letter of Credit”* means the irrevocable transferable direct-pay letter of credit issued by the Bank for the account of the District in favor of the Paying Agent supporting the Certificates, in the form of Exhibit A hereto, with appropriate insertions, as from time to time amended, restated and supplemented pursuant to its terms.

*“Lien”* means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement in the nature of a security interest of any kind or nature whatsoever (including any conditional sale or other title retention agreement, and any financing lease having substantially the same economic effect as any of the foregoing).

*“Loan”* means any Advance or any Term Loan made by the Bank pursuant to Section 2.03 hereof.

*“Maintenance and Operation Costs”* has the meaning set forth in the Parity Master Resolution.

*“Material Adverse Change”* or *“Material Adverse Effect”* means any event that (i) causes a material adverse change in or a material adverse effect on (a) the validity or enforceability of any of the Related Documents, (b) the validity, enforceability or perfection of the pledge of and lien on the Net Water Utility System Revenues to secure the payment of principal and interest on the Certificates, the Bank Note or the Loans, (c) any of the rights, security, interest or remedies available to the Bank under this Agreement or the other Related

Documents or (ii) could reasonably be expected to have a material adverse effect on the ability of the District or the Corporation to timely perform its respective obligations under the Related Documents.

*"Maximum CP Rate"* means the lesser of (a) 12% per annum and (b) the Maximum Rate.

*"Maximum Rate"* means the maximum non-usurious lawful rate of interest permitted by applicable law.

*"Moody's"* means Moody's Investors Service, Inc. and any successor rating agency.

*"Net Water Utility System Revenues"* has the meaning set forth in the Parity Master Resolution.

*"Notice of Extension"* has the meaning set forth in Section 2.12(d) hereof.

*"Obligations"* means the Reimbursement Obligations (which includes obligations of the District to repay Loans and amounts owing to the Bank evidenced by the Bank Note), the obligations of the District under the Bank Note, and all other payment obligations of the District to the Bank arising under or in relation to this Agreement, the Fee Letter, the Bank Note and any Loan, including in each instance, all interest accrued thereon.

*"Offering Memorandum"* means the Commercial Paper Offering Memorandum dated March 30, 2016, relating to the Certificates, and any supplements and amendments thereto.

*"Original Agreement"* has the meaning set forth in the Recitals hereof.

*"Other Taxes"* has the meaning specified in Section 3.01(a) hereof.

*"Owner"* has the same meaning given to such term in the Certificate Resolution.

*"Paired Obligations"* means any Subordinate Obligations (or portion thereof) designated as Paired Obligations in the resolution, indenture, trust agreement or other security document authorizing the issuance or execution and delivery thereof, (i) the principal of which is of equal amount maturing and to be redeemed or prepaid (or cancelled after acquisition thereof) on the same dates and in the same amounts, and (ii) the interest rates which, taken together, were intended to result in a fixed interest rate obligation of the District for all or a portion of the term of such Subordinate Obligations, all as certified by an Experienced Banker or Advisor.

*"Parity Debt Service"* has the meaning given to "Debt Service" in the Parity Master Resolution.

*"Parity Master Resolution"* means Resolution No. 16-10 adopted by the District on February 23, 2016, as amended, supplemented, or otherwise modified from time to time in accordance with the terms thereof and hereof.

*"Parity Obligations"* means, collectively, Bonds and Contracts.

*"Participant"* has the meaning set forth in Section 9.06(b) hereof.

*"Paying Agent"* means a corporation or banking entity designated to act as the Paying Agent pursuant to the terms of the Certificate Resolution. As of the Amendment and Restatement Effective Date, U.S. Bank National Association is the Paying Agent.

*"Payment Documents"* has the meaning set forth in the Letter of Credit.

*"Payment Office"* means the office or offices, account or accounts of the Bank set forth in Section 2.06 hereof.

*"PBGC"* means the Pension Benefit Guaranty Corporation or any Person succeeding to any or all of its functions under ERISA.

*"Person"* means any individual, a corporation, a partnership, an association, a limited liability company, a trust or any other entity or organization, including a government or political subdivision or any agency or instrumentality thereof.

*"Plan"* means, with respect to the District at any time, an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code.

*"Prime Rate"* means, for any day, the per annum rate of interest for such day announced or otherwise established by the Bank from time to time as its base rate or equivalent rate for United States dollar denominated loans to borrowers located in the United States as in effect on such day, with any change in such prime rate or equivalent to be effective on the date of the announcement of such change, it being understood that such rate may not be the best or lowest rate offered by the Bank.

*"Project(s)"* means, as the context may require, any additions, betterments, extensions or improvements to the Water Utility System, financed in whole or in part from the proceeds of Certificates.

*"Property"* means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, whether now owned or hereafter acquired.

*"Rate Stabilization Fund"* has the same meaning given to such term in the Parity Master Resolution.

*"Rating Agency"* means Moody's, Fitch or S&P, as the context may require.

*"Reduction Fee"* has the meaning set forth in the Fee Letter.

*“Reimbursement Obligations”* means any and all obligations of the District to reimburse the Bank for any Drawings under the Letter of Credit and all obligations to repay the Bank for any Loans, including in each instance all interest accrued thereon.

*“Related Documents”* means this Agreement, the Letter of Credit, the Fee Letter, the Bank Note, the Issuing and Paying Agent Agreement, the TRANs Act, the District Act, each of the Resolutions, the Certificates, the Tax and Revenue Anticipation Notes, the Dealer Agreements, and any other agreement or instrument relating thereto.

*“Related Parties”* means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents, trustees and advisors of such Person and of such Person’s Affiliates.

*“Resolutions”* means the Senior Master Resolution, the Parity Master Resolution, the Certificate Resolution and the TRANs Resolution.

*“S&P”* means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, and any successor rating agency.

*“Senior Debt Service”* has the meaning given to “Debt Service” in the Senior Master Resolution.

*“Senior Lien Obligations”* means, collectively, the District’s (i) Water Utility System Refunding Revenue Bonds Taxable Series 2006B, (ii) Revenue Certificates of Participation (Water Utility System Improvement Projects) Series 2007A and (iii) Revenue Certificates of Participation (Water Utility System Improvement Projects) Taxable Series 2007B.

*“Senior Master Resolution”* means Resolution No. 94-58 providing for the allocation of water utility system revenues, adopted by the District on June 23, 1994, as heretofore amended and as hereafter amended pursuant to the terms thereof and hereof.

*“Series A Certificates”* means the Santa Clara Valley Water District Commercial Paper Certificates, Series A (Tax-Exempt).

*“Series A Payment Fund”* has the same meaning given to such term in the Certificate Resolution.

*“Series B Certificates”* means the Santa Clara Valley Water District Commercial Paper Certificates, Series B (Taxable).

*“Series B Payment Fund”* has the same meaning given to such term in the Certificate Resolution.

*“Special Purpose Funds”* has the same meaning given to such term in the Parity Master Resolution.

"State" means the State of California.

"Stated Amount" has the meaning set forth in the Letter of Credit.

"Stated Expiration Date" means the date set forth in the Letter of Credit as the date on which the Letter of Credit is stated to expire (*i.e.*, initially, February 12, 2018), unless terminated in accordance with the terms of the Letter of Credit or as extended from time to time pursuant to the terms of the Letter of Credit and this Agreement.

"Stop-Issuance Instruction" means the written instruction, in the form attached as Exhibit C hereto, given by the Bank to the District, the Corporation, the Paying Agent and the Trustee pursuant to Section 2.16 hereof or Section 8.02(b) hereof.

"Subordinate Debt Service" means, for any period of calculation, the sum of:

(1) the interest payable on all outstanding Subordinate Obligations during such period, assuming that all outstanding serial Subordinate Obligations are retired as scheduled and that all outstanding term Subordinate Obligations are prepaid or paid from sinking fund payments as scheduled (except to the extent that such interest is capitalized or is reasonably anticipated to be reimbursed to the District by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111 5, 23 Stat. 115 (2009), enacted February 17, 2009)), or any future similar program);

(2) those portions of the principal amount of all outstanding serial Subordinate Obligations maturing in such period (but excluding Excluded Principal),

(3) those portions of the principal amount of all outstanding term Subordinate Obligations required to be prepaid or paid in such period (but excluding Excluded Principal),

but less the earnings to be derived from the investment of moneys on deposit in debt service reserve funds established for Subordinate Obligations;

provided that, as to any such Subordinate Obligations bearing or comprising interest at other than a fixed rate, the rate of interest used to calculate Subordinate Debt Service shall, for all purposes, be assumed to bear interest at a fixed rate equal to the higher of:

(i) the then current variable interest rate borne by such Subordinate Obligations, and

(ii) if such Subordinate Obligations have been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, or if such Subordinate Obligations have not been outstanding for the twelve prior months, the average rate borne by reference to an index comparable to that to be



utilized in determining the interest rate for the Subordinate Obligations to be issued or executed;

provided further that if any series or issue of such Subordinate Obligations have twenty-five percent (25%) or more of the aggregate principal amount of such series or issue due in any one year, Subordinate Debt Service shall be determined for the period of determination as if the principal of and interest on such series or issue of such Subordinate Obligations were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of forty (40) years from the date of calculation; and

provided further that if the Subordinate Obligations constitute Paired Obligations, the interest rate on such Subordinate Obligations shall be the resulting linked rate or the effective fixed interest rate to be paid by the District with respect to such Paired Obligations; and

provided further that the amount on deposit in a debt service reserve fund on any date of calculation of Subordinate Debt Service shall be deducted from the amount of principal due at the final maturity of the Subordinate Obligations for which such debt service reserve fund was established and to the extent the amount in such debt service reserve fund is in excess of such amount of principal, such excess shall be applied to the full amount of principal due, in each preceding year, in descending order, until such amount is exhausted.

*"Subordinate Lien Debt Service Coverage Ratio"* means the ratio of (1) Net Water Utility System Revenues for the most recent audited Fiscal Year as reflected in the financial statements of the District that have been delivered to the Bank pursuant to Section 6.01(a) hereof remaining after making all of the required transfers and payments from the Water Utility System Revenue Fund pursuant to subsections (a), (b), (c), (d) and (e) of Section 2.2 of the Parity Master Resolution for such Fiscal Year, to (2) total Subordinate Debt Service for such Fiscal Year.

*"Subordinate Obligations"* means the Obligations, the Certificates, and all other Debt of the District secured by or payable from Net Water Utility System Revenues on a parity with the Obligations.

*"Swap Contract"* means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules,

a “*Master Agreement*”), including any such obligations or liabilities under any Master Agreement.

“*Tax and Revenue Anticipation Notes*” or “*TRANS*” means the Tax-Exempt TRAN and the Taxable TRAN.

“*Tax-Exempt TRAN*” means (i) the Santa Clara Valley Water District 2014-2015 Tax-Exempt Tax and Revenue Anticipation Note issued by the District in accordance with Section 2 of a Resolution of the District adopted by the Board of Directors of the District on May 13, 2014, and (ii) all other similarly secured tax-exempt tax and revenue anticipation notes issued by the District pursuant to a TRANS Resolution and deposited in accordance with the Certificate Resolution.

“*Tax-Exempt TRANS Payments*” means payments of principal of and interest on the Tax-Exempt TRAN paid by the District to the Corporation in accordance with the terms of the Tax-Exempt TRAN.

“*Taxable TRAN*” means (i) the Santa Clara Valley Water District 2014-2015 Taxable Tax and Revenue Anticipation Note issued by the District and secured in accordance with Section 2 of a Resolution of the District adopted by the Board of Directors of the District on May 13, 2014, and (ii) all other similarly secured taxable tax and revenue anticipation notes issued by the District pursuant to a TRANS Resolution and deposited with the Corporation in accordance with the Certificate Resolution.

“*Taxable TRANS Payments*” means payments of principal of and interest on the Taxable TRAN paid by the District to the Corporation in accordance with the terms of the Taxable TRAN.

“*Taxes*” has the meaning set forth in Section 3.01(a) hereof.

“*Term Loan*” has the meaning set forth in Section 2.03(a)(iii) hereof.

“*Termination Date*” has the meaning set forth in the Letter of Credit.

“*Termination Fee*” has the meaning set forth in the Fee Letter.

“*TRANS Act*” means Article 7.6 (commencing with Section 53850) of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code, as amended.

“*TRANS Resolution*” means (i) the Resolution of the District’s Board of Directors adopted on May 13, 2014 authorizing the issuance of the TRANS securing the Certificates and (ii) all other resolutions adopted by the District’s Board of Directors after Closing Date authorizing the issuance of TRANS relating to and/or securing the Certificates and/or the Obligations hereunder.

*“Trustee”* means a corporation or banking entity designated to act as the Trustee pursuant to the terms of the Certificate Resolution. As of the Amendment and Restatement Effective Date, U.S. Bank National Association is the Trustee.

*“United States”* and *“U.S.”* mean the United States of America.

*“Water Service”* has the meaning set forth in the Parity Master Resolution.

*“Water Utility System”* has the meaning set forth in the Parity Master Resolution.

*“Water Utility System Revenue Fund”* has the meaning set forth in the Parity Master Resolution.

*“Water Utility System Revenues”* has the meaning set forth in the Parity Master Resolution.

*“Welfare Plan”* means a “welfare plan,” as such term is defined in Section 3(1) of ERISA.

*Section 1.02. Other Interpretive Provisions.* With reference to this Agreement and each other Related Document, unless otherwise specified herein or in such other Related Document:

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation.” The word “will” shall be construed to have the same meaning and effect as the word “shall.” Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Related Document), (ii) any reference herein to any Person shall be construed to include such Person’s successors and assigns, (iii) the words “herein,” “hereof” and “hereunder,” and words of similar import when used in any Related Document, shall be construed to refer to such Related Document in its entirety and not to any particular provision thereof, (iv) all references in a Related Document to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, the Related Document in which such references appear, (v) any reference to any law shall include all statutory and regulatory provisions consolidating, amending, replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (vi) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

(b) In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including;” the words “to” and “until” each mean “to but excluding;” and the word “through” means “to and including.”

(c) Section headings herein and in the other Related Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Related Document.

(d) Defined terms used herein which are stated to have the meanings assigned in the Resolutions or Issuing and Paying Agent Agreement or any other Related Document, as applicable, shall incorporate any amendments, restatements, supplements or other modifications to such terms.

*Section 1.03. Accounting Terms.* (a) *Generally.* All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the financial statements, except as otherwise specifically prescribed herein.

(b) *Changes in GAAP.* If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Related Document, and either the District or the Bank shall so request, the Bank and the District shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP; *provided that*, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the District shall provide to the Bank financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

*Section 1.04. Rounding.* Any financial ratios required to be maintained by the District pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

*Section 1.05. Times of Day.* Unless otherwise specified, all references herein to times of day shall be references to New York time (daylight or standard, as applicable).

*Section 1.06. Letter of Credit Amounts.* Unless otherwise specified herein, the amount of the Letter of Credit at any time shall be deemed to be the maximum amount available to be drawn under the Letter of Credit, whether or not such maximum stated amount is in effect at such time. Without limiting the foregoing, the determination of such maximum amount shall assume compliance with all conditions for drawing and no reduction for (a) any amount drawn by any drawing referred to in the Letter of Credit, the amount of which, in whole or in part, is subject to reinstatement (unless such amount is not reinstated under the Letter of Credit), or

(b) any amount not available to be drawn because Certificates are held by or for the account of the District or the Corporation.

*Section 1.07. Incorporated Agreement Provisions.* Any covenants and agreements of the District herein and in the Related Documents which the District is a party and which are incorporated by reference herein (including all such covenants and agreements specified in the exhibits, schedules and defined terms referred to in the Related Document) shall survive any termination, cancellation, discharge or replacement of such Related Document.

## ARTICLE II LETTER OF CREDIT

*Section 2.01. Issuance of Letter of Credit.* Subject to the terms and conditions of, and relying upon the representations and warranties set forth in, this Agreement or incorporated herein by reference, the Bank has previously issued and continues to maintain the Letter of Credit (substantially in the form of *Exhibit A* hereto). The Letter of Credit is in the original stated amount of \$163,500,000 (calculated as the sum of the maximum principal amount of the Certificates supported by the Letter of Credit (*i.e.*, \$150,000,000) plus interest thereon at a maximum rate of twelve percent (12%) per annum for a period of two hundred seventy (270) days calculated on the basis of a year of 360 days) (the "*Original Stated Amount*").

*Section 2.02. Letter of Credit Drawings.* The Trustee is authorized to make Drawings under the Letter of Credit in accordance with its terms. The District and the Corporation hereby direct the Bank to make payments under the Letter of Credit in the manner therein provided. The District and the Corporation hereby irrevocably approve reductions and reinstatements of the Stated Amount with respect to the Letter of Credit as provided in the Letter of Credit.

*Section 2.03. Reimbursement of Certain Drawings under the Letter of Credit; Mandatory Prepayment; Interest.* (a)(i) The amount of any Drawing (or the portion thereof) which is not reimbursed by the District to the Bank on the date of such Drawing shall automatically constitute an advance made by the Bank to the District on the date and in an amount equal to the amount of such Drawing (or portion thereof) which is not so reimbursed by the District to the Bank (individually an "*Advance*" and, collectively, the "*Advances*").

(ii) The District promises to pay to the Bank the interest portion of each Advance on the date of the related Drawing.

(iii) The District promises to pay or cause to be paid to the Bank the principal portion of each Advance on the earliest of the following dates (the "*Advance Maturity Date*"): (i) the ninetieth (90th) day following the date on which the related Drawing was made, (ii) the Termination Date and (iii) the Business Day when Certificates (or other commercial paper notes) or bonds are issued, the proceeds of which could be used to repay such Advance; *provided* that if the conditions precedent set forth in Section 4.02 hereof are satisfied on the applicable Advance Maturity Date, the related Advance shall be converted to a loan (a "*Term Loan*") to the District.

(iv) Subject to Section 2.10 hereof, the District also promises to pay to the Bank interest on the unpaid principal amount of each Loan from the date the related Drawing is made until it is paid in full as provided herein, at a rate per annum equal to the Bank Rate from time to time in effect, and such interest shall be payable monthly in arrears on the first Business Day of each calendar month for the immediately preceding calendar month (commencing on the first Interest Payment Date to occur after the making of the related Drawing), and on the date that the final principal or interest portion of such Loan is payable as herein provided.

(v) Unless otherwise paid in full on one of the dates provided above, the principal portion of each Term Loan shall be payable by the District in equal (or as nearly equal as possible) semi-annual installments ("*Semi-Annual Principal Payments*") commencing on the 180th day immediately succeeding the date on which the related Advance was made, and on the first Business Day of each sixth calendar month thereafter, with the final installment in an amount equal to the entire then outstanding principal amount of such Term Loan due and payable on the Amortization End Date (the period commencing on the date such installment is initially payable and ending on the Amortization End Date is referred to as the "*Amortization Period*"). Each Semi-Annual Principal Payment shall be that amount of principal which will result in equal (as nearly as possible) aggregate Semi-Annual Principal Payments over the applicable Amortization Period.

(b) Any Advance or Term Loan may be prepaid in whole or in part on the day such Advance or Term Loan is made. Any Advance created pursuant to paragraph (a)(i) above and any Term Loan created pursuant to paragraph (a)(iii) above may be prepaid in whole or in part without premium or penalty on any other Business Day upon one Business Day's prior written notice to the Bank.

(c) Upon the Bank's receipt of any payment or prepayment of any Loan, the amount of such Loan shall be reduced by the amount of such payment or prepayment, with the Bank crediting any prepayment received, first to the payment of any outstanding interest accrued on the Loan, and second to the payment of the principal of such Loan. Any such payment or prepayment to be applied to principal of Loans hereunder shall be applied to the prepayment of Loans in chronological order of their issuance hereunder, and within each Loan, shall be applied *pro rata* to principal installments payable thereon. Following the occurrence of an Event of Default, any payments received by the Bank hereunder shall be applied by the Bank to the payment of the Obligations in such order as the Bank shall in its sole discretion determine.

(d) All Reimbursement Obligations shall be made against and evidenced by the District's promissory note payable to the order of the Bank in the principal amount of the Original Stated Amount, such note to be executed by the District and delivered by the District to the Bank on the Amendment and Restatement Effective Date in the form of Exhibit B attached hereto with appropriate insertions (the "*Bank Note*"). All Reimbursement Obligations due and owing to the Bank and all payments and prepayments on the account of the principal of and interest on each Reimbursement Obligation by or on behalf of the District shall be recorded by the Bank on its books and records, in accordance with its customary practice, which books and records shall, absent manifest error, be conclusive as to amounts due and owing by the District hereunder, under the Fee Letter and under the Bank Note; *provided* that the failure to record or

any error in recording any such amount shall not limit, extinguish or in any way modify the obligation of the District to repay Loans or Reimbursement Obligations. The Bank may, but shall not be required to, complete the schedule attached to the Bank Note to reflect the making and status of Loans due and owing hereunder and thereunder; *provided* that the failure to make or any error in making any such endorsement on such schedule shall not limit, extinguish or in any way modify the obligation of the District to repay Loans or Reimbursement Obligations. The District shall pay principal and interest on the Bank Note on the dates and at the rates provided for in Sections 2.03 and 2.04 hereof.

(e) If the Corporation executes and delivers Certificates on any date on which any Loan is outstanding and the sum of (1) the proceeds of such issuance and (2) the aggregate amount of cash and investments then held in the Series A Payment Fund and/or the Series B Payment Fund, as applicable, and (3) any funds made available by the District to pay the principal amount of the Certificates, exceeds (any such excess being referred to as the "*Excess Amount*") the amount (if any) required to pay the principal amount of related Certificates maturing on such date, the District shall (or shall cause the Issuing and Paying Agent to) repay or prepay Loans in an aggregate principal amount such that the aggregate principal amount so paid or prepaid, as the case may be (together with interest accrued thereon to but excluding the date of prepayment), shall equal the Excess Amount, by paying such aggregate principal amount together with such accrued interest to the Bank. If on any such date no Loan is outstanding hereunder and no other amount is payable by the District hereunder, then funds on deposit in the Series A Payment Fund and/or the Series B Payment Fund, as applicable, may be used for any other lawful purpose of the District as provided in the Issuing and Paying Agent Agreement.

*Section 2.04. Reimbursement of Advances Other Than Advances Creating Term Loans.* Unless the conditions precedent contained in Section 4.02 hereof are satisfied on the Advance Maturity Date, the District agrees to reimburse the Bank for the full amount of the related Advance immediately upon such date. If the District does not make such reimbursement to the Bank with respect to such Advance on such date, such Advance shall bear interest at the Default Rate and be payable upon demand.

*Section 2.05. Fees.* The District hereby agrees to perform the obligations provided for in the Fee Letter, including, without limitation, the payment of any and all fees, expenses and other amounts provided for therein, at the times and in the amounts set forth in the Fee Letter. Without limiting the generality of the foregoing, in the event that the Letter of Credit is terminated or the Stated Amount is reduced and is not subject to reinstatement, the District shall pay to the Bank the Termination Fee and/or Reduction Fee, if any, at the times and in the amounts set forth in and as required by the Fee Letter. The terms and provisions of the Fee Letter are hereby incorporated herein by reference as if fully set forth herein. All references to amounts or obligations due hereunder or in this Agreement shall be deemed to include all amounts and obligations (including without limitation fees and expenses) under the Fee Letter. All fees paid under this Agreement and the Fee Letter shall be fully earned when due and nonrefundable when paid.

*Section 2.06. Method of Payment; Etc.* All payments to be made by the District under this Agreement and the Fee Letter shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff and shall be delivered to the Payment Office of the

Bank, or made through the Federal Reserve Wire System to The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, ABA: 0260-0963-2, Account No.: 97770094, Ref: Santa Clara Valley Water District, Attention: Marketing Operations Department/Securities, Ms. Haydee Ortiz, Telephone: (201) 413-8134, Telecopy: (201) 413-8012 (or at such other address or location specified to the District in writing by the Bank), not later than 3:00 p.m. on the date when due and shall be made in lawful money of the United States of America in freely transferable and immediately available funds. All payments received by the Bank after 3:00 p.m. shall be deemed to have been on the next succeeding Business Day and any applicable interest or fee shall continue to accrue.

*Section 2.07. Termination of Letter of Credit; Alternate Letter of Credit.* Notwithstanding any provisions of this Agreement to the contrary, the District and the Corporation agree not to terminate or permanently reduce the Letter of Credit, except upon (i) the payment by the District to the Bank of the Termination Fee or Reduction Fee, if and as applicable, (ii) the payment to the Bank of all fees, expenses and other Obligations payable hereunder and under the Fee Letter, including, without limitation, all principal and accrued interest due and owing on any Loan or any amount due under the Bank Note and (iii) the District providing the Bank with thirty (30) days prior written notice of its intent to terminate or permanently reduce the Letter of Credit; *provided* that all payments to the Bank referred to in clause (i) and (ii) above shall be made immediately available funds; *provided further, however*, that any such termination of the Letter of Credit shall be in compliance with the terms and conditions of the Resolutions. The District agrees that any termination of the Letter of Credit as a result of the provision of any Alternate Letter of Credit will require, as a condition thereto, that the District or the issuer of any Alternate Letter of Credit will provide funds on the date of such termination or provision, which funds will be sufficient to pay in full at the time of termination of the Letter of Credit all Obligations due and owing to the Bank hereunder.

*Section 2.08. Computation of Interest and Fees.* Fees payable hereunder and under the Fee Letter shall be calculated on the basis of a year of 360 days and the actual number of days elapsed. All computations of interest payable by the District under this Agreement shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual number of days elapsed. Interest shall accrue during each period during which interest is computed from and including the first day thereof to but excluding the last day thereof.

*Section 2.09. Payment Due on Non-Business Day to Be Made on Next Business Day.* If any sum becomes payable pursuant to this Agreement or the Fee Letter on a day which is not a Business Day, the date for payment thereof shall be extended, without penalty, to the next succeeding Business Day, and such extended time shall be included in the computation of interest and fees.

*Section 2.10. Late Payments.* If any Obligation is not paid when due, such Obligation shall bear interest until paid in full at a rate per annum equal to the Default Rate, payable on demand.

*Section 2.11. Source of Funds.* All payments made by the Bank pursuant to the Letter of Credit shall be made from funds of the Bank, and not from the funds of any other Person.



*Section 2.12. Extension of Stated Expiration Date.* (a) The District may by written notice to the Bank within a time period no greater than 180 days and no less than 120 days prior to the then current Stated Expiration Date in effect (such current Stated Expiration Date without regard to such requested extension, the "*Existing Expiration Date*"), request that the Bank consent to the extension of the Existing Expiration Date. The Bank will make reasonable efforts to respond to such request in writing within sixty (60) days after receipt of all information necessary, in the Bank's reasonable judgment, to permit the Bank to make an informed credit decision. In the event the Bank fails to definitively respond to such request within such period of time, the Bank shall be deemed to have refused to grant the extension requested. The Bank may, in its sole and absolute discretion, decide to accept or reject any such proposed extension. The consent of the Bank, if granted, shall be conditioned upon the preparation, execution and delivery of documentation in form and substance reasonably satisfactory to the Bank and consistent with this Agreement. If such an extension request is accepted by the Bank in its absolute discretion, the then current Stated Expiration Date for the Letter of Credit shall be extended to the date agreed to by the District and the Bank.

(b) As a condition precedent to the effectiveness of such consent to the extension of the Existing Expiration Date, the District shall certify that, before and after giving effect to such extension, (1) the representations and warranties contained in Article V hereof and the other Related Documents are true and correct in all material respects on and as of the Existing Expiration Date, except, in each case, to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date, and the representations and warranties contained in subsection (g) of Section 5.01 shall be deemed to refer to the most recent statements furnished pursuant to Section 6.01, and (2) no Default or Event of Default exists or would result from the extension of the Stated Expiration Date.

(c) Any such extension of the Existing Expiration Date shall be subject to such additional terms and modifications, including payment of extension fees to the Bank, as shall be agreed to among the Bank, the District and the Corporation. The Bank, the District and the Corporation hereby acknowledge that certain modifications of the terms of this Agreement and the other Related Documents that are mutually acceptable to the Bank, the District and the Corporation may be made in connection with any extension of the Existing Expiration Date in a manner consistent with the terms and conditions set forth in Resolution No. 15-02 passed and adopted by the Board of Directors of the District on January 13, 2015.

(d) Upon the effectiveness of any such consent to the extension of the Existing Expiration Date, the Bank shall deliver to the Trustee a written notice of such extension (a "*Notice of Extension*") designating the date to which the Existing Expiration Date is being extended. Such extension of the Existing Expiration Date shall be effective on the date of issue of such Notice of Extension, and thereafter all references in this Agreement to the Existing Expiration Date shall be deemed to be references to the date designated as such in the most recent Notice of Extension delivered to the Trustee.

*Section 2.13. Applicability of ISP.* The rules of ISP shall apply to the Letter of Credit.

*Section 2.14. Security.* The Certificates shall be secured by payments made with respect to the Tax and Revenue Anticipation Notes by the District. Payments made with respect to the Tax and Revenue Anticipation Notes shall be assigned by the Corporation to the Trustee for the benefit of holders of the Certificates and the Bank. The obligation of the District to make payments on the Tax and Revenue Anticipation Notes shall be a general obligation of the District. Additionally, the District hereby pledges all Net Water Utility System Revenues, the Water Utility System Revenue Fund, the Rate Stabilization Fund, the Special Purpose Funds, and all amounts on deposit in the Water Utility System Revenue Fund, the Rate Stabilization Fund, the Special Purpose Funds, to the payment of all Obligations of the District and the Corporation hereunder and under the Fee Letter subordinate only to Senior Lien Obligations and to Parity Obligations. The Senior Lien Obligations and Parity Obligations are the only Debt that is secured by and/or payable from Net Water Utility System Revenues on a basis senior to the Obligations. All Obligations hereunder constitute "Bank Obligations" under the Certificate Resolution.

*Section 2.15. Issuance Generally.* The Corporation may issue Certificates only in accordance with the terms of and subject to the conditions set forth in the Resolutions and the Issuing and Paying Agent Agreement.

*Section 2.16. Stop-Issuance Instructions; Final Drawing Notice.* Certificates may be issued from time to time prior to the Stated Expiration Date in accordance herewith and with the terms of and subject to the conditions set forth in the Resolutions and the Issuing and Paying Agent Agreement so long as (i) the Trustee is not in receipt of a Stop-Issuance Instruction then in effect given by the Bank pursuant to this Section 2.16 or Section 8.02(b) hereof and not rescinded, and (ii) the Trustee is not in receipt of the Final Drawing Notice in substantially the form attached to the Letter of Credit as Annex H-1. The Bank may deliver a Stop-Issuance Instruction at any time when: (i) an Event of Default shall have occurred and be continuing; or (ii) the representations and warranties of the District or the Corporation set forth in Article V hereof shall, in the reasonable opinion of the Bank, no longer be true and correct in any material respect. The Bank may deliver the Final Drawing Notice at any time when an Event of Default shall have occurred and be continuing. A Stop-Issuance Instruction or the Final Drawing Notice shall be effective when received by the Trustee; *provided, however,* that a Stop-Issuance Instruction or the Final Drawing Notice received by the Trustee after 12:00 noon New York City time, on any day on which Certificates are being issued shall be effective on the next succeeding day. A Stop-Issuance Instruction or the Final Drawing Notice may be given by facsimile or electronic mail transmission, confirmed in writing within twenty-four (24) hours, but the failure to so confirm such Stop-Issuance Instruction or the Final Drawing Notice in writing shall not render such Stop-Issuance Instruction or the Final Drawing Notice ineffective. The Bank will furnish a copy of any Stop-Issuance Instruction or the Final Drawing Notice to the District, the Corporation and the Dealers promptly following delivery thereof to the Trustee, but the failure to furnish any such copy shall not render ineffective such Stop-Issuance Instruction or the Final Drawing Notice.

## ARTICLE III

### TAXES AND YIELD PROTECTION AND ILLEGALITY

#### *Section 3.01. Net of Taxes, Etc.*

(a) *Taxes.* Any and all payments to the Bank by the District hereunder and under the Fee Letter shall be made free and clear of and without deduction for any and all taxes, levies, imposts, deductions, charges, withholdings or liabilities imposed thereon, excluding, however, taxes imposed on or measured by the net income or capital of the Bank by any jurisdiction or any political subdivision or taxing authority thereof or therein solely as a result of a connection between the Bank and such jurisdiction or political subdivision (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "*Taxes*"). If the District shall be required by law to withhold or deduct any Taxes imposed by the United States or any political subdivision thereof (or any other jurisdiction from which or through which payments are made) from or in respect of any sum payable hereunder or under the Fee Letter to the Bank, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 3.01), the Bank receives an amount equal to the sum it would have received had no such deductions been made, (ii) the District shall make such deductions and (iii) the District shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law. If the District shall make any payment under this Section 3.01 to or for the benefit of the Bank with respect to Taxes and if the Bank in its sole discretion determines that it shall receive a refund or shall claim any credit or deduction for such Taxes against any other taxes payable by the Bank to any taxing jurisdiction in the United States then the Bank shall pay to the District an amount equal to the amount by which such other taxes are actually reduced; *provided* that the aggregate amount payable by the Bank pursuant to this sentence shall not exceed the aggregate amount previously paid by the Bank to the applicable party with respect to such Taxes. In addition, the District agrees to pay any present or future stamp, recording or documentary taxes and any other excise or property taxes, charges or similar levies that arise under the laws of the United States of America or any state of the United States or any other taxing jurisdiction from any payment made hereunder or under the Fee Letter or from the execution or delivery or otherwise with respect to this Agreement (hereinafter referred to as "*Other Taxes*"). The Bank shall provide to the District within a reasonable time a copy of any written notification it receives with respect to Taxes or Other Taxes owing by the District to the Bank hereunder; *provided* that the Bank's failure to send such notice shall not relieve the District of its obligation to pay such amounts hereunder.

(b) *Indemnity.* The District shall, to the fullest extent permitted by law and subject to the provisions hereof, indemnify the Bank for the full amount of Taxes and Other Taxes including any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 3.01 paid by the Bank or any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted; *provided* that the District shall not be obligated to indemnify the Bank for any penalties, interest or expenses relating to Taxes or Other Taxes arising from the Bank's gross negligence or willful misconduct. The Bank agrees to give notice to the District of the assertion

of any claim against the Bank relating to such Taxes or Other Taxes as promptly as is practicable after being notified of such assertion; *provided* that the Bank's failure to notify the District promptly of such assertion shall not relieve the District of its obligation under this Section 3.01. Payments by the District pursuant to this indemnification shall be made within thirty (30) days from the date the Bank makes written demand therefor, which demand shall be accompanied by a certificate describing in reasonable detail the basis thereof. The Bank agrees to repay to the District any refund actually received by the Bank (including that portion of any interest that was included as part of such refund) with respect to Taxes or Other Taxes paid by the District pursuant to this Section 3.01 received by the Bank for Taxes or Other Taxes that were paid by the District pursuant to this Section 3.01 and to contest, with the cooperation and at the expense of the District, any such Taxes or Other Taxes which the Bank or the District reasonably believes not to have been properly assessed.

(c) *Notice.* Within thirty (30) days after the date of any payment of Taxes or Other Taxes (as defined in Section 3.01(a) hereof) by the District, the District shall furnish to the Bank, the original or a certified copy of a receipt evidencing payment thereof.

*Section 3.02. Increased Costs.* (a) If the Bank or any Participant shall have determined that the adoption or implementation of, or any change in, any law, rule, treaty, regulation, policy, guideline, supervisory standard or directive of, or any change in the interpretation, implementation, or administration thereof by, any Governmental Authority (in each case, whether or not having the force of law), or compliance by the Bank or any Participant with any request by or directive of any Governmental Authority (in each case, whether or not having the force of law), including but not limited to any such law, rule, regulation, policy, guideline, standard, directive, interpretation, application or promulgation implementing, invoking or in any way related to any provision of the Dodd-Frank Act (or any other statute referred to therein or amended thereby), regardless of the date enacted, adopted or issued, or any rules, guidelines, standards, policies, regulations, or directives promulgated by the Basel Committee on Banking Supervision or the Bank for International Settlements (or any successor or similar organizations), regardless of the date enacted, adopted or issued, shall:

(i) subject the Bank or such Participant to any Taxes or change the basis of taxation of payments to the Bank or such Participant of any amounts payable hereunder or under the Fee Letter (except for taxes on the overall net income of the Bank or such Participant), or

(ii) impose, modify or deem applicable any reserve, liquidity, special deposit, insurance premium, fee, financial charge, monetary burden or similar requirement against funding any Drawing under the Letter of Credit or maintaining the Letter of Credit, or complying with any term of this Agreement, or against assets held by, or deposits with or for the account of, the Bank or such Participant; or

(iii) imposes any other condition regarding this Agreement, the Fee Letter or the Letter of Credit, the result of which is to increase the cost to the Bank or such Participant of funding Loans or of issuing and maintaining the

Letter of Credit or reduces any amount receivable by the Bank or such Participant hereunder or requires the Bank or such Participant to make any payment in connection therewith by an amount deemed material by the Bank or such Participant,

and the result of any of the foregoing is to increase the cost to the Bank or such Participant of maintaining the Letter of Credit or funding any Loans or to reduce the return received by Bank or such Participant, then, within sixty (60) days of demand by the Bank or such Participant, the District shall pay the Bank or such Participant, as applicable, such additional amount or amounts as will compensate the Bank for such increased cost or reduction in amount received.

(b) If the Bank or any Participant determines the amount of capital or liquidity required or expected to be maintained by the Bank, such Participant, or any corporation controlling the Bank is increased as a result of a Change (as hereinafter defined) or the rate of return on the Bank's or such Participant's capital or reserves is reduced to a level below that which the Bank or such Participant could have achieved but for such circumstances (taking into consideration the policies of the Bank or such Participant with respect to capital adequacy or the maintenance of reserves), then, within sixty (60) days of demand by the Bank or such Participant, as applicable, the District shall pay to the Bank or such Participant the amount necessary to compensate for any shortfall in the rate of return on the portion of such increased capital or liquidity which the Bank or such Participant determines is attributable to this Agreement, the Fee Letter or the Letter of Credit (after taking into account the Bank's or such Participant's policies as to capital adequacy). "Change" means (i) any change after the Closing Date in the Risk-Based Capital Guidelines (as hereinafter defined) or (ii) any adoption of or change in any other law, governmental or quasi-governmental rule, regulation, policy, guideline, interpretation, or directive (whether or not having the force of law) or in the interpretation, enforcement, application, promulgation, implementation or administration thereof after the Closing Date which shall impose, modify or deem applicable any capital (including but not limited to contingent capital) adequacy, reserve, insurance, liquidity or similar requirement (including, without limitation, a request or requirement that affects the manner in which the Bank, any corporation controlling the Bank or any Participant allocates capital resources or reserves to its commitments) or affects the amount of capital or liquidity required or expected to be maintained by the Bank, any Participant or any corporation controlling the Bank. Notwithstanding the foregoing, for purposes of this Agreement, the Fee Letter and the Letter of Credit, all requests, rules, guidelines or directives in connection with the Dodd-Frank Act shall be deemed to be a Change regardless of the date enacted, adopted or issued and all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Regulations and Supervisory Practices (or any successor or similar authority) or the United States financial regulatory authorities shall be deemed to be a Change regardless of the date adopted, issued, promulgated or implemented. "Risk-Based Capital Guidelines" means (i) the risk-based capital guidelines in effect in the United States on the Closing Date, including transition rules, and (ii) the corresponding capital regulations promulgated by regulatory authorities outside the United States including

transition rules, and any amendments to such regulations adopted prior to the Closing Date.

(c) A certificate as to such increased cost, increased capital or reduction in return incurred by the Bank, such Participant, or any corporation controlling the Bank as a result of any event mentioned in paragraph (a) or (b) of this Section 3.02 setting forth, in reasonable detail, the basis for calculation and the amount of such calculation shall be submitted by the Bank, such Participant, or any corporation controlling the Bank to the District and shall be conclusive (absent manifest error) as to the amount thereof.

(d) Each Participant will be entitled to the benefits of this Section 3.02 to the same extent as the Bank. Notwithstanding anything in this Section 3.02 to the contrary, in no event shall the District be required to pay to any Participant any increased cost in excess of the amount the District would have paid to the Bank if the Bank had not entered into a participation with such Participant.

*Section 3.03. Margin Regulations.* No portion of the proceeds of any Drawings under the Letter of Credit shall be used by the District (or the Trustee or any other Person on behalf of the District) for the purpose of "purchasing" or "carrying" any margin stock or used in any manner which might cause the borrowing or the application of such proceeds to violate Regulation U, Regulation T, or Regulation X of the Board of Governors of the Federal Reserve System or any other regulation of said Board of Governors or to violate the Securities Exchange Act of 1934, as amended, in each case as in effect on the date or dates of such Loans and such use of proceeds.

*Section 3.04. Maximum Rate; Payment of Fee.* If the rate of interest payable hereunder or under the Fee Letter shall exceed the Maximum Rate for any period for which interest is payable, then (i) interest at the Maximum Rate shall be due and payable with respect to such interest period and (ii) interest at the rate equal to the difference between (A) the rate of interest calculated in accordance with the terms hereof and without regard to the Maximum Rate (B) the Maximum Rate (the "*Excess Interest*"), shall be deferred until such date as the rate of interest calculated in accordance with the terms hereof or the Fee Letter, if applicable, ceases to exceed the Maximum Rate, at which time the District shall pay to the Bank with respect to amounts then payable to the Bank that are required to accrue interest hereunder or under the Fee Letter, as applicable, such portion of the deferred Excess Interest as will cause the rate of interest then paid to the Bank to equal the Maximum Rate, which payments of deferred Excess Interest shall continue to apply to such unpaid amounts hereunder or under the Fee Letter, as applicable, until all deferred Excess Interest is fully paid to the Bank. Upon the termination of the Letter of Credit and the payment of all Reimbursement Obligations hereunder, in consideration for the limitation of the rate of interest otherwise payable hereunder and under the Fee Letter, the District shall, to the fullest extent permitted by law, pay to the Bank a fee equal to the amount of all unpaid deferred Excess Interest.

*Section 3.05. Survival.* All of the District's obligations under this Article III shall survive the termination of the Letter of Credit and repayment of all Obligations hereunder.

## ARTICLE IV

### CONDITIONS PRECEDENT

*Section 4.01. Conditions Precedent to Effectiveness.* As conditions precedent to the obligation of the Bank to enter into this Agreement, the District or the Corporation, as the case may be, shall provide to the Bank on the Amendment and Restatement Effective Date, each in form and substance satisfactory to the Bank and the Bank's counsel, Chapman and Cutler LLP (hereinafter, "*Bank Counsel*");

(i) *Documents and Approvals.* The Bank shall have received a counterpart of this Agreement and the Fee Letter duly executed by the District, the Corporation and the Bank, as applicable, a fully-executed Bank Note by the District, and copies of all action taken by the District and the Corporation approving the execution and delivery by the District and the Corporation of this Agreement and the other Related Documents to which it is a party, in each case certified by an authorized official of the District or the Corporation, as applicable, as complete and correct as of the date hereof.

(ii) *Incumbency.* The Bank shall have received an incumbency certificate of (a) the District in respect of each official who is authorized to sign this Agreement, the Bank Note and the Fee Letter and take actions for the District under this Agreement and the other Related Documents to which it is a party and (b) the Corporation in respect of each official who is authorized to sign this Agreement and take actions for the Corporation under this Agreement and the other Related Documents to which it is a party.

(iii) *Opinion of Bond Counsel.* The Bank shall have received a written opinion of bond counsel, addressed to the Bank, dated the Amendment and Restatement Effective Date and in form and substance satisfactory to the Bank and Bank Counsel to the effect that (a) this Agreement, the Fee Letter and the Bank Note have been duly authorized, executed and delivered by the District and are the valid and binding obligations of the District enforceable in accordance with their respective terms, except as may be limited by the valid exercise of judicial discretion and the constitutional powers of the United States of America and to valid bankruptcy, insolvency, reorganization or moratorium or other similar laws applicable to the District and equitable principles relating to or affecting creditors' rights generally from time to time; (b) the execution and delivery by the District of this Agreement, the Fee Letter and the Bank Note does not violate the constitution or laws of the State; and (c) the District has taken all actions, and has obtained any approvals, necessary to the authorization, execution, delivery and performance by the District of this Agreement, the Fee Letter and the Bank Note; (d) this Agreement has been duly authorized, executed and delivered by the Corporation and is the valid and binding obligation of the Corporation enforceable in accordance with its terms, except as may be limited by the valid exercise of judicial discretion and the constitutional powers of the United States of America and to valid bankruptcy, insolvency, reorganization or moratorium or other similar laws applicable to the Corporation and equitable principles relating to or affecting creditors' rights generally

from time to time; (e) the execution and delivery by the Corporation of this Agreement, does not violate the constitution or laws of the State; and (f) the Corporation has taken all actions, and has obtained any approvals, necessary to the authorization, execution, delivery and performance by the Corporation of this Agreement.

(iv) *Opinion of Counsel to the District and the Corporation.* The Bank shall have received written opinions of counsel to the District and counsel to the Corporation, each addressed to the Bank, dated the Amendment and Restatement Effective Date and in the form and substance satisfactory to the Bank and Bank Counsel.

(v) *Governmental Approvals.* The Bank shall have received true and correct copies of all Governmental Approvals, if any, necessary for the District or the Corporation, as applicable, to execute, deliver and perform the Related Documents to which it is a party and to authorize the District to induce the issuance of the Letter of Credit.

(vi) *No Default, Etc.* (A) No Default or Event of Default shall have occurred and be continuing as of the date hereof or will result from the execution, delivery, and performance by the District and the Corporation of this Agreement or any Related Document to which the District or the Corporation is a party, (B) the representations and warranties made by the District and the Corporation in Article V hereof shall be true and correct in all material respects on and as of the Amendment and Restatement Effective Date, as if made on and as of such date, (C) all conditions precedent to the effectiveness of the Agreement set forth in this Section 4.01 have been satisfied and (D) the Bank shall have received certificates, given and made as of the Amendment and Restatement Effective Date, from each of the District and the Corporation to the foregoing effect.

(vii) *Fees, Etc.* The Bank shall have received payment of the fees, costs and expenses set forth herein and in the Fee Letter that are payable on the Amendment and Restatement Effective Date (including without limitation, payment of the fees and expenses of the Bank's domestic and foreign counsels).

(viii) *Ratings.* The Bank shall have received satisfactory evidence that Moody's and Fitch shall have assigned an underlying rating of "Aa1" and "AA," respectively, on the long-term, unenhanced Parity Obligations of the District.

(ix) *Other Documents.* The Bank shall have received such other documents, certificates, and opinions as the Bank and Bank Counsel shall have reasonably requested.

(x) *Legal Requirements.* All legal requirements provided herein incident to the execution, delivery and performance of the Related Documents and the transactions contemplated thereby, shall be reasonably satisfactory to the Bank and Bank Counsel.

*Section 4.02. Conditions Precedent to Term Loans.* Amounts owed by the District for any Advance remaining unpaid on their respective Advance Maturity Date shall be converted to Term Loans if, and only if, on the Advance Maturity Date (i) the representations and warranties



contained in Article V of this Agreement are true and correct in all material respects as of such date and (ii) no event has occurred and is continuing, or would result from such payment, which constitutes a Default or Event of Default.

Unless the District shall have previously advised the Bank in writing that (i) any or all of the representations and warranties contained in Article V of this Agreement are not true and correct in all material respects as of the date the Advance Maturity Date or (ii) any event has occurred and is continuing, or would result from the Bank making such Term Loan, which constitutes a Default or Event of Default, then the District shall be deemed to have represented and warranted on the Advance Maturity Date that (i) the representations and warranties contained in Article V of this Agreement are true and correct in all material respects as of such date and (ii) no event has occurred and is continuing, or would result from the Bank making such Term Loan, which constitutes a Default or Event of Default.

## ARTICLE V

### REPRESENTATIONS AND WARRANTIES

*Section 5.01. Representations of the District.* In order to induce the Bank to enter into this Agreement, the District hereby represents and warrants to the Bank, as follows:

(a) *Organization and Authorization.* The District is a flood control and water district duly organized and validly existing under the Constitution and laws of the State.

(b) *Authority to Adopt or Execute Documents.* The District had, as of the date of adoption thereof, full power and authority to adopt each of the Resolutions and its resolution authorizing the execution and delivery of this Agreement and the other Related Documents (excluding any future amendments to this Agreement or any Related Document) to which it is a party and the transactions contemplated hereby and thereby, and has, or had as of the date of execution and delivery, full power and authority to execute and deliver this Agreement and the Related Documents to which it is a party, and has full power and authority to perform its obligations under each of the foregoing.

(c) *Obligations Legal, Valid and Binding.* (i) This Agreement and the Related Documents to which the District is a party have been duly and validly authorized, executed and delivered and constitute the legal, valid and binding obligations of the District enforceable against the District in accordance with their respective terms, except insofar as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights and remedies generally, and by general principles of equity.

(ii) *No Default.* The District is not in default hereunder or under the Related Documents to which it is a party or under any other material mortgage, indenture, contract, agreement or undertaking to which it is a party or which purports to be binding on the District or on any of its assets which default would materially adversely affect the

ability of the District to perform its obligations hereunder or under any of the Related Documents to which it is a party.

(d) *No Legal Bar.* (i) The District is in compliance with and not in violation under any laws of the State which would adversely affect the District's existence or its powers and authority referred to in Section 5.01(b) hereof.

(ii) *No Violation.* The execution, delivery and performance by the District of this Agreement and the Related Documents to which it is a party, and all other agreements and instruments relating to this Agreement and the Related Documents executed and delivered by the District in connection herewith and therewith (i) do not violate any provision of the Constitution of the State or the laws of the State or any other applicable law, regulation, order, writ, judgment or decree of any court, arbitrator or governmental authority, and (ii) do not violate any provision of, constitute a default under, or result in the creation or imposition of any Lien on any of the assets of the District pursuant to the provisions of, any mortgage, resolution, indenture, contract, agreement or other undertaking to which the District is a party or which purports to be binding on the District or on any of its assets, other than the Liens created hereby or by the Related Documents, which violation would materially adversely affect the ability of the District to perform its obligations hereunder or under any of the Related Documents to which it is a party.

(iii) *No Restrictions.* The District is not a party to, or otherwise subject to, any provision contained in any instrument evidencing Debt of the District, or any other contract or agreement which limits the amount of, or otherwise imposes restrictions on the incurring of, obligations of the District that would materially adversely affect the ability of the District to perform its obligations hereunder or under any of the Related Documents to which it is a party.

(iv) *Compliance with Laws.* The District is in compliance with all Laws and its investment policy, except for such noncompliance that, singly or in the aggregate, has not caused or is not reasonably expected to cause a Material Adverse Effect.

(e) *Consents.* The District has obtained, or will obtain on or before the Amendment and Restatement Effective Date, all consents, permits, licenses and approvals of, and has made all filings, registrations and declarations with, governmental authorities required under law, to authorize the execution, delivery and sale of the Certificates, the execution, delivery and performance of this Agreement and the Related Documents to which it is a party and all other agreements delivered or to be delivered in connection with any thereof, and all such consents, permits, licenses, approvals, filings, registrations and declarations remain in full force and effect.

(f) *Litigation.* Except as disclosed to the Bank in writing prior to the Amendment and Restatement Effective Date or in the Offering Memorandum as in effect

on the Closing Date, there is no action, suit, investigation or proceeding, injury or investigation before or by any court, public board or body pending or threatened against or affecting the District, in which an adverse determination could have a Material Adverse Effect.

(g) *Disclosure.* The representations and statements made by the District herein or in any Related Document, or made by the District in any other document furnished to the Bank by the District in connection herewith or therewith are accurate as of the date of this Agreement. All financial statements of the District furnished to the Bank were prepared in accordance with generally accepted accounting principles for government entities and applied on a consistent basis throughout the periods involved and are complete and correct and fairly present the financial condition of the District as of such dates. Since the date of the most recent financial statements referred to in the preceding sentence, no material adverse change has occurred in the business, operations or condition (financial or otherwise) of the District. The Offering Memorandum does not and will not, as of its date, contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; *provided* that no representation is made as to information with respect to the Bank.

(h) *Liens.* No filings, recordings, registrations or other actions are necessary to create and perfect the Liens provided for in the Resolutions and herein.

(i) *No Proposed Legal Changes.* To the knowledge of the District, there is no amendment or proposed amendment certified for placement on a statewide or local ballot, to the Constitution of the State or any published administrative interpretation of the Constitution of the State or any State law, or any legislation that has passed either house of the State legislature, or any published judicial decision interpreting any of the foregoing, the effect of which is (i) to materially adversely affect the Certificates or any holder thereof in its capacity as such, or (ii) to materially adversely affect the ability of the District to perform its obligations under this Agreement or any other Related Document to which it is a party.

(j) *No Immunity.* The District is not entitled to sovereign immunity from any legal proceedings to enforce or collect upon this Agreement or any Related Document to which it is a party or the transactions contemplated hereby or thereby (including, without limitation, immunity from service of process and immunity from jurisdiction of any court or tribunal in respect of itself). To the extent that the District has or hereafter may acquire under any applicable law any right to immunity from set-off or legal proceedings on the grounds of sovereignty, the District hereby irrevocably waives, to the extent permitted by law, such rights to immunity for itself in respect of its obligations arising under or related to this Agreement or the Related Documents to which it is a party.

(k) *Tax-Exempt Status.* The District has not taken any action or omitted to take any action, and knows of no action taken or omitted to be taken by any other Person, which action, if taken or omitted, would adversely affect the exclusion of interest on the

Series A Certificates from gross income for Federal income tax purposes or the exemption of such interest from the State's personal income tax.

(l) *No Defaults.* No Default or Event of Default has occurred and is continuing under this Agreement, and no event of default or condition, event or act which with notice or lapse of time or both would become or constitute a default or event of default under, or as such term or terms is defined in, any other Related Document or agreements related thereto, has occurred and is continuing or would result from the consummation of the transactions contemplated by this Agreement.

(m) *Other Documents.* The representations and warranties made by the District in each of the Related Documents to which it is a party are hereby incorporated herein by this reference and are hereby reaffirmed and restated by the District for the benefit of the Bank as if such representations and warranties were fully set forth herein. Except as otherwise provided herein, no amendment, modification, termination or replacement of any such representations, warranties, covenants and definitions contained in the Related Documents to which it is a party shall be effective to amend, modify, terminate or replace the representations, warranties, covenants and definitions incorporated herein by this reference, without the prior written consent of the Bank.

(n) *Regulations U and X.* The District is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U or X issued by the Board of Governors of the Federal Reserve System); and no proceeds of the Certificates or of any Loan hereunder will be used to extend credit to others for the purpose of purchasing or carrying any margin stock.

(o) *Environmental Matters.* The District has not received notice to the effect that its operations are not in compliance with any of the requirements of applicable federal, state or local environmental, health and safety statutes and regulations or are the subject of any governmental investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, which non-compliance or remedial action could have a Material Adverse Effect.

(p) *Title to Property.* The District has a valid and enforceable fee simple interest in the Project(s), including the Water Utility System, subject only to Liens permitted under the Parity Master Resolution.

(q) *ERISA; Employee Benefit Plans.* The District does not maintain or contribute to, and has not maintained or contributed to, any Plan that is subject to Title IV of ERISA. The District has no funding deficiency with respect to any employee benefit plan which could reasonably be expected to materially and adversely affect the ability of the District to perform its obligations hereunder or under any other Related Documents to which it is a party, and the District is otherwise in compliance with terms of any such plan in which the District or any of its employees participate to the extent any such failure to comply could reasonably be expected to materially and adversely affect the

ability of the District to perform its obligations hereunder or under any other Related Documents to which it is a party.

(r) *Security.* The Certificates are secured by payments made with respect to the Tax and Revenue Anticipation Notes by the District to the Corporation. Payments made with respect to the Tax and Revenue Anticipation Notes have been irrevocably assigned by the Corporation to the Trustee for the benefit of holders of the Certificates and the Bank. The obligation of the District to make payments on the Tax and Revenue Anticipation Notes is a general obligation of the District. Additionally, the District hereby pledges all Net Water Utility System Revenues, the Water Utility System Revenue Fund, the Rate Stabilization Fund, the Special Purpose Funds, and all amounts on deposit in the Water Utility System Revenue Fund, the Rate Stabilization Fund, the Special Purpose Funds, to the payment of all Obligations of the District and the Corporation hereunder and under the Fee Letter subordinate only to Senior Lien Obligations and to Parity Obligations. The Senior Lien Obligations and Parity Obligations are the only Debt that is secured by and/or payable from Net Water Utility System Revenues on a basis senior to the Obligations. All Obligations hereunder constitute "Bank Obligations" under the Certificate Resolution.

(s) *Insurance.* The District currently maintains insurance of such type and in such amounts or in excess of such amounts as are customarily carried by, and insures against such risks as are customarily insured against by, public agencies with similar activities.

(t) *Usury; Maximum Rate.* The terms of this Reimbursement Agreement, the Fee Letter and the Related Documents regarding the calculation and payment of interest and fees do not violate any applicable usury laws.

(u) *Taxes.* The District has filed all applicable Federal, state and other material tax returns and reports required to be filed, and has paid all applicable Federal, state and other material taxes, assessments, fees and other governmental charges levied or imposed upon the District or its properties, income or assets otherwise due and payable, except those which are being contested in good faith by appropriate proceedings diligently conducted and for which adequate reserves have been provided in accordance with generally accepted accounting principles. There is no proposed tax assessment against the District that would, if made, have a Material Adverse Effect.

(v) *Investment Company.* The District is not an "investment company" or a company "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended.

*Section 5.02. Representations of Corporation.* In order to induce the Bank to enter into this Agreement, the Corporation hereby represents and warrants to the Bank, as follows:

(a) *Organization and Authorization.* The Corporation is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California.

(b) *Authority to Adopt or Execute Documents.* The Corporation had, as of the date of adoption thereof, full power and authority to adopt its resolution authorizing the execution and delivery of this Agreement and the Related Documents to which it is a party and the transactions contemplated hereby and thereby, and has, or had as of the date of execution and delivery, full power and authority to execute and deliver this Agreement and the Related Documents to which it is a party, and has full power and authority to perform its obligations under each of the foregoing.

(c) *Obligations Legal, Valid and Binding.* (i) This Agreement and the Related Documents to which the Corporation is a party have been duly and validly authorized, executed and delivered, and constitute the legal, valid and binding obligations of the Corporation enforceable against the Corporation in accordance with their respective terms, except insofar as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights and remedies generally, and by general principles of equity.

(ii) The Corporation is not in default hereunder, or under the Related Documents to which it is a party or under any other material mortgage, indenture, contract, agreement or undertaking to which it is a party or which purports to be binding on the Corporation or on any of its assets which default would materially adversely affect the ability of the Corporation to perform its obligations hereunder or under any of the Related Documents to which it is a party.

(d) *No Legal Bar.* (i) The Corporation is in compliance with and not in violation under any laws of the State of California which would adversely affect the Corporation's existence or its powers and authority referred to in Section 5.2(b) hereof.

(ii) The execution, delivery and performance by the Corporation of this Agreement and the Related Documents to which it is a party, and all other agreements and instruments relating to all the foregoing executed and delivered by the Corporation in connection herewith and therewith (i) do not violate any provision of the Constitution or the laws of the State of California or any other applicable law, regulation, order, writ, judgment or decree of any court, arbitrator or governmental authority, and (ii) do not violate any provision of, constitute a default under, or result in the creation or imposition of any Lien on any of the assets of the Corporation pursuant to the provisions of, any mortgage, resolution, indenture, contract, agreement or other undertaking to which the Corporation is a party or which purports to be binding on the Corporation or on any of its assets other than the Liens created hereby or by the Related Documents which violation would materially adversely affect the ability of the Corporation to perform its obligations hereunder or under any of the Related Documents to which it is a party.

(iii) The Corporation is not a party to, or otherwise subject to, any provision contained in any instrument evidencing Debt of the Corporation or any other contract or agreement which limits the amount of, or otherwise imposes

restrictions on the incurring of, obligations of the Corporation that would adversely affect the ability of the Corporation to perform its obligations hereunder or under any of the Related Documents to which it is a party.

(iv) The Corporation is in compliance with all Laws, except for such noncompliance that, singly or in the aggregate, has not caused or is not reasonably expected to cause a Material Adverse Effect.

(e) *Consents.* The Corporation has obtained, or will obtain on or before the Effective Date, all consents, permits, licenses and approvals of, and has made all filings, registrations and declarations with, governmental authorities required under law, to authorize the execution, delivery and sale of the Certificates, the execution, delivery and performance of this Agreement and the Related Documents to which it is a party and all other agreements delivered or to be delivered in connection with any thereof, and all such consents, permits, licenses, approvals, filings, registrations and declarations remain in full force and effect.

(f) *Litigation.* There is no action, suit, investigation or proceeding pending or, to the best of the Corporation's knowledge after due inquiry, threatened against or affecting the Corporation, in which an adverse determination could have a Material Adverse Effect.

(g) *Disclosure.* The representations and statements made by the Corporation herein or in any Related Document, or made by the Corporation in any other document furnished to the Bank by the Corporation in connection herewith or therewith are accurate as of the date of this Agreement.

(h) *Liens.* No filings, recordings, registrations or other actions are necessary to create and perfect the Liens provided for in the Resolutions and herein.

(i) *No Immunity.* The Corporation is not entitled to sovereign immunity from any legal proceedings to enforce or collect upon this Agreement or any Related Document to which it is a party or the transactions contemplated hereby or thereby (including, without limitation, immunity from service of process and immunity from jurisdiction of any court or tribunal in respect of itself). To the extent that the Corporation has or hereafter may acquire under any applicable law any right to immunity from set-off or legal proceedings on the grounds of sovereignty, the Corporation hereby irrevocably waives, to the extent permitted by law, such rights to immunity for itself in respect of its obligations arising under or related to this Agreement or the Related Documents to which it is a party.

(j) *No Defaults.* No Default or Event of Default has occurred and is continuing under this Agreement, and no event of default or condition, event or act which with notice or lapse of time or both would become or constitute a default or event of default under, or as such term or terms is defined in, any other Related Document or

agreements related thereto, has occurred and is continuing or would result from the consummation of the transactions contemplated by this Agreement.

(k) *Other Documents.* The representations and warranties made by the Corporation in each of the Related Documents to which it is a party are hereby incorporated herein by this reference and are hereby reaffirmed and restated by the Corporation for the benefit of the Bank as if such representations and warranties were fully set forth herein. Except as otherwise provided herein, no amendment, modification, termination or replacement of any such representations, warranties, covenants and definitions contained in the Related Documents to which it is a party shall be effective to amend, modify, terminate or replace the representations, warranties, covenants and definitions incorporated herein by this reference, without the prior written consent of the Bank.

(l) *Regulations U and X.* The Corporation is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U or X issued by the Board of Governors of the Federal Reserve System); and no proceeds of any Loan or the Certificates will be used to extend credit to others for the purpose of purchasing or carrying any margin stock.

(m) *Environmental Matters.* The Corporation has not received notice to the effect that its operations are not in compliance with any of the requirements of applicable federal, state or local environmental, health and safety statutes and regulations or are the subject of any governmental investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, which non-compliance or remedial action could have a Material Adverse Effect.

## ARTICLE VI AFFIRMATIVE COVENANTS

The District (and the Corporation, as applicable) covenants and agrees that it will do the following unless and until the Letter of Credit shall have terminated and all Obligations shall have been paid in full, unless the Bank shall otherwise consent in writing:

### *Section 6.01. Financial Records.*

(a) maintain financial records and furnish to the Bank as soon as available, but in any event not later than two hundred forty (240) days after the end of each fiscal year of the District, audited financial statements of the District prepared in accordance with generally accepted accounting principles for governmental entities consistently applied including (i) a balance sheet as of the end of each fiscal year, (ii) the related statements of operations and changes in equity, (iii) statements of cash flows for such fiscal year, setting forth in each case, in comparative form, the figures for the previous fiscal year, all certified and accompanied by an unqualified opinion of an independent certified public accounting firm to the effect that such audited financial statements have



been prepared in accordance with generally accepted accounting principles applied on a consistent basis and fairly present the financial condition of the District as at their date and the results of its operations for the period then ended. In addition, the District shall provide to the Bank, concurrently with the financial statements described above, a certificate of an authorized representative of the District (substantially in the form of *Exhibit D* hereto) to the effect that such person has reviewed the District's obligations hereunder and under the other Related Documents and (x) demonstrating compliance with Section 6.21 hereof (substantially in the form of *Schedule 2 to Exhibit D* hereto) and stating that (y) no Default or Event of Default hereunder has occurred and is continuing and (z) no default or event of default has occurred under any other Related Document or, if for any reason such statements cannot be made, so stating and describing the relevant circumstances and what action the District has taken or proposes to take with respect thereto;

(b) as soon as available, but in any event within 60 days after the end of each fiscal quarter of the District, the District shall provide to the Bank a certificate of an authorized representative of the District (substantially in the form of *Exhibit D* hereto) to the effect that such person has reviewed the District's obligations hereunder and under the other Related Documents and stating that (y) no Default or Event of Default hereunder has occurred and is continuing and (z) no default or event of default has occurred under any other Related Document or, if for any reason such statements cannot be made, so stating and describing the relevant circumstances and what action the District has taken or proposes to take with respect thereto;

(c) as soon as available, but in any event promptly after receipt thereof, after the end of each fiscal quarter of the District, furnish to the Bank copies of statements from depository institutions, brokerage firms or other securities intermediaries holding the District's material deposit accounts, securities and brokerage accounts, as applicable; and

(d) within 90 days after the end of each of its Fiscal Years, submit to the Bank, an officer's certificate (1) providing a detailed report of all insurance policies and self-insurance programs maintained (and attaching copies of all insurance certificates relating thereto) by the District with respect to the Water Utility System as of the last day of such Fiscal Year, including the names of the insurers which have issued the policies, the amounts of coverage with respect thereto, the property or risks covered thereby and for what periods following the date of the such officer's certificates premiums have been paid and (2) verifying that all insurance required to be maintained by the District with respect to the Water Utility System and by this Agreement and the other Related Documents and is in full force and effect as of the date of such officer's certificate; and

(e) as soon as available, the District shall provide the Bank with a copy of its Protection and Augmentation of Water Supplies annual report pertaining to the then following Fiscal Year.

*Section 6.02. Notice of Default.* The District and the Corporation shall promptly notify the Bank in writing of the occurrence of any Default, Event of Default or any default or event of default (however defined) under the Related Documents or any filing by the District of a petition in bankruptcy under any Debtor Relief Law in accordance with the Related Documents. The District shall also notify the Bank of the occurrence of any non-payment default or other event under any indenture, contract or instrument providing for the creation of any Debt of the District where the effect thereof is to accelerate, or permit the acceleration of, the maturity of such Debt.

*Section 6.03. Budgets.* Within sixty (60) days after the close of each Fiscal Year, a copy of the District's annual operating budget for the following Fiscal Year, such budget to be in reasonable detail and in form reasonably satisfactory to the Bank. The District shall include in each budget as separate line items, amounts necessary to pay all Obligations.

*Section 6.04. Reports to Trustee; Offering Memorandums.* (a) Contemporaneously with the delivery to each "Trustee" (as defined in the Parity Master Resolution), the District shall deliver to the Bank the reports described in Section 4.7 of the Parity Master Resolution and, within ten (10) days after the initial sale or subsequent remarketing of any securities which constitute Debt of the District, copies of all official statements or other offering memorandum prepared for or in connection with any such sale or remarketing transaction regarding such Debt of the District.

(b) During any period of time the District is subject to continuing disclosure requirements under Rule 15c2-12 promulgated pursuant to the Securities Exchange Act of 1934, as amended (17 C.F.R. Sec. 240-15c2-12), or any successor or similar legal requirement, immediately following any dissemination, distribution or provision thereof to any Person, the District shall deliver to the Bank (1) a copy of any reportable event notice (as described in b(5)(i)(C) of Rule 15c2-12) disseminated, distributed or provided in satisfaction of or as may be required pursuant to such requirements or (2) notice that such event notice has been filed with EMMA and is publicly available.

*Section 6.05. Other Information.* The District and the Corporation shall furnish to the Bank, as the Bank may reasonably request, such additional information concerning the Project(s), the District or the Corporation, including, without limitation, the Obligations, Maintenance and Operation Costs, Net Water Utility System Revenues or other information about the financial condition, results of operations, properties or business of the District or the Corporation that the Bank may request, in order to enable the Bank to determine whether the covenants, terms and provisions of this Agreement, the other Related Documents to which the District and the Corporation are a party and all other Debt of the District have been complied with by the District and the Corporation and for that purpose all pertinent books, documents and vouchers relating to the District's business, affairs and properties shall at all reasonable times during regular business hours and upon reasonable prior notice be open to the inspection of such accountants or other agents (who may make copies of all or any part thereof at their own cost and expense) as shall from time to time be designated by the Bank. Without limiting the foregoing, upon reasonable prior notice, the District and the Corporation will permit the Bank to visit and inspect any of the properties of the District and the Corporation during regular business hours and to discuss the affairs, finances and accounts of the District and the Corporation with its

respective officials and any accounting firm performing services for the District and the Corporation, as often as the Bank may reasonably request.

*Section 6.06. Compliance with Obligations and Laws.* The District and the Corporation shall observe and comply with all of its respective obligations arising in connection with each of the Resolutions and the other Related Documents, any Debt of the District, all laws applicable to the District (including, without limitation, compliance with all Environmental Laws, ERISA and the rules and regulations thereunder, state securities and blue sky laws in connection with the offering, sale and delivery of the Certificates) if non-compliance therewith could reasonably be expected to materially adversely affect the ability of the District to either receive or collect Net Water Utility System Revenues or could otherwise reasonably be expected to result in a Material Adverse Effect.

*Section 6.07. Litigation.* The District and the Corporation shall forthwith notify the Bank in writing with respect to any pending or threatened litigation arising after the Amendment and Restatement Effective Date and all proceedings before any court or Governmental Authority occurring after the Amendment and Restatement Effective Date which could reasonably be expected to have a Material Adverse Effect (including without limitation, with respect to the District, the Corporation, Project(s) or the management or operation of the Water Utility System).

*Section 6.08. Licenses, Permits, Etc.* The District and the Corporation will take all necessary and appropriate action to ensure the continuance in force of all material consents, licenses, permits, orders, decrees, approvals, authorizations, registrations and filings obtained or made in connection with the Project(s), this Agreement, or the other Related Documents or necessary to authorize the execution, delivery and performance by the District and the Corporation of this Agreement or the other Related Document and all other agreements to be delivered in connection with any thereof.

*Section 6.09. Books and Records.* The District and the Corporation shall keep or cause to be kept adequate and proper records and books of account with respect to the District, the Corporation and the Project(s) in which complete and correct entries shall be made, reflecting all financial transactions of the District and the Corporation in connection with the proceeds of any Loan and/or the Certificates allocable to it. All financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with GAAP applied on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the financial statements, except as otherwise specifically prescribed herein. Except as provided in the immediately preceding sentence, in preparing any financial data or statements contemplated or referred to in this Agreement, the District shall not vary or modify the accounting methods or principles from the accounting standards employed in the preparation of its audited financial statements described in Section 6.01 hereof.

*Section 6.10. Use of Proceeds.* The District and the Corporation shall use the proceeds of the Certificates for the purposes set forth in the Resolutions and the other Related Documents.

*Section 6.11. Maintenance of Existence.* Except as may be required by law, the District shall preserve and maintain its existence as a flood control and water district organized and existing under the laws of the State of California, and its rights, franchises and privileges material to the conduct of its business and shall not reorganize, merge or consolidate with or into any Person, wind up, liquidate or dissolve its affairs (or suffer any liquidation or dissolution) or convert, sell, assign, transfer, lease or otherwise dispose of (or agree to do any of the foregoing at any future time), whether in one transaction or a series of transactions, all or substantially all of its property or assets. Except as may be required by law, the Corporation shall preserve and maintain its existence as a nonprofit public benefit corporation duly organized and existing under the laws of the State of California.

*Section 6.12. Notice of Adverse Change.* The District and the Corporation shall notify the Bank as soon as possible after any member of the board or officer of the District or other member or officer thereof acquires knowledge of the occurrence of (i) the filing of any action or the occurrence of any activity which is likely to lead to an initiative or referendum which could lead to the diminution or reallocation of the Net Water Utility System Revenues or any other revenues or funds received by the District or (ii) any other event which, in the reasonable judgment of such member or officer, is likely to have a Material Adverse Effect.

*Section 6.13. Trustee and Other Agents.* The District and the Corporation shall immediately notify the Bank of any resignation of the Trustee, the Paying Agent or any of the Dealers. The District and the Corporation shall at all times maintain a Dealer, a Trustee and a Paying Agent acceptable to the Bank pursuant to the terms of the Related Documents. The Corporation agrees to (x) issue Certificates and (y) cause the applicable Dealers (subject to the terms of the applicable Dealer Agreements) to use their best efforts to sell Certificates, in each case, up to the Maximum CP Rate applicable to the Certificates in order to repay maturing Certificates. If a Dealer fails to perform its duties under a Dealer Agreement or any Advance remains outstanding for a period of thirty (30) consecutive calendar days or any Dealer fails to sell Certificates, the proceeds of which are intended to be used to pay the Advance, after being directed to do so by the District and/or the Corporation (subject to the provisions of the applicable Dealer Agreement) at the written direction of the Bank the District and/or the Corporation shall cause the related Dealer (that has been unable to sell Certificates or fails to perform its duties) to be replaced with a Dealer satisfactory to the Bank within thirty (30) calendar days of the receipt of such written direction; *provided* that so long as the remaining Dealer(s) for the Certificates are satisfactory to the Bank, it shall be sufficient for the District and the Corporation only to remove the Dealer that has been unable to sell rollover Certificates or fails to perform its duties. Each Dealer Agreement shall provide that the related Dealer may resign upon at least sixty (60) days' prior written notice to the District, the Corporation, the Trustee and the Bank.

*Section 6.14. Other Matters.* The District and the Corporation shall execute and deliver to the Bank all such documents and instruments, and do all such acts and things, as may be necessary or reasonably required by the Bank to enable the Bank to exercise and enforce its rights under this Agreement and the other Related Documents and to realize thereon, and record and file and re-record and re-file all such documents and instruments, at such time or times, in such manner and at such place or places, all as may be necessary or reasonably required by the

Bank to validate, preserve and protect the Lien of the Bank under this Agreement and the other Related Documents.

*Section 6.15. Maintenance of Insurance.* The District and the Corporation shall maintain insurance with responsible and reputable insurance companies, or may self-insure, in such amounts, with such deductibles, and covering such risks and contingencies as is customarily maintained by similarly situated organizations and as otherwise required pursuant to the terms of the Related Documents.

*Section 6.16. Investments.* Promptly upon any change therein, the District shall deliver to the Bank a copy of the District's current Investment Policy or the current investment policy of any other entity which maintains an investment pool in which the District has invested any of its funds, as the case may be.

*Section 6.17. Substitution of Letter of Credit.*

(a) The District and the Corporation agree to use their best efforts to obtain an Alternate Letter of Credit to replace the Letter of Credit or otherwise refinance, repay or defease the Certificates in the event (i) the Bank decides not to extend the Stated Expiration Date or if the District fails to timely request an extension of the Stated Expiration Date (such replacement, refinancing or defeasance to occur on or before the Stated Expiration Date), (ii) the Letter of Credit is terminated, (iii) the Bank issues a Stop-Issuance Instruction and/or a Final Drawing Notice, (iv) the District terminates this Agreement in accordance with the terms hereof or (v) an Event of Default under Section 8.01(m) shall occur and be continuing.

(b) The District and the Corporation agree that any Alternate Letter of Credit will require, as a condition to the effectiveness of the Alternate Letter of Credit, that the provider of Alternate Letter of Credit provide funds to the extent necessary, on the date the Alternate Letter of Credit becomes effective, for payment of all Reimbursement Obligations at par plus interest (at the applicable rate pursuant to the terms hereof, including the Bank Rate or Default Rate, as applicable) through the date repaid. On the effective date of such Alternate Letter of Credit or refinancing, redemption or defeasance, as the case may be, the District shall pay in full all other amounts due under this Agreement, the Fee Letter and the Bank Note (including, without limitation, all Excess Interest and unpaid interest thereon) and the District shall provide for the surrender (and cancellation) of the Letter of Credit to the Bank.

*Section 6.18. Incorporation by Reference.* The District and the Corporation each agree that it will, for the benefit of the Bank, perform, comply with, abide by and be restricted by all of the respective agreements, covenants, obligations and undertakings of the District and the Corporation contained in the Related Documents, which, together with the related definitions and ancillary provisions, are incorporated herein by reference and made a part hereof to the same extent with the same force and effect as if the same had been herein set forth in their entirety, and such agreements, covenants, obligations and undertakings will be deemed to continue in effect for the benefit of the Bank, without regard or giving effect to any amendment or modification of

such provisions or any waiver of compliance therewith, no such amendment, modification or waiver to in any manner constitute an amendment, modification or waiver of the provisions thereof as incorporated herein except to the extent agreed to by the Bank in writing. In addition, the District and the Corporation shall take all such action as may be reasonably requested by the Bank to strictly enforce the obligations under the Related Documents of each of the other parties thereto.

*Section 6.19. Reserved.*

*Section 6.20. Security Interests.* (a) The District and the Corporation shall at all times keep the Net Water Utility System Revenues and every part thereof free and clear of all pledges and security interests except the pledges granted in or permitted by the Resolutions and this Agreement and shall maintain the pledge of the Net Water Utility System Revenues to the Bank as a pledge of all right, title and interest of the District in the Net Water Utility System Revenues and all rights of the District to receive any amount of the Net Water Utility System Revenues, subject only to the rights of the owners of the Certificates and any other "Certificates" (as defined in the Certificate Resolution) outstanding under the Resolutions. The District and the Corporation covenant and agree that at no time shall any Certificates be issued with a maturity date later than the maturity date of the related Tax and Revenue Anticipation Notes securing such Certificates. So long as the Letter of Credit is in effect or any Obligations payable under this Reimbursement Agreement remain unpaid, the District shall cause TRANs to be issued and outstanding as security for the Certificates and all Obligations under this Reimbursement Agreement.

(b) Notwithstanding anything in Section 2.2 of the Parity Master Resolution, including, without limitation, anything in subsections (f), (g), (h) and (i) thereof, to the contrary:

(i) after making the necessary transfers and payments from the Water Utility System Revenue Fund under Sections 2.2(a), (b), (c), (d) and (e) of the Parity Master Resolution, the District shall pay or cause to be paid from the Water Utility System Revenue Fund all Obligations of the District and the Corporation hereunder and under the Fee Letter, as and when due, prior to using funds from the Water Utility System Revenue Fund for any other lawful purpose of the Water Utility System or the District, and

(ii) the District shall not transfer or make any payments from the Water Utility System Revenues Fund for any other purpose of the Water Utility System or any other lawful purpose of the District pursuant to Sections 2.2(h) and (i), respectively, of the Parity Master Resolutions unless the District reasonably determines that (i) there will be at least sufficient Current Water Utility System Revenues to make the transfers in Sections 2.2(a), (b), (c), (d) and (e) of the Parity Master Resolution for the remainder of such Fiscal Year, (ii) there will be Net Water Utility System Revenues remaining after payment of Senior Debt Service for the remainder of such Fiscal Year and after making all other transfers and payments from the Water Utility System Revenue Fund required under Sections 2.2(a), (b), and (c) of the Parity Master Resolution for the remainder of such Fiscal Year, equal to at least 1.25 times Parity Debt Service for the remainder of such Fiscal Year, and (iii) there will be Net Water Utility System Revenues remaining

after payment of Parity Debt Service for the remainder of such Fiscal Year and after making all other transfers and payments from the Water Utility System Revenue Fund required under Sections 2.2(a), (b), (c), (d) and (e) of the Parity Master Resolution for the remainder of such Fiscal Year, equal to at least 1.10 times Subordinate Debt Service for the remainder of such Fiscal Year.

(c) For the avoidance of doubt, and notwithstanding anything in the Parity Master Resolution to the contrary, any and all amounts withdrawn from the Rate Stabilization Fund or a Special Purpose Fund and transferred to the Water Utility System Revenue Fund for application in accordance with Section 2.2 of the Parity Master Resolution hereof shall be subject to the terms of Section 6.20(b)(i) hereof in all respects.

*Section 6.21. Financial Covenants.* (a) The District shall maintain all financial covenants contained in the District's other Debt instruments, including but not limited to those contained in Section 4.9 of the Parity Master Resolution and Section 4.9 of the Senior Master Resolution (for so long as any Senior Lien Obligations remain outstanding).

(b) To the fullest extent permitted by law, the District will fix and prescribe rates, fees and charges for the Water Service at the commencement of each Fiscal Year, which, together with other Current Water Utility System Revenues or Net Water Utility System Revenues, as applicable, are reasonably expected to be at least sufficient to yield during each Fiscal Year (i) Current Water Utility System Revenues in an amount sufficient to meet the Maintenance and Operation Costs and Parity Debt Service for the then current Fiscal Year, (ii) Net Water Utility System Revenues remaining after payment of Senior Debt Service for such Fiscal Year and after making all other transfers and payments from the Water Utility System Revenue Fund required under Sections 2.2(a), (b), and (c) of the Parity Master Resolution for such Fiscal Year, shall be at least 1.25 times Parity Debt Service for such Fiscal Year, and (iii) Net Water Utility System Revenues remaining after payment of Parity Debt Service for such Fiscal Year and after making all other transfers and payments from the Water Utility System Revenue Fund required under Sections 2.2(a), (b), (c), (d) and (e) of the Parity Master Resolution for such Fiscal Year shall be at least 1.10 times Subordinate Debt Service for such Fiscal Year. The District may make adjustments from time to time in such rates, fees and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates, fees and charges then in effect unless the Current Water Utility System Revenues or Net Water Utility System Revenues, as applicable, are reasonably expected to be sufficient to meet the requirements of this section.

So long as the District has complied with its obligations set forth in this subsection (b), the failure of Current Water Utility System Revenues to meet the threshold in clause (i) of this subsection (b) or the failure of Net Water Utility System Revenues to meet the thresholds in clause (ii) or (iii) of this subsection (b) shall not constitute a Default or an Event of Default hereunder.

(c) The District may at any time incur or issue Subordinate Obligations payable on a parity with the Obligations in accordance with the terms hereof; *provided:*

(1) No Default or Event of Default hereunder or any other event of default with respect to any Senior Lien Obligations, Parity Obligations or other Subordinate Obligations (or any event which, once all notice or grace periods have passed, would constitute an event of default thereunder) shall have occurred and be continuing, unless such event of default shall be cured to the reasonable satisfaction of the Bank upon such incurrence or issuance; and

(2) The District shall have caused an Independent Certified Public Accountant or Experienced Banker or Advisor to deliver to the Bank written evidence demonstrating that the Subordinate Lien Debt Service Coverage Ratio 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 or incurring of such Subordinate Obligations, as the case may be, including adjustments to give effect as of the first day of such Fiscal Year to increases or decreases in rates and charges for the Water Service approved and in effect as of the date of calculation, as evidenced by a written calculation prepared by the District in form and substance reasonably satisfactory to the Bank, shall be at least 1.10, taking into account the Subordinate Debt Service which would have been payable on the Subordinate Obligations proposed to be issued and any Subordinate Obligations issued or incurred since the end of such Fiscal Year assuming all such Subordinate Obligations had been incurred or issued at the beginning of such Fiscal Year and the Subordinate Debt Service which would have been payable had such Subordinate Obligations been incurred or issued at the beginning of such Fiscal Year.

(d) As soon as available, the District shall deliver to the Bank the calculations and certificates described in Section 3.1 of the Parity Master Resolution that are prepared in connection with the execution or issuance of any Parity Obligations.

*Section 6.22. Ratings.* The District covenants and agrees that there shall be maintained (i) at least two unenhanced long-term ratings from any of Fitch, Moody's or S&P on Parity Obligations, (ii) at least one short-term rating on the Certificates by any Rating Agency (*provided that* a withdrawal of any short-term ratings on the Certificates that is solely and directly due to an action or inaction on the part of the Bank shall not, in and of itself, constitute a violation of this Section 6.22(ii)), and (iii) at least one long-term rating of at least Investment Grade for the Bank Note from any Rating Agency. The District covenants and agrees that they shall not at any time withdraw any long-term unenhanced rating on its Parity Obligations from any of Fitch, Moody's or S&P if the effect of such withdrawal would be to cure a Default or an Event of Default under this Agreement.

*Section 6.23. Book-Entry Eligibility.* The District and the Corporation covenant that at all times from and including the Closing Date until and including the Stated Expiration Date, the District and the Corporation shall cause the Certificates to be eligible for, and to be registered with, DTC's book-entry delivery services and that such registration with DTC shall not be discontinued without the Bank's prior written consent.

*Section 6.24. OFAC.* The District and the Corporation shall (a) ensure that no person who owns a controlling interest in or otherwise controls the District or the Corporation is or shall be listed on the Specially Designated Nationals and Blocked Person List or other similar lists



maintained by the Office of Foreign Assets Control (“OFAC”), the Department of the Treasury or included in any Executive Orders, that prohibits or limits the Bank from making any advance or extension of credit to the District or the Corporation or from otherwise conducting business with the District or the Corporation and (b) ensure that the proceeds of any Loan or Certificates shall not be used to violate any of the foreign asset control regulations of OFAC or any enabling statute or Executive Order relating thereto.

*Section 6.25. Bond Counsel Opinion.* On or prior to the first date following the Amendment and Restatement Effective Date on which Certificates are issued, the District and the Corporation shall cause to be delivered to the Bank (i) a copy of the final approving opinion of bond counsel delivered to the District and the Corporation in respect of the Certificates, substantially in the form attached to the Offering Memorandum, and (ii) a letter from bond counsel authorizing the Bank to rely on the foregoing approving opinion.

## ARTICLE VII

### NEGATIVE COVENANTS

Unless and until the Letter of Credit shall have terminated and all Obligations shall have been paid in full, the District (and the Corporation as applicable) shall not directly or indirectly do any of the following, unless the Bank shall have otherwise consented in writing:

*Section 7.01. Amendments.* Neither the District nor the Corporation shall consent to or amend, supplement, extend, modify, waive, revise or otherwise alter or terminate, or permit any party to amend, supplement, extend, modify, waive, revise or otherwise alter or terminate any Related Document.

*Section 7.02. Arbitrage; Margin Stock.* Neither the District nor the Corporation shall (i) invest the proceeds of the Series A Certificates in any way that would violate the Code or cause the Series A Certificates to be “arbitrage bonds,” (ii) knowingly take any action or omit to take any action if such action or omission would adversely affect the exclusion of interest evidenced by the Series A Certificates from gross income of the holders thereof for Federal income tax purposes or (iii) use, or permit the use of, the proceeds of any credit extension, whether directly or indirectly, and whether immediately, incidentally or ultimately, to purchase or carry margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System) or to extend credit to others for the purpose of purchasing or carrying margin stock or to refund indebtedness originally incurred for such purpose, in each case in violation of, or for a purpose which violates, or would be inconsistent with, Regulation T, U or X of the Board of Governors of the Federal Reserve System.

*Section 7.03. Dealers; Trustee; Paying Agent.* Without the prior written consent of the Bank, neither the District or the Corporation shall remove, appoint or permit the appointment of a successor Dealer, Trustee or Paying Agent. The Bank shall respond to a written request for consent described in the foregoing sentence within thirty (30) days of its receipt of the same. Neither the District nor the Corporation shall take any action, or cause a Dealer, the Trustee or

the Paying Agent to take any action under the Related Documents inconsistent with the rights of the Bank under this Agreement.

*Section 7.04. Compliance with Laws.* Neither the District nor the Corporation shall violate any law, rule, regulation, or governmental order to which it is subject, which violation could reasonably be expected to result in a Material Adverse Effect.

*Section 7.05. Bank Information.* Neither the District nor the Corporation shall include any information concerning the Bank in the Offering Memorandum or other offering document unless the Bank shall have approved in writing of the description of the Bank contained in such document or the Offering Memorandum.

*Section 7.06. Immunity from Jurisdiction.* To the fullest extent permitted by law, neither the District nor the Corporation will assert any immunity it may have as a public entity under the laws of the State of California from lawsuits with respect to this Agreement, the Fee Letter or any other Related Document. Any such suits shall be subject to all substantive and procedural requirements of California law.

*Section 7.07. No Partial Substitution.* The District shall not permit an Alternate Letter of Credit to become effective with respect to less than all of the Certificates without the prior written consent of the Bank.

*Section 7.08. Subordinate Obligations.* Neither the District nor the Corporation shall take any action which would result in the Obligations not being Subordinate Obligations ranking equal in right of payment with all other Subordinate Obligations of the District. Neither the District nor the Corporation shall take any action which would result in any Debt other than the Parity Obligations and the Senior Lien Obligations being secured by or payable from Net Water Utility System Revenues on a basis senior to the Obligations.

*Section 7.09. Termination.* Neither the District nor the Corporation shall so long as any Loan, the Bank Note or any Obligations hereunder remain unpaid, terminate this Agreement or any other Related Document or replace this Agreement with an Alternate Letter of Credit.

*Section 7.10. Investment Policy.* The District shall not deviate from the Investment Policy of the District or from the provisions of the laws of the State of California regarding the District, as in effect from time to time.

*Section 7.11. Liens.* Neither the District nor the Corporation shall, directly or indirectly, encumber, incur, create, suffer or assume or permit to exist any Lien on any Tax and Revenue Anticipation Notes or Net Water Utility System Revenues which could reasonably be expected to materially adversely affect the interests, rights, remedies or security of the Bank under this Agreement and/or the Bank Note.

*Section 7.12. Application of Certificate Proceeds.* (a) Neither the District nor the Corporation shall take or omit to take any action, which action or omission will in any way result

in the proceeds from the sale of the Certificates being applied in a manner other than as provided in this Agreement and the Resolutions.

(b) The District and the Corporation agree not to authorize, instruct or permit the Trustee or the Paying Agent to authenticate and deliver Certificates at any time when any Loan is outstanding unless the proceeds of the sale of such Certificates are to be applied on the sale date to repay either (i) such Loan (together with all accrued and unpaid interest thereon), or (ii) principal of and accrued interest on concurrently maturing Certificates.

(c) Neither the District nor the Corporation shall take or omit to take any action, which action or omission will in any way result in the proceeds of any Loan being applied for any purpose other than to pay principal of and interest on Certificates on their respective maturity dates.

*Section 7.13. Swap Termination Payments.* Without the prior written consent of the Bank, in no event shall (i) any Lien on the Net Water Utility System Revenues securing any swap termination payments be senior in priority to the Lien granted in support of the Certificates and the Obligations hereunder or (ii) the District post cash collateral pursuant to the terms of any Swap Contract.

## ARTICLE VIII

### EVENTS OF DEFAULT AND REMEDIES

*Section 8.01. Events of Default and Remedies.* If any of the following events shall occur, each such event shall be an "Event of Default":

(a) the District shall fail to pay (i) any principal of or interest on any Loan or the Bank Note as and when due hereunder or (ii) any other Obligations (other than Obligations described in the foregoing clause (i) hereof) within three (3) calendar days of when due hereunder or under the Fee Letter;

(b) any representation or warranty made by the District or the Corporation under or in connection with this Agreement or any of the Related Documents shall prove to be untrue in any material respect on the date as of which it was made; or the documents, certificates or statements of the District and the Corporation (including unaudited financial reports, budgets, projections and cash flows of the District) furnished to the Bank by or on behalf of the District and the Corporation in connection with the transactions contemplated hereby, when taken as a whole, are materially inaccurate in light of the circumstances under which they were made and as of the date on which they were made;

(c) default by the District or the Corporation in the due observance or performance of any covenant set forth in Sections 6.11, 6.15, 6.17, 6.20, 6.21, 6.22, 6.24, 6.25 or Article VII hereof;

(d) default by the District or the Corporation of any other term or provision of this Agreement (other than those specifically referred to in this Section 8.01) which is not cured within thirty (30) days after the occurrence thereof;

(e) (i) an "event of default" shall have occurred and be continuing under any of the Related Documents or (ii) any "event of default" shall occur under any other agreement between the District and the Bank;

(f) the District or the Corporation shall (i) have entered involuntarily against it an order for relief under the United States Bankruptcy Code, as amended, (ii) not pay, or admit in writing its inability to pay, its debts generally as they become due, (iii) make an assignment for the benefit of creditors, (iv) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its Property, (v) institute any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy Code, as amended, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, marshalling of assets, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (vi) take any corporate action in furtherance of any matter described in parts (i) through (v) above, or (vii) fail to contest in good faith any appointment or proceeding described in Section 8.01(h) hereof;

(g) a custodian, receiver, trustee, examiner, liquidator or similar official shall be appointed for the District or the Corporation or any substantial part of any of their respective Property, or a proceeding described in Section 8.01(f)(v) shall be instituted against the District or the Corporation and such appointment continues undischarged or any such proceeding continues undismissed or unstayed for a period of 30 or more days;

(h) any material provision of this Agreement or any of the Related Documents or the pledge of, lien on or security interest in the Tax and Revenue Anticipation Notes or Net Water Utility System Revenues shall cease to be valid and binding, or the District or Corporation, as applicable, shall contest or repudiate any such provision, or the District or Corporation, as applicable, or any agent or trustee on its behalf shall deny that it has any or further liability under this Agreement or any of the Related Documents to which it is a party;

(i) The District shall impose, or any Governmental Authority having appropriate jurisdiction over the District or the Corporation shall make a finding or ruling or shall enact or adopt legislation or issue an executive order or enter a judgment or a decree which results in, a debt moratorium, debt restructuring, debt adjustment or comparable extraordinary restriction on the repayment when due and payable of the principal of or interest on any of the Certificates or any Senior Lien Obligations, Parity Obligations or Subordinate Obligations of the District;

(j) Any of the funds or accounts established pursuant to the Resolutions or any moneys or amounts on deposit, or otherwise to the credit of, such funds or accounts shall become subject to any stay, writ, judgment, warrant of attachment, execution or similar process by any of the creditors of the District or the Corporation and such stay, writ, judgment, warrant of attachment, execution or similar process shall not be released, vacated or stayed within fifteen (15) days after its issue or levy;

(k) a default shall occur under any evidence of Debt secured by or payable from Net Water Utility System Revenues issued, assumed, or guaranteed by the District or the Corporation or under any indenture, agreement or other instrument under which the same may be issued and such default shall continue for a period of time sufficient to permit the acceleration of the maturity of any such Debt (whether or not such maturity is in fact accelerated); or any such Debt shall not be paid when and as due (whether by lapse of time, acceleration or otherwise);

(l) a final, non-appealable judgment or order for the payment of money in excess of \$5,000,000 shall have been rendered against the District and such judgment or order shall not have been satisfied, stayed or bonded within a period of sixty (60) days from the date on which it was first so rendered;

(m) (i) any of Moody's, S&P or Fitch (in each case if such rating agency then provides a rating on any long-term unenhanced Parity Obligations of the District) shall downgrade its respective rating of any long-term unenhanced Parity Obligations of the District to below "Baa2" (or its equivalent) by Moody's, "BBB" (or its equivalent) by S&P or "BBB" (or its equivalent) by Fitch or (ii) any of Moody's, S&P or Fitch (in each case if such rating agency then provides a rating on any long-term unenhanced Parity Obligations of the District) shall suspend or withdraw for credit-related reasons its respective rating of any long-term, unenhanced Parity Obligations of the District;

(n) any pledge or security interest created by the Resolutions or this Agreement to secure any amount due under any Certificates, the Obligations, this Agreement or the Fee Letter shall fail to be fully enforceable or fail to have the priority required under the Resolutions or this Agreement, in either case, by reason of a final, non-appealable judgment of a court of competent jurisdiction; or

(o) any provision of the TRANs Act or the District Act is repealed, reenacted, amended or otherwise modified (including, without limitation, by legislative or judicial action) or any other legislation is enacted, repealed, reenacted, amended or otherwise modified, and in the event of a repeal, reenactment, amendment, modification or enactment, such repeal, reenactment, amendment, modification or enactment, in the sole judgment of the Bank, could reasonably be expected to result in a Material Adverse Effect; or the District's or the Corporation's existence shall terminate or dissolve.

*Section 8.02. Remedies.* Upon the occurrence of any Event of Default, the Bank may exercise any one or more of the following rights and remedies in addition to any other remedies herein or by law provided:

(a) declare all Obligations to be, and such amounts shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the District, *provided* that upon the occurrence of an Event of Default under Section 8.01(f) or (g) hereof such acceleration shall automatically occur without notice;

(b) may deliver a non-issuance instruction to the Trustee/Paying Agent in the form attached hereto as Exhibit C (each, a "*Stop-Issuance Instruction*") which shall (i) prohibit, until such time, if any, as the Bank shall withdraw (in writing) such notice, the issuance of additional Certificates and (ii) reduce the Stated Amount of the Letter of Credit to the amount of the then Outstanding Certificates supported by the Letter of Credit and interest payable thereon at maturity of such Certificates and/or terminate and/or permanently reduce such Stated Amount as the then Outstanding Certificates are paid;

(c) issue the Final Drawing Notice (the effect of which shall be to cause the Termination Date of the Letter of Credit to occur on the 15th day after the date of receipt thereof by the Trustee/Paying Agent);

(d) pursue any rights and remedies it may have under the Related Documents;  
or

(e) pursue any other action available at law or in equity.

## ARTICLE IX

### MISCELLANEOUS

*Section 9.01. Amendments, Etc.* No amendment or waiver of any provision or term of this Agreement, the Fee Letter or the Letter of Credit, and no consent to any departure by the District or the Corporation or any other party therefrom, shall be effective unless in writing signed by the Bank, the Corporation and the District and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; *provided, however,* that no amendment to or waiver of any term or provision of any Related Document incorporated herein by reference shall have the effect of amending or otherwise modifying any corresponding term or provision incorporated into this Agreement unless the Bank has consented to such amendment or waiver, as applicable, in writing.

*Section 9.02. Notices; Effectiveness; Electronic Communication.*

(a) *Notices Generally.* Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in subsection (b) below),

all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier to the address, telecopier number, electronic mail address or telephone number specified for such Person on Schedule I, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, for such Person on Schedule I. Notices and other communications sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices and other communications sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient). Notices and other communications delivered through electronic communications to the extent provided in subsection (b) below, shall be effective as provided in such subsection (b).

(b) *Electronic Communications.* Notices and other communications to the Bank hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Bank, *provided* that the foregoing shall not apply to notices to the Bank pursuant to Article II if the Bank has notified the District that it is incapable of receiving notices under such Article by electronic communication. The Bank, the District or the Corporation may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, *provided* that approval of such procedures may be limited to particular notices or communications.

Unless the Bank otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), *provided* that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(c) *Change of Address, Etc.* The District, the Corporation or the Bank may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the other parties hereto.

(d) *Reliance by Bank.* The Bank shall be entitled to rely and act upon any notices (including telephonic notices) purportedly given by or on behalf of the District or the Corporation even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The District shall indemnify the Bank and the Related Parties of the Bank from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the District or the Corporation. All telephonic notices to and other

telephonic communications with the Bank may be recorded by the Bank, and the District and the Corporation hereby consent to such recording.

*Section 9.03. No Waiver; Cumulative Remedies; Enforcement; Conflict.* No failure by the Bank to exercise, and no delay by the Bank in exercising, any right, remedy, power or privilege hereunder or under any other Related Document shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided and provided under each other Related Document are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

To the extent of any conflict between this Agreement, the Letter of Credit, the Resolutions and any other Related Documents, this Agreement shall control solely as between the District, the Corporation and the Bank.

*Section 9.04. Liability of the Bank; Indemnification.*

(a) *Liability of Bank.* The District assumes all risks of the acts or omissions of each of the Trustee, the Paying Agent, the Corporation, and the Dealers and their agents in respect of their use of this Agreement or any amounts made available by the Bank under the Letter of Credit. No Indemnitee (as hereinafter defined) shall be liable or responsible for: (i) the use which may be made of this Agreement or any amounts made available by the Bank under the Letter of Credit or for any acts or omissions of the Trustee, the Paying Agent, the Corporation or the Dealers or their agents in connection therewith; (ii) the validity, sufficiency or genuineness of documents, or of any endorsement(s) thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; (iii) the lack of validity or enforceability of this Agreement, the Certificates, the Related Documents or any other agreement or instrument relating thereto (other than the validity or enforceability as against the Bank of any agreement to which the Bank is a party); or (iv) any other circumstances whatsoever in making or failing to make payment under the Letter of Credit, except only that the District shall have a claim against the Bank, and the Bank shall be liable to the District to the extent, but only to the extent, of any direct, as opposed to consequential, damages suffered by the District which the District proves were solely and directly caused by the Bank's gross negligence or willful failure to make payment under the Letter of Credit in accordance with the terms hereof. In furtherance and not in limitation of the foregoing, the Bank may accept documents that the Bank in good faith determines appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary. The District assumes all risks associated with the acceptance by the Bank of documents received by telecommunication, it being agreed that the use of telecommunication devices is for the benefit of the District and that the Bank assumes no liabilities or risks with respect thereto.

(b) *Indemnification by the District.* To the fullest extent permitted by law, the District agrees to indemnify and hold harmless the Bank and each of its Related Parties (each an "Indemnitee") from and against any and all claims, damages, losses, liabilities, reasonable costs or expenses whatsoever which an Indemnitee may incur (or which may be claimed against an



Indemnitee by any Person) by reason of or in connection with the execution and delivery of and consummation of the transactions contemplated under the Letter of Credit and this Agreement and the other Related Documents, including, without limitation, (i) the issuance, offering or sale, of Certificates (including, without limitation, by reason of any untrue statement or alleged untrue statement contained or incorporated by reference in any offering memorandum or other offering document, or in any supplement or amendment thereof, prepared with respect to the Certificates, or the omission or alleged omission to state therein a material fact necessary to make such statements, in the light of the circumstances under which they are or were made, not misleading), (ii) the execution and delivery of, performance or failure to perform, or payment or failure to pay by any Person under, this Agreement or any Related Document, (iii) any Loan or the Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by a Bank to honor a demand for payment under its Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the District or the Corporation, and regardless of whether any Indemnitee is a party thereto; *provided, however*, that the District and the Corporation shall not be required to indemnify an Indemnitee for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by (A) the willful misconduct or gross negligence of the Bank or (B) the material inaccuracy of any information included in the Offering Memorandum or any supplement thereto concerning the Bank which was furnished in writing by the Bank expressly for inclusion therein. Nothing in this Section 9.04(b) is intended to limit the obligations of the District or the Corporation under the Certificates or of the District to pay its Obligations hereunder and under the Related Documents.

(c) *Waiver of Consequential Damages, Etc.* To the fullest extent permitted by applicable law, the District shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Related Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, or the Letter of Credit or the use of the proceeds thereof. No Indemnitee referred to in subsection (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed to such unintended recipients by such Indemnitee through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Related Documents or the transactions contemplated hereby or thereby other than for direct or actual damages resulting from the gross negligence or willful misconduct of such Indemnitee as determined by a final and nonappealable judgment of a court of competent jurisdiction.

(d) *Payments.* All amounts due under this Section shall be payable not later than ten (10) Business Days after demand therefor.

(e) *Survival.* The agreements in this Section shall survive the termination of the Letter of Credit, this Agreement and the repayment, satisfaction or discharge of all the other Obligations.

*Section 9.05. Payments Set Aside.* To the extent that any payment by or on behalf of the District or the Corporation is made to the Bank, or the Bank exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Bank in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred.

*Section 9.06. Successors and Assigns.*

(a) *Successors and Assigns Generally.* The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that neither the District nor the Corporation may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Bank. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, participants to the extent provided in subsection (b) of this Section and, to the extent expressly contemplated hereby, the Related Parties of the Bank) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) *Participations.* The Bank shall have the right to grant participations in the Letter of Credit to one or more banking institutions (each a "*Participant*"), and such Participants shall be entitled to the benefits of this Agreement, including, without limitation, Article III and Section 9.04 hereof, to the same extent as if they were a direct party hereto; *provided, however*, that no such participation by any such participant shall in any way affect the obligation of the Bank under the Letter of Credit; and *provided further* that no such participant shall be entitled to receive payment hereunder of any amount greater than the amount which would have been payable had the Bank not granted a participation to such Participant; and *provided further* that no participant shall be entitled to any greater rights than those set forth in this Section 9.06(b).

(c) *Limitations upon Participant Rights.* A Participant shall not be entitled to receive any greater payment under Section 3.01 or 3.02 hereof than the Bank would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the District's prior written consent.

(d) *Certain Pledges.* The Bank may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of the Bank, including any pledge or assignment to secure obligations to a Federal Reserve Bank; *provided* that no such pledge or assignment shall release the Bank from any of its obligations hereunder or substitute any such pledgee or assignee for the Bank as a party hereto.

*Section 9.07. Counterparts; Integration; Effectiveness.* This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract.

This Agreement and the other Related Documents constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or other electronic imaging means shall be effective as delivery of a manually executed counterpart of this Agreement.

*Section 9.08. Survival of Representations and Warranties.* All representations and warranties made hereunder and in any other Related Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Bank, regardless of any investigation made by the Bank or on its behalf and notwithstanding that the Bank may have had notice or knowledge of any Default at the time of any payment under the Letter of Credit, and shall continue in full force and effect as long as any Obligation hereunder shall remain unpaid or unsatisfied or the Letter of Credit shall remain outstanding.

*Section 9.09. Severability.* If any provision of this Agreement or the other Related Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement and the other Related Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

*Section 9.10. Governing Law.* THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO CONFLICTS OF LAWS PROVISIONS (OTHER THAN NEW YORK GENERAL OBLIGATIONS LAWS 5-1401 AND 5-1402); PROVIDED THAT THE DISTRICT'S AND THE CORPORATION'S OBLIGATIONS HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF CALIFORNIA WITHOUT GIVING EFFECT TO CONFLICTS OF LAWS PROVISIONS.

*Section 9.11. Waiver of Jury Trial.* (a) EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER RELATED DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (I) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (II) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER RELATED DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

(b) *Judicial Reference Provisions.* (i) Any and all disputes, claims and controversies arising out of the Related Documents or the transactions contemplated thereby (including, but

not limited to, actions arising in contract or tort and any claims by a party to this Reimbursement Agreement (collectively, the "Parties") against the Bank related in any way to the financing) (individually, a "Dispute") that are brought before a forum in which pre-dispute waivers of the right to trial by jury are invalid under applicable law shall be subject to the terms of this Section 9.11(b) in lieu of the jury trial waivers otherwise provided in the Related Documents.

(ii) Any and all Disputes shall be heard by a referee and resolved by judicial reference pursuant to California Code of Civil Procedure Sections 638 *et seq.*

(iii) The referee shall be a retired California state court judge or an attorney licensed to practice law in the State of California with at least ten (10) years experience practicing commercial law. The Parties shall not seek to appoint a referee that may be disqualified pursuant to California Code of Civil Procedure Section 641 or 641.2 without the prior written consent of all Parties.

(iv) If the Parties are unable to agree upon a referee with ten (10) calendar days after one Party serves a written notice of intent for judicial reference upon the other Party or Parties, then the referee will be selected by the court in accordance with California Code of Civil Procedure Section 640(b).

(v) The referee shall render a written statement of decision and shall conduct the proceedings in accordance with the California Code of Civil Procedure, the Rules of Court, and California Evidence Code, except as otherwise specifically agreed by the parties and approved by the referee. The referee's statement of decision shall set forth findings of fact and conclusions of law. The decision of the referee shall be entered as a judgment in the court in accordance with the provisions of California Code of Civil Procedure Sections 644 and 645. The decision of the referee shall be appealable to the same extent and in the same manner that such decision would be appealable if rendered by a judge of the superior court.

(vi) Nothing in this Section 9.11(b) shall be deemed to apply to or limit the right of the Bank (a) to exercise self help remedies such as (but not limited to) setoff, or (b) to foreclose judicially or nonjudicially against any real or personal property collateral, or to exercise judicial or nonjudicial power of sale rights, (c) to obtain from a court provisional or ancillary remedies (including, but not limited to, injunctive relief, a writ of possession, prejudgment attachment, a protective order or the appointment of a receiver), or (d) to pursue rights against a Party in a third-party proceeding in any action brought against the Bank (including actions in bankruptcy court). The Bank may exercise the rights set forth in the foregoing clauses (a) through (d), inclusive, before, during or after the pendency of any judicial reference proceeding. Neither the exercise of self help remedies nor the institution or maintenance of an action for foreclosure or provisional or ancillary remedies or the opposition to any such provisional remedies shall constitute a waiver of the right of any Party, including, but not limited to, the claimant in any such action, to require submission to judicial reference the merits of the Dispute occasioning resort to such remedies. No provision in the Related Documents regarding submission to jurisdiction and/or venue in any court is intended or shall be construed to be in derogation of the provisions in any Related Document for judicial reference of any of Dispute.

(vii) If a Dispute includes multiple claims, some of which are found not subject to this Section 9.11(b), the Parties shall stay the proceedings of the Disputes or part or parts thereof not subject to this Section 9.11(b) until all other Disputes or parts thereof are resolved in accordance with this Section 9.11(b). If there are Disputes by or against multiple parties, some of which are not subject to this Section 9.11(b), the Parties shall sever the Disputes subject to this Section 9.11(b) and resolve them in accordance with this Section 9.11(b).

(viii) During the pendency of any Dispute which is submitted to judicial reference in accordance with this Section 9.11(b), each of the Parties to such Dispute shall bear equal shares of the fees charged and costs incurred by the referee in performing the services described in this Section 9.11(b). The compensation of the referee shall not exceed the prevailing rate for like services. The prevailing party shall be entitled to reasonable court costs and legal fees, including customary attorney fees, expert witness fees, paralegal fees, the fees of the referee and other reasonable costs and disbursements charged to the party by its counsel, in such amount as is determined by the Referee.

(ix) In the event of any challenge to the legality or enforceability of this Section 9.11(b), the prevailing Party shall be entitled to recover the costs and expenses from the non-prevailing Party, including reasonable attorneys' fees, incurred by it in connection therewith.

(x) THE PROVISIONS OF THIS SECTION 9.11(B) CONSTITUTE A "REFERENCE AGREEMENT" BETWEEN OR AMONG THE PARTIES WITHIN THE MEANING OF AND FOR PURPOSES OF CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 638.

*Section 9.12. No Advisory or Fiduciary Responsibility.* In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Related Document), the District and the Corporation acknowledge and agree, and acknowledges its Affiliates' understanding, that: (i) each of the District, the Corporation and the Bank has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (ii) each of the District, the Corporation and the Bank is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Related Documents.

*Section 9.13. Electronic Execution of Assignments and Certain Other Documents.* The words "execution," "signed," "signature," and words of like import in any amendment or other modification hereof (including waivers and consents) shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

*Section 9.14. Government Regulations.* (a) The Bank hereby notifies the District and the Corporation that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Patriot Act"), it is required to obtain, verify

and record information that identifies the District and the Corporation, which information includes the name and address of the District and the Corporation and other information that will allow the Bank to identify the District and the Corporation in accordance with the Patriot Act. The District and the Corporation shall, promptly following a request by the Bank, provide all documentation and other information that the Bank reasonably requests in order to comply with its ongoing obligations under applicable law or regulation, including, without limitation, “know your customer” and anti-money laundering rules and regulations, including the Patriot Act, and shall comply, and cause any of its subsidiaries to comply, with all applicable Bank Secrecy Act (“BSA”) laws and regulations, as amended.

(b) The transaction described in this Agreement is an arm’s length, commercial transaction among the District, the Corporation and the Bank in which: (i) the Bank is acting solely as a principal (*i.e.*, as a credit provider) and for its own interest; (ii) the Bank is not acting as a municipal advisor or financial advisor to the District or the Corporation; (iii) the Bank has no fiduciary duty pursuant to Section 15B of the Securities Exchange Act of 1934 to either the District or the Corporation with respect to this transaction and the discussions, undertakings and procedures leading thereto (irrespective of whether the Bank or any of its affiliates has provided other services or is currently providing other services to the District or the Corporation on other matters); (iv) the only obligations the Bank has to the District and the Corporation with respect to this transaction are set forth in this Agreement and the Letter of Credit; and (v) the Bank is not recommending that the District and the Corporation take an action with respect to the transaction described in this Agreement and the other Related Documents, and before taking any action with respect to the this transaction, the District and the Corporation should discuss the information contained herein with their own respective legal, accounting, tax, financial and other advisors, as they deem appropriate.

*Section 9.15. Assignment to Federal Reserve Bank.* The Bank may assign and pledge all or any portion of the Obligations owing to it to any Federal Reserve Bank or the United States Treasury as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank, *provided* that any payment in respect of such assigned Obligations made by the District to the Bank in accordance with the terms of this Agreement shall satisfy the District’s Obligations hereunder in respect of such assigned Obligation to the extent of such payment. No such assignment shall release the Bank from its obligations hereunder.

*Section 9.16. Unconditional Obligations.* The obligations of the District and the Corporation under this Agreement shall be absolute, unconditional, irrevocable and payable strictly in accordance with the terms of the Resolutions and this Agreement, under all circumstances whatsoever, including, without limitation, the following:

(a) any lack of validity or enforceability of this Agreement, the Fee Letter, the Letter of Credit or, to the extent permitted by law, the Certificates, the Resolutions or any other Related Document;

(b) any amendment or waiver of or any consent to departure from the terms of the Resolutions or all or any of the other Related Documents to which the Bank has not consented in writing;

(c) the existence of any claim, counterclaim, set-off, recoupment, defense, or other right which any Person may have at any time against the Bank, the District, the Trustee, the Paying Agent, the Dealers, or any other Person, whether in connection with this Agreement, the Resolutions, the other Related Documents, or any other transaction related thereto;

(d) any statement or any other document presented pursuant hereto or pursuant to the Letter of Credit which the Bank in good faith determines to be valid, sufficient or genuine and which subsequently proves to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever;

(e) payment by the Bank of a Drawing against presentation of a request which the Bank in good faith determines to be valid, sufficient or genuine and which subsequently is found not to comply with the terms of the Letter of Credit or this Agreement;

(f) the Bank or any of its branches or affiliates being the beneficiary of the Letter of Credit;

(g) the Bank or any correspondent honoring a drawing against a Payment Document up to the Stated Amount of the Letter of Credit even if such Payment Document claims an amount in excess of the Stated Amount of the Letter of Credit;

(h) the Bank or any correspondent having previously paid against fraudulently signed or presented Payment Documents (whether or not the District shall have reimbursed the Bank for such Drawing); and

(i) any other circumstances or happening whatsoever whether or not similar to any of the foregoing.

*Section 9.17. Expenses and Taxes.* The District will promptly pay (i) the reasonable fees and expenses of counsel to the Bank incurred in connection with the preparation, execution, delivery, and administration of this Agreement and the other Related Documents, (ii) the reasonable out-of-pocket expenses of the Bank incurred in connection with the preparation, execution, delivery, and administration of this Agreement and the other Related Documents, (iii) the reasonable fees and disbursements of counsel to the Bank with respect to advising such Bank as to the rights and responsibilities under this Agreement and the Fee Letter, and (iv) all reasonable costs and expenses, if any, in connection with any amendment or the enforcement of this Agreement, the Fee Letter and any other documents which may be delivered in connection herewith or therewith, including in each case the fees and disbursements of counsel to the Bank. In addition, the District shall pay any and all stamp and other taxes and fees payable or

determined to be payable in connection with the execution, delivery, filing, and recording of this Agreement and the security contemplated by the Related Documents and any Related Documents and agrees to hold the Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees. In addition, the District agrees to pay, after the occurrence of an Event of Default, all costs and expenses (including attorneys' fees and costs of settlement) incurred by the Bank in enforcing any obligations or in collecting any payments due from the District hereunder or under the Fee Letter by reason of such Event of Default or in connection with any refinancing or restructuring of the credit arrangements provided under this Agreement in the nature of a "workout" or of any insolvency or bankruptcy proceedings. The obligations of the District under this Section 9.17 shall survive the termination of this Agreement.

*Section 9.18. Modification, Amendment, Waiver, Etc.* No modification, amendment or waiver of any provision of this Agreement shall be effective unless the same shall be in writing and signed in accordance with Section 9.01 hereof.

*Section 9.19. Dealing with the District, the Corporation, the Trustee, and/or the Dealers.* The Bank and its affiliates may accept deposits from, extend credit to and generally engage in any kind of banking, trust or other business with the District, the Corporation, the Trustee, the Paying Agent and/or the Dealers regardless of the capacity of the Bank hereunder.

*Section 9.20. Table of Contents; Headings.* The table of contents and the section and subsection headings used herein have been inserted for convenience of reference only and do not constitute matters to be considered in interpreting this Agreement.

*Section 9.21. Right of Setoff; Other Collateral.* (a) Upon the occurrence and during the continuance of an Event of Default, the Bank is hereby authorized at any time and from time to time without notice to the District or the Corporation (any such notice being expressly waived by the District or the Corporation), and to the fullest extent permitted by law, to setoff, to exercise any banker's lien or any right of attachment and apply any and all balances, credits, deposits (general or special, time or demand, provisional or final), accounts or monies at any time held, to the extent such balances, credits, deposits and monies relate to the Water Utility System Revenue Fund or Water Utility System Revenues, and other indebtedness at any time owing by the Bank to or for the account of the District (irrespective of the currency in which such accounts, monies or indebtedness may be denominated and the Bank is authorized to convert such accounts, monies and indebtedness into United States dollars) against any and all amounts owed to the Bank by the District or the Corporation hereunder of the District or the Corporation, whether or not the Bank shall have made any demand for any amount owing to the Bank by the District or the Corporation.

*Section 9.22. Amendment and Restatement.* This Agreement shall become effective on the Amendment and Restatement Effective Date and shall supersede, amend and restate all provisions of the Original Agreement as of such date. This Agreement amends and restates the Original Agreement and is not intended to be or operate as a novation or an accord and satisfaction of the Original Agreement or the indebtedness, obligations and liabilities of the District and the Corporation evidenced or provided for thereunder. From and after the



Amendment and Restatement Effective Date, all references made to the Original Agreement in any Related Document, instrument or other document shall, without more, be deemed to refer to this Agreement.


[SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

Attest:

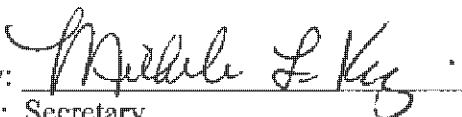
SANTA CLARA VALLEY WATER DISTRICT

By:   
Its: Clerk of the Board of Directors

By:   
Name:  
Title: Authorized Officer

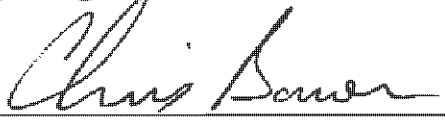
Attest:

SANTA CLARA VALLEY WATER DISTRICT  
PUBLIC FACILITIES FINANCING CORPORATION

By:   
Its: Secretary

By:   
Name: David Vanni  
Title: President

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.,  
acting through its New York Branch

By 

Name: Christopher Baron

Title: Managing Director

## SCHEDULE I

### CERTAIN ADDRESSES FOR NOTICES

#### **DISTRICT:**

Santa Clara Valley Water District  
5750 Almaden Expressway  
San Jose, California 95118-3614  
Attention: Charlene Sun  
Facsimile: (408) 979-5612  
Telephone: (408) 630-2528  
E-mail: csun@valleywater.org

#### **CORPORATION:**

Santa Clara Valley Water District  
Public Facilities Financing Corporation  
c/o Santa Clara Valley Water District  
5750 Almaden Expressway  
San Jose, California 95118-3614  
Attention: Charlene Sun  
Facsimile: (408) 979-5612  
Telephone: (408) 630-2528  
E-mail: csun@valleywater.org

#### **BANK:**

For all notices:

The Bank of Tokyo-Mitsubishi UFJ, Ltd.  
445 South Figueroa Street, 5th Floor  
Los Angeles, California 90071  
Attention: Christopher Baron  
Telephone: (213) 236-7741  
Telecopier: (213) 236-6917

For draws under the Letter of Credit:

The Bank of Tokyo-Mitsubishi UFJ, Ltd.  
1251 Avenue of the Americas  
New York, New York 10020-1104  
Attention: International Operations Department/Standby I.C Section, Antonina Bondi/Ruth  
Dioquino  
Telephone: (201) 413-8823 or (201) 413-8160  
Telecopier: (201) 521-2312 or (201) 521-2336

**TRUSTEE:**

U.S. Bank National Association  
1 California Street, Suite 1000  
San Francisco, CA 94111  
Attention: Mary Wong  
Facsimile: (415) 273-4591  
Telephone: (415) 677-3602

**PAYING AGENT:**

U.S. Bank National Association  
100 Wall Street, Suite 1600  
New York, New York 10005  
Attention: Commercial Paper Operations  
Facsimile: (212) 509-4529  
Telephone: (212) 361-6140

**DEALERS:**

J.P. Morgan Securities LLC  
383 Madison Avenue, 8th Floor  
New York, New York 10179  
Attention: Charles Giffin/Peter McCarthy  
Telephone: 212-834-7224  
Facsimile: 917-464-4151  
Email: [charles.a.giffin@jpmorgan.com](mailto:charles.a.giffin@jpmorgan.com); [peter.mccarthy@jpmorgan.com](mailto:peter.mccarthy@jpmorgan.com)

Barclays Capital Inc.  
745 Seventh Avenue, 2nd Floor  
New York, New York 10019  
Attention: Short-Term Municipal Products-Manager  
Facsimile: (646) 758-1870

With a copy to:

Barclays Capital Inc.  
745 Seventh Avenue, 2nd Floor  
New York, New York 10019  
Attention: Short-Term Municipal Products  
Facsimile: (646) 758-1905

**EXHIBIT A**

**FORM OF LETTER OF CREDIT**

**THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.,  
ACTING THROUGH ITS NEW YORK BRANCH**

**IRREVOCABLE TRANSFERABLE DIRECT-PAY LETTER OF CREDIT**

February 12, 2015

No. SS01553N

U.S. Bank National Association, as Paying Agent  
100 Wall Street, Suite 1600  
New York, New York 10005  
Attention: Commercial Paper Operations

Ladies and Gentlemen:

1. At the request and for the account of our customers, the Santa Clara Valley Water District (the "*District*") and the Santa Clara Valley Water District Public Facilities Financing Corporation (the "*Corporation*"), which have or will cause the issuance of the Santa Clara Valley Water District Commercial Paper Certificates, Series A (Tax-Exempt) and Series B (Taxable) (collectively, the "*Certificates*"), The Bank of Tokyo-Mitsubishi UFJ, Ltd., acting through its New York Branch (the "*Bank*"), hereby establishes, in favor of U.S. Bank National Association, as paying agent (the "*Paying Agent*") acting for the benefit of the holders of the Certificates pursuant to that certain Restated Issuing and Paying Agent Agreement (as amended, supplemented, restated and otherwise modified from time to time, the "*Issuing and Paying Agent Agreement*") dated as of June 1, 2012, among the District, the Corporation, and the Paying Agent and that certain Resolution No. PFFC-12-001, adopted by the Corporation on May 10, 2012, as amended by Resolutions No. PFFC-14-001 (Amendment No. 1) and No. PFFC-14-002 (Amendment No. 2), each adopted by the Corporation on December 10, 2014, and as the same may be further amended, restated, supplemented or otherwise modified (the "*Certificate Resolution*"), each pursuant to which the Certificates have been or will be issued from time to time, and pursuant to that certain Reimbursement Agreement, dated as of February 1, 2015 (as amended, supplemented or restated from time to time the "*Reimbursement Agreement*"), by and among the District, the Corporation and the Bank, this Irrevocable Transferable Direct-Pay Letter of Credit (this "*Letter of Credit*") in the maximum available amount of One Hundred Sixty-Three Million Five Hundred Thousand Dollars (\$163,500,000) (calculated as the sum of the maximum principal amount of the Certificates, in an amount equal to \$150,000,000, *plus*

interest thereon in an amount equal to \$13,500,000 (calculated at the maximum rate of twelve percent (12%) per annum for a period of two hundred and seventy (270) days and based upon a year of three hundred sixty (360) days), hereinafter, as reduced or reinstated from time to time in accordance with the provisions hereof, the "*Stated Amount*"), which may be drawn upon by the Paying Agent to pay the unpaid principal amount of Certificates on their respective stated maturity dates, together with accrued and unpaid interest thereon. The Stated Amount may be permanently reduced from time to time in accordance with paragraph 6 hereof. The Stated Amount of this Letter of Credit will be permanently reduced to the amount set forth on an Annex (Permanent Reduction of the Stated Amount of Letter of Credit) in the form of Annex B hereto from time to time delivered by you to the Bank; *provided, however*, that in no event shall the Stated Amount of this Letter of Credit be reduced to an amount less than the then outstanding principal amount of all Certificates outstanding plus all interest due on the stated maturity date thereof. Drawings (as herein defined) shall be made on or prior to the date any sum is due on the Certificates; *provided* that the Bank is not obligated to honor such Drawings until the respective stated maturity dates of such Certificates.

2. This Letter of Credit shall expire at 5:00 p.m. New York City time on the date (the "*Termination Date*") which is the earliest to occur of: (a) February 12, 2018 (the "*Stated Expiration Date*"), as such date may be extended in a Notice of Extension from the Bank to the Paying Agent, the Corporation and the District in the form attached hereto as Annex F; (b) the date of payment of a Drawing, not subject to reinstatement, which when added to all other Drawings honored hereunder which were not subject to reinstatement as provided herein, in the aggregate equals the Stated Amount on the date of issuance hereof as adjusted pursuant to the terms and conditions of this Letter of Credit; (c) the date on which the Bank receives a termination certificate signed by your duly authorized officer in the form of Annex C attached hereto appropriately completed (after we honor any properly presented and conforming Drawing, if any, on such date); (d) the date on which the Bank receives a termination certificate signed by your duly authorized officer in the form of Annex D attached hereto appropriately completed; or (e) the earlier of (i) the 15th calendar day (or if such date is not a Business Day, the immediately succeeding Business Day) after the date on which you receive notice from us in the form of Annex H-1 hereto (the "*Final Drawing Notice*"), and (ii) the date on which the Drawing (in the form of Annex H-2 hereto) resulting from the delivery of the Final Drawing Notice is honored hereunder. All Drawings hereunder shall be paid from immediately available funds of the Bank.

3. Funds under this Letter of Credit are available to you against your presentation of a drawing certificate in the form of Annex A or Annex H-2 hereto (a "*Drawing*") which shall be made by facsimile to: The Bank of Tokyo-Mitsubishi UFJ, Ltd., acting through its New York Branch, at facsimile number (201) 521-2312/2336, Attention: Ms. Antonina Bondi or Ms. Ruth Dioquino, or at any other number or numbers which may be designated by the Bank by written notice delivered to you. Each Drawing so presented shall have all blanks appropriately filled in and shall be signed by a person who purports to be an authorized officer of the Paying Agent and each of the aforesaid certificates shall be either in the form of a letter on the letterhead of the Paying Agent or a communication by telecopy delivered or transmitted to the Bank. Any telecopy pursuant to which a Drawing is made hereunder shall be promptly confirmed by you to us by telephone (telephone number: (201) 413-8823 (Antonina Bondi) or alternatively to

(201) 413-8160 (Ruth Dioquino)) (but such notice shall not be a condition to drawing hereunder and you shall have no liability for not doing so).

4. The Bank hereby agrees with you that, to the extent of its liability as provided herein, all demands for payment made under and in compliance with the terms of this Letter of Credit will be duly honored upon delivery or transmission of the certificate as specified in paragraph 3 hereof and if presented at the aforesaid office on or before the Termination Date. If a Drawing is made by you hereunder at or prior to 12:00 p.m., New York City time, on a Business Day and such Drawing conforms to the terms and conditions hereof, payment shall be made in the amount specified in such Drawing in immediately available funds, no later than 2:30 p.m., New York City time, on the same Business Day. If a Drawing is made by you hereunder after 12:00 p.m., New York City time, on a Business Day and such Drawing conforms to the terms and conditions hereof, payment shall be made of the amount specified in such Drawing, in immediately available funds, not later than 2:30 p.m., New York City time, on the next succeeding Business Day. Payment under this Letter of Credit shall be made by the Bank by wire transfer of immediately available funds to U.S. Bank National Association, ABA No. 091000022, Account No. 173101851827, Account Name: U.S. Bank Trust, Attention: Rosalyn Callender, Reference: Santa Clara Valley Water District. Such account may be changed only by presentation to the Bank of a letter in form satisfactory to the Bank specifying a different account with the Paying Agent and executed by the Paying Agent. As used in this Letter of Credit, "*Business Day*" shall mean a day on which (a) banks located in Los Angeles, California, in New York, New York and in each of the cities in which the principal offices of the Trustee (as defined in the Reimbursement Agreement) and the Paying Agent, the Bank and the Dealer (as defined in the Reimbursement Agreement) are located and the office of the Bank for Drawings hereunder (initially, New York, New York) are not required or authorized by law or executive order to close for business, and (b) The New York Stock Exchange is not closed.

5. Demands for payment honored hereunder shall not at the time of any Drawing exceed the Stated Amount, as the Stated Amount may have been reduced or reinstated by the Bank as hereinafter provided. Subject to the preceding sentence, each Drawing honored by the Bank hereunder shall *pro tanto* reduce, by the amount of such Drawing, the Stated Amount and the amount available to be drawn hereunder by you pursuant to any subsequent Drawing, except to the extent the Stated Amount has been reinstated in accordance with the provisions of paragraph 7 of this Letter of Credit.

6. Upon receipt by the Bank of a certificate in the form of Annex B (a "*Stated Amount Reduction Certificate*") attached hereto appropriately completed and signed by your duly authorized officer, the Stated Amount shall be permanently reduced to the amount set forth therein.

7. After any Drawing, the Stated Amount will be reinstated, but only when and to the extent amounts are received by the Bank for reimbursement of the amount of such Drawing (except in the case of a Drawing resulting from the delivery of a Final Drawing Notice), and will be subject to any reduction in said Stated Amount as above provided in paragraph 6, unless you shall have received notice from the Bank in substantially the form of Annex G or Annex H-1



attached hereto that an Event of Default under the Reimbursement Agreement has occurred and is continuing.

8. Only you or your successor as Paying Agent may make Drawings under this Letter of Credit. Upon the payment to you or to your account of the amount demanded hereunder, the Bank shall be fully discharged of its obligation under this Letter of Credit with respect to such demand for payment and shall not thereafter be obligated to make any further payments under this Letter of Credit in respect of such demand for payment to you or any other person who may have made to you or makes to you a demand for payment of principal of or interest on any Certificate. By paying to you an amount demanded in accordance herewith, the Bank makes no representations as to the correctness of the amount demanded.

9. (a) Upon our receipt of a termination certificate in the form of Annex D hereto indicating that all Certificates are wholly defeased or otherwise no longer outstanding and that the Corporation and the District does not intend to issue any additional Certificates, this Letter of Credit shall expire as provided in paragraph 2(d) hereof. In connection with the termination of this Letter of Credit, this Letter of Credit shall be returned to us and marked "cancelled".

(b) Upon our receipt of a termination certificate in the form of Annex C hereto, this Letter of Credit shall terminate as provided in paragraph 2(c) hereof. In connection with the termination of this Letter of Credit, this Letter of Credit shall be returned to us and marked "cancelled".

10. This Letter of Credit is intended to apply only to the payment of the principal amount of the Certificates and interest thereon upon the maturity thereof.

11. Except as expressly stated herein, this Letter of Credit is governed by, and construed in accordance with, the terms of the International Standby Practices 1998, International Chamber of Commerce Publication No. 590 (the "ISP98"). As to matters not governed by ISP98, this Letter of Credit shall be governed by and construed in accordance with the laws of the State of New York, including, without limitation, the Uniform Commercial Code as in effect in the State of New York, without regard to conflict of laws. Unless otherwise specified herein, communications with respect to this Letter of Credit shall be in writing and shall be addressed to the Bank at The Bank of Tokyo-Mitsubishi UFJ, Ltd., c/o International Operations Department/Standby LC Section, 1251 Avenue of the Americas, 12th Floor, New York, New York 10020, Attention: Ms. Antonina Bondi or Ms. Ruth Dioquino, specifically referring to the number of this Letter of Credit. For telephone assistance, please contact the Bank at (201) 413-8823 or (201) 413-8160, and have the Letter of Credit number available. Any communication to the Bank (other than Drawings) shall be in writing delivered to the Bank at the address set forth in this paragraph 11 hereof.

12. This Letter of Credit is transferable in whole only to your successor as Paying Agent. Any such transfer (including any successive transfer) shall be subject to the Bank's receipt of a signed transfer request signed by the transferor and by the transferee in the form of Annex E hereto together with the original Letter of Credit. Transfers to designated foreign nationals and/or specifically designated nationals are not permitted as being contrary to the U.S.

Treasury Department or Foreign Assets Control Regulations. Upon our endorsement of such transfer, the transferee instead of the transferor shall, be entitled to all the benefits of and rights under this Letter of Credit in the transferor's place; *provided* that, in such case, any certificates of the Paying Agent to be provided hereunder shall be signed by one who states therein that he is a duly authorized officer of the transferee.

13. This Letter of Credit sets forth in full the Bank's undertaking, and such undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein (including, without limitation, the Certificates), except only the certificates, notices and annexes referred to herein; and no such reference shall be deemed to incorporate herein by reference any document, instrument or agreement.

Very truly yours,

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.,  
acting through its New York Branch, as the  
Bank

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

**ANNEX A TO  
THE BANK OF TOKYO-MITSUBISHI UFJ, LTD., ACTING THROUGH ITS NEW YORK BRANCH  
LETTER OF CREDIT NO. S501553N**

[Date]

The Bank of Tokyo-Mitsubishi UFJ, Ltd.  
c/o International Operations Department/Standby LC Section  
1251 Avenue of the Americas, 12th Floor  
New York, New York 10020  
Attention: Ms. Antonina Bondi or Ms. Ruth Dioquino

Re: Drawing Certificate

Ladies and Gentlemen:

U.S. Bank National Association, (the "*Paying Agent*") hereby certifies to The Bank of Tokyo-Mitsubishi UFJ, Ltd., acting through its New York Branch (the "*Bank*"), with reference to Irrevocable Transferable Direct-Pay Letter of Credit No. S501553N, dated February 12, 2015 (the "*Letter of Credit*"; any other capitalized terms used herein and not defined herein having their respective meanings set forth in the Letter of Credit or the therein defined Reimbursement Agreement, as the case may be), issued by the Bank in favor of the Paying Agent pursuant to the Reimbursement Agreement that:

1. The Paying Agent is the Paying Agent under the Issuing and Paying Agent Agreement and the Certificate Resolution, and is acting as agent for the owners of Certificates.
2. The Paying Agent is making a drawing under the Letter of Credit with respect to payment of the principal amount of, and interest on, the Certificates due on \_\_\_\_\_.
3. The amount demanded hereby is \$ \_\_\_\_\_ (of which \$ \_\_\_\_\_ represents the principal amount and \$ \_\_\_\_\_ represents the interest amount), to be used for payment of principal of, and interest on, the Certificates. Said amount does not exceed the amounts permitted to be drawn under the Letter of Credit in accordance with the Letter of Credit.

4. The amount demanded hereunder was computed in accordance with the terms and conditions of the Certificates and the Issuing and Paying Agent Agreement and the Certificate Resolution.

5. The amount demanded hereby does not include any amount in respect of the Certificates registered in the name of the District or the Corporation or, to the best knowledge of the Paying Agent, any nominee for or any Person who owns such Certificates for the benefit of the District or the Corporation.

6. Upon receipt by the undersigned of the amount demanded hereby, (a) the undersigned will apply the same directly to the payment when due of the principal of and interest on Certificates upon the stated maturity thereof, (b) no portion of said amount shall be applied by the undersigned for any other purpose, (c) such amount will be deposited to the appropriate account of the Letter of Credit Account (established pursuant to the Issuing and Paying Agent Agreement), and (d) except for the other amounts on deposit in the applicable account of the Letter of Credit Account, no portion of said amount shall be commingled with other funds held by the undersigned.

7. The undersigned is the duly authorized officer of the Paying Agent.

8. Payment by the Bank pursuant to this Drawing shall be made to the Paying Agent in accordance with the instructions set forth in the Letter of Credit.

IN WITNESS WHEREOF, the Paying Agent has executed and delivered this Annex A as of the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

U.S. BANK NATIONAL ASSOCIATION,  
as Paying Agent

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

cc: Santa Clara Valley Water District  
Santa Clara Valley Water District Public  
Facilities Financing Corporation

**ANNEX B TO  
THE BANK OF TOKYO-MITSUBISHI UFJ, LTD., ACTING THROUGH ITS NEW YORK BRANCH  
LETTER OF CREDIT No. S501553N**

[Date]

The Bank of Tokyo-Mitsubishi UFJ, Ltd.  
c/o International Operations Department/Standby LC Section  
1251 Avenue of the Americas, 12th Floor  
New York, New York 10020  
Attention: Ms. Antonina Bondi or Ms. Ruth Dioquino

Re: Permanent Reduction of the Stated Amount of Letter of Credit

Ladies and Gentlemen:

U.S. Bank National Association (the "*Paying Agent*") hereby certifies to The Bank of Tokyo Mitsubishi UFJ, Ltd., acting through its New York Branch (the "*Bank*"), with reference to Irrevocable Transferable Direct-Pay Letter of Credit No. S501553N, dated February 12, 2015 (the "*Letter of Credit*"; any other capitalized terms used herein and not defined herein having their respective meanings set forth in the Letter of Credit or the therein defined Reimbursement Agreement, as the case may be), issued by the Bank in favor of the Paying Agent that:

1. The Paying Agent is the Paying Agent under the Issuing and Paying Agent Agreement and the Certificate Resolution, and is acting as the agent for the owners of the Certificates.

2. The Paying Agent hereby notifies you that on or prior to the date hereof the Corporation and the District have determined that the Stated Amount of the Letter of Credit shall be permanently reduced to \$\_\_\_\_\_ (of which \$\_\_\_\_\_ represents the principal amount and \$\_\_\_\_\_ represents the interest amount).

3. The Paying Agent hereby confirms that the aggregate principal amount of Certificates outstanding, together with the aggregate interest payable on such principal amount of such Certificates outstanding, as of the date hereof, does not exceed the Stated Amount of the Letter of Credit as so reduced.

4. If any Certificates are outstanding as of the date of this Annex B, the Corporation and the District have informed us that they will not issue additional Certificates unless after the issuance of such additional Certificates the aggregate principal amount of Certificates outstanding, together with the aggregate interest payable

thereon, shall be no greater than the Stated Amount of the Letter of Credit, as so permanently reduced pursuant to this Annex B.

5. The Stated Amount of the Letter of Credit is reduced to \$\_\_\_\_\_ upon receipt by the Bank of this Annex B.

6. The undersigned represents that he/she is a duly authorized officer of the Paying Agent.

IN WITNESS WHEREOF, the Paying Agent has executed and delivered this Annex B as of  
the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

U.S. BANK NATIONAL ASSOCIATION,  
as Paying Agent

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

cc: Santa Clara Valley Water District  
Santa Clara Valley Water District Public  
Facilities Financing Corporation  
Barclays Capital, Inc.  
J.P. Morgan Securities LLC



**ANNEX C TO  
THE BANK OF TOKYO-MITSUBISHI UFJ, LTD., ACTING THROUGH ITS NEW YORK BRANCH  
LETTER OF CREDIT No. S501553N**

[Date]

The Bank of Tokyo-Mitsubishi UFJ, Ltd.  
c/o International Operations Department/Standby LC Section  
1251 Avenue of the Americas, 12th Floor  
New York, New York 10020  
Attention: Ms. Antonina Bondi or Ms. Ruth Dioquino

Re: Termination of Letter of Credit (Alternate Credit Facility)

Ladies and Gentlemen:

U.S. Bank National Association (the "*Paying Agent*") hereby certifies to The Bank of Tokyo Mitsubishi UFJ, Ltd., acting through its New York Branch (the "*Bank*"), with reference to Irrevocable Transferable Direct-Pay Letter of Credit No. S501553N, dated February 12, 2015 (the "*Letter of Credit*"; any other capitalized terms used herein and not defined herein having their respective meanings set forth in the Letter of Credit or the therein defined Reimbursement Agreement, as the case may be), issued by the Bank in favor of the Paying Agent that:

1. The Paying Agent is the Paying Agent under the Issuing and Paying Agent Agreement and the Certificate Resolution.
2. As Paying Agent under the Issuing and Paying Agent Agreement and the Certificate Resolution, the Paying Agent has accepted an Alternate Letter of Credit, in compliance with the Issuing and Paying Agent Agreement, the Certificate Resolution and the Reimbursement Agreement.
3. Upon receipt of this Annex C, the Letter of Credit shall terminate as provided in paragraph 2(c) of the Letter of Credit.
4. Accompanying this Annex C is the Letter of Credit, marked "cancelled".
5. The undersigned is the duly authorized officer of the Paying Agent.

IN WITNESS WHEREOF, the Paying Agent has executed and delivered this Annex C as of  
the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

U.S. BANK NATIONAL ASSOCIATION,  
as Paying Agent

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

cc: Santa Clara Valley Water District  
Santa Clara Valley Water District Public  
Facilities Financing Corporation

**ANNEX D TO  
THE BANK OF TOKYO-MITSUBISHI UFJ, LTD., ACTING THROUGH ITS NEW YORK BRANCH  
LETTER OF CREDIT No. S501553N**

[Date]

The Bank of Tokyo-Mitsubishi UFJ, Ltd.  
c/o International Operations Department/Standby LC Section  
1251 Avenue of the Americas, 12th Floor  
New York, New York 10020  
Attention: Ms. Antonina Bondi or Ms. Ruth Dioquino

Re: Termination of Letter of Credit  
(No Certificates Outstanding)

Ladies and Gentlemen:

U.S. Bank National Association (the "*Paying Agent*") hereby certifies to The Bank of Tokyo Mitsubishi UFJ, Ltd., acting through its New York Branch (the "*Bank*"), with reference to Irrevocable Transferable Direct-Pay Letter of Credit No. S501553N, dated February 12, 2015 (the "*Letter of Credit*"; any other capitalized terms used herein and not defined herein having their respective meanings set forth in the Letter of Credit or the therein defined Reimbursement Agreement, as the case may be), issued by the Bank in favor of the Paying Agent that:

1. The Paying Agent is the Paying Agent under the Issuing and Paying Agent Agreement and the Certificate Resolution.
2. All the Certificates are wholly defeased or no Certificates remain outstanding under the Issuing and Paying Agent Agreement or the Certificate Resolution.
3. The Corporation and the District have notified us that they do not intend to issue any additional Certificates and desire to terminate this Letter of Credit in accordance with terms of the Reimbursement Agreement.
4. Upon receipt by the Bank of this Annex D, the Letter of Credit shall terminate as provided in paragraph 2(d) of the Letter of Credit.
5. Accompanying this Annex D is the Letter of Credit, marked "cancelled".
6. The undersigned is the duly authorized officer of the Paying Agent.

IN WITNESS WHEREOF, the Paying Agent has executed and delivered this Annex D as of  
the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

U.S. BANK NATIONAL ASSOCIATION,  
as Paying Agent

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

cc: Santa Clara Valley Water District  
Santa Clara Valley Water District Public  
Facilities Financing Corporation

**ANNEX E TO  
THE BANK OF TOKYO-MITSUBISHI UFJ, LTD., ACTING THROUGH ITS NEW YORK BRANCH  
LETTER OF CREDIT No. S501553N**

[Date]

The Bank of Tokyo-Mitsubishi UFJ, Ltd.  
c/o International Operations Department/Standby LC Section  
1251 Avenue of the Americas, 12th Floor  
New York, New York 10020  
Attention: Ms. Antonina Bondi or Ms. Ruth Dioquino

Re: Transfer of Irrevocable Transferable Direct-Pay  
Letter of Credit No. S501553N  
dated February 12, 2015

Ladies and Gentlemen:

For value received, we, the undersigned "Transferor", hereby irrevocably transfer all of our rights to draw under the above referenced Letter of Credit (the "*Letter of Credit*") in its entirety to:

NAME OF TRANSFEREE \_\_\_\_\_  
(Print Name and complete address of the Transferee) "Transferee"

ADDRESS OF TRANSFEREE \_\_\_\_\_

CITY, STATE/COUNTRY ZIP \_\_\_\_\_

as successor Paying Agent under the Issuing and Paying Agent Agreement and the Certificate Resolution, as defined in the Letter of Credit, all rights of the undersigned beneficiary to draw under the Letter of Credit in its entirety.

In accordance with ISP98, Rule 6, regarding transfer of drawing rights, all rights of the undersigned Transferor in the Letter of Credit are transferred to the Transferee, who shall have the sole rights as beneficiary thereof, including sole rights relating to any amendments whether increases or extensions or other amendments and whether now existing or hereafter made. All amendments are to be advised directly to the Transferee without necessity of any consent of or notice to the undersigned Transferor.

The original Letter of Credit, including amendments to this date, is attached and the undersigned Transferor requests that you endorse an acknowledgment of this transfer on the reverse thereof. The undersigned Transferor requests that you notify the Transferee of the Letter of Credit in such form and manner as you deem appropriate, and the terms and conditions of the Letter of Credit as transferred. The undersigned Transferor acknowledges that you incur no obligation hereunder and that the transfer shall not be effective until you have expressly consented to effect the transfer by notice to the Transferee.

If you agree to these instructions, please advise the Transferee of the terms and conditions of the transferred Letter of Credit and these instructions.

Transferor represents and warrants that (a) the Transferee is the Transferor's successor trustee under the Issuing and Paying Agent Agreement and the Certificate Resolution, (b) the enclosed Letter of Credit is original and complete, and (c) there is no outstanding demand or request for payment or transfer under the Letter of Credit affecting the rights to be transferred.

The Effective Date shall be the date hereafter on which Transferor effects the requested transfer by acknowledging this request and giving notice thereof to Transferee.

WE WAIVE ANY RIGHT TO TRIAL BY JURY THAT WE MAY HAVE IN ANY ACTION OR PROCEEDING RELATING TO OR ARISING OUT OF THIS TRANSFER.

This Transfer is made subject to ISP98 and is subject to and shall be governed by the laws of the State of New York, without regard to principles of conflict of laws.

(Signature Page Follows)

Sincerely yours,

\_\_\_\_\_  
(Print Name of Transferor)

\_\_\_\_\_  
(Transferor's Authorized Signature)

\_\_\_\_\_  
(Print Authorized Signers Name and Title)

\_\_\_\_\_  
(Telephone Number/Fax Number)

<b>SIGNATURE GUARANTEED</b>	
Signature(s) with title(s) conform(s) with that/those on file with us for this individual, entity or company and signer(s) is/are authorized to execute this agreement	
_____ (Print Name of Bank)	
_____ (Address of Bank)	
_____ (City, State, Zip Code)	
_____ (Print Name and Title of Authorized Signer)	
_____ (Authorized Signature)	
_____ (Telephone Number)	
_____ (Date)	

Acknowledged:

\_\_\_\_\_  
(Print Name of Transferee)

\_\_\_\_\_  
(Transferee's Authorized Signature)

\_\_\_\_\_  
(Print Authorized Signers Name and Title)

\_\_\_\_\_  
(Telephone Number/Fax Number)

<b>SIGNATURE GUARANTEED</b>	
Signature(s) with title(s) conform(s) with that/those on file with us for this individual, entity or company and signer(s) is/are authorized to execute this agreement.	
_____ (Print Name of Bank)	
_____ (Address of Bank)	
_____ (City, State, Zip Code)	
_____ (Print Name and Title of Authorized Signer)	
_____ (Authorized Signature)	
_____ (Telephone Number)	
_____ (Date)	

Acknowledged as of \_\_\_\_\_, 20\_\_:

THE BANK OF TOKYO MITSUBISHI UFJ, LTD., acting through its New York Branch

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

cc: Santa Clara Valley Water District  
Santa Clara Valley Water District Public  
Facilities Financing Corporation

**ANNEX F TO  
THE BANK OF TOKYO-MITSUBISHI UFJ, LTD., ACTING THROUGH ITS NEW YORK BRANCH  
LETTER OF CREDIT NO. S501553N**

[Date]

U.S. Bank National Association, as Paying Agent  
100 Wall Street, Suite 1600  
New York, New York 10005  
Attention: Commercial Paper Operations

Re: \_\_\_\_\_ Notice of Extension \_\_\_\_\_

Ladies and Gentlemen:

We refer to the Irrevocable Transferable Direct-Pay Letter of Credit No. S501553N (the "*Letter of Credit*") of The Bank of Tokyo Mitsubishi UFJ, Ltd., acting through its New York Branch. Any capitalized term used herein and not defined herein shall have its respective meaning as set forth in the Letter of Credit

The Letter of Credit Expiration Date is extended from \_\_\_\_\_ to \_\_\_\_\_.

This Notice of Extension shall be attached to the Letter of Credit and made a part thereof.

Very truly yours,

THE BANK OF TOKYO MITSUBISHI UFJ, LTD.,  
acting through its New York Branch, as the  
Bank

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

cc: Santa Clara Valley Water District  
Santa Clara Valley Water District Public  
Facilities Financing Corporation  
Barclays Capital, Inc.  
J.P. Morgan Securities LLC



**ANNEX G TO  
THE BANK OF TOKYO-MITSUBISHI UFJ, LTD., ACTING THROUGH ITS NEW YORK BRANCH  
LETTER OF CREDIT NO. S501553N**

[Date]

U.S. Bank National Association, as Paying Agent  
100 Wall Street, Suite 1600  
New York, New York 10005  
Attention: Commercial Paper Operations

Re: Event of Default under Reimbursement Agreement

Ladies and Gentlemen:

The undersigned, authorized officer of The Bank of Tokyo Mitsubishi UFJ, Ltd., acting through its New York Branch (the "*Bank*") with reference to that certain Irrevocable Transferable Direct-Pay Letter of Credit No. S501553N, dated February 12, 2015 (the "*Letter of Credit*"; any capitalized term used herein and not defined shall have its respective meaning as set forth in the Letter of Credit or the therein defined Reimbursement Agreement, as the case may be), issued by the Bank in favor of U.S. Bank National Association, as Paying Agent, hereby certify that:

1. There exists an Event of Default under Section \_\_\_\_ of the Reimbursement Agreement and such Event of Default is continuing.

2. Upon receipt by you of this Annex G you are notified (i) that the Stated Amount of the Letter of Credit shall be permanently reduced to \$\_\_\_\_\_, representing the principal amount of Certificates currently outstanding and interest thereon, and shall be further permanently reduced following the maturity of any such Certificates and (ii) that the Stated Amount shall no longer be reinstated following any Drawings.

IN WITNESS WHEREOF, the Bank has executed and delivered this Annex G as of the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

THE BANK OF TOKYO MITSUBISHI UFJ, LTD.,  
acting through its New York Branch, as the  
Bank

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

cc: Santa Clara Valley Water District  
Santa Clara Valley Water District Public  
Facilities Financing Corporation

**ANNEX H-1 TO  
THE BANK OF TOKYO-MITSUBISHI UFJ, LTD., ACTING THROUGH ITS NEW YORK BRANCH  
LETTER OF CREDIT NO. S501553N**

[Date]

U.S. Bank National Association, as Paying Agent  
100 Wall Street, Suite 1600  
New York, New York 10005  
Attention: Commercial Paper Operations

Re: Final Drawing Notice

Ladies and Gentlemen:

Reference is made to Irrevocable Transferable Direct-Pay Letter of Credit No. S501553N, dated February 12, 2015 (the "*Letter of Credit*"; established by The Bank of Tokyo Mitsubishi UFJ, Ltd., acting through its New York Branch (the "*Bank*") in your favor as Beneficiary and as Paying Agent, and at the request of the account parties, the Santa Clara Valley Water District (the "*District*") and the Santa Clara Valley Water District Public Facilities Financing Corporation (the "*Corporation*"), any other capitalized terms used herein and not defined herein having their respective meanings set forth in the Letter of Credit or the therein defined Reimbursement Agreement, as the case may be).

Please be advised that:

- (1) An Event of Default under and as defined in the Reimbursement Agreement has occurred and is continuing.
- (2) The Bank hereby instructs the Paying Agent, effective upon receipt of this Final Drawing Notice, to cease issuing Certificates.
- (3) The Bank hereby notifies the Paying Agent that (i) effective upon receipt of this Final Drawing Notice, the Stated Amount available to be drawn under the Letter of Credit will not be reinstated in accordance with the Letter of Credit, (ii) the Paying Agent is instructed to make the final Drawing under the Letter of Credit to provide for the payment of Certificates issued in accordance with the Issuing and Paying Agent Agreement which are outstanding and are maturing or are hereafter to mature, and (iii) the Termination Date of the Letter of Credit will occur and the Letter of Credit will expire on the earlier of (a) date which is the 15th calendar day (or if such date is not a

Business Day, the immediately succeeding Business Day) after the date of receipt by the Paying Agent of this notice, and (b) the date on which the Drawing resulting from the delivery of this notice is honored by us.

IN WITNESS WHEREOF, the Bank has executed and delivered this Annex H-1 as of the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

THE BANK OF TOKYO MITSUBISHI UFJ, LTD.,  
acting through its New York Branch, as the  
Bank

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

cc: Santa Clara Valley Water District  
Santa Clara Valley Water District Public  
Facilities Financing Corporation

**ANNEX H-2**  
**TO**  
**THE BANK OF TOKYO-MITSUBISHI UFJ, LTD., ACTING THROUGH ITS NEW YORK BRANCH**  
**LETTER OF CREDIT NO. S501553N**

The Bank of Tokyo-Mitsubishi UFJ, Ltd.  
c/o International Operations Department/Standby LC Section  
1251 Avenue of the Americas, 12th Floor  
New York, New York 10020  
Attention: Ms. Antonina Bondi or Ms. Ruth Dioquino

Re: Certificate for Drawing in connection with the  
Payment of Principal and Interest after  
Final Drawing Notice

---

The undersigned, a duly authorized officer of the undersigned Paying Agent (the "*Paying Agent*"), hereby certifies to The Bank of Tokyo Mitsubishi UFJ, Ltd., acting through its New York Branch (the "*Bank*"), with reference to Irrevocable Transferable Direct-Pay Letter of Credit No. S501553N, dated February 12, 2015 (the "*Letter of Credit*," any other capitalized terms used herein and not defined herein having their respective meanings set forth in the Letter of Credit or the therein defined Reimbursement Agreement, as the case may be), issued by the Bank in favor of the Paying Agent, as follows:

1. The undersigned is the Paying Agent under the Issuing and Paying Agent Agreement and the Certificate Resolution and is acting as the agent for the holders of the Certificates.
2. The Paying Agent has received the Final Drawing Notice in the form of a Final Drawing Notice in the form of Annex H-1 to the Letter of Credit.
3. The undersigned is making a Drawing under the Letter of Credit with respect to a payment of the principal of and accrued interest on Certificates issued in accordance with the Issuing and Paying Agent Agreement and the Certificate Resolution and which mature on or after the date of the Final Drawing Notice.
4. The amount of the Drawing is equal to \$\_\_\_\_\_, with \$\_\_\_\_\_ being drawn in respect of the payment of principal of maturing Certificates and \$\_\_\_\_\_ representing \_\_\_ days' interest thereon. Such amounts were computed in compliance with the terms and conditions of the Certificates and the Issuing and Paying Agent Agreement and the Certificate Resolution. The amount of the Drawing being

drawn in respect of the payment of principal of and interest payable to maturity of, the Certificates does not exceed the Stated Amount of the Letter of Credit. The amount requested for payment hereunder has not been and is not the subject of a prior or contemporaneous request for payment under the Letter of Credit.

5. Upon receipt by the undersigned of the amount demanded hereby, (a) the undersigned will deposit the same directly into the [Series \_\_ Account] of the Letter of Credit Account maintained by the Paying Agent pursuant to the Issuing and Paying Agent Agreement and apply the same directly to the payment when due of the principal amount of Certificates and the interest amount owing on account of the Certificates pursuant to the Issuing and Paying Agent Agreement, (b) no portion of said amount shall be applied by the undersigned for any other purpose, (c) no portion of said amount shall be commingled with other funds held by the undersigned, except for amounts on deposit in the [Series \_\_ Account] of the Letter of Credit Account and except for other funds drawn under the Letter of Credit, and (d) when such Certificates have been presented for payment and paid by us, we will cancel such matured Certificates.

6. This Annex H-2 is being presented to the Bank on a date which is no later than the 15th calendar day (or if such date is not a Business Day, the immediately succeeding Business Day) after receipt by the Paying Agent of the Final Drawing Notice from the Bank.

7. Payment by the Bank pursuant to this Drawing shall be made to the Paying Agent in accordance with the instructions set forth in the Letter of Credit.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Annex H-2 as of the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

U.S. BANK NATIONAL ASSOCIATION, as Paying Agent

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

cc: Santa Clara Valley Water District  
Santa Clara Valley Water District Public  
Facilities Financing Corporation

**EXHIBIT B**

**[FORM OF BANK NOTE]  
AMENDED AND RESTATED BANK NOTE**

\$163,500,000 Maximum Principal Amount

March 30, 2016

FOR VALUE RECEIVED, the undersigned, SANTA CLARA VALLEY WATER DISTRICT (the "*District*"), hereby promises to pay to the order of THE BANK OF TOKYO-MITSUBISHI UFJ, LTD., acting through its New York Branch (the "*Bank*"), at its principal office at 445 South Figueroa Street, Los Angeles, California 90071, in the manner and on the dates provided in the hereinafter defined Agreement in lawful money of the United States of America and in immediately available funds, the principal amount equal to the aggregate unreimbursed amount of the Loans made by the Bank pursuant to the Agreement not to exceed One Hundred Sixty-Three Million Five Hundred Thousand Dollars (\$163,500,000). Terms used herein and not otherwise defined herein shall have the meanings assigned to them in the Amended and Restated Reimbursement Agreement, dated as of March 1, 2016 (as amended, restated and supplemented from time to time, the "*Agreement*") among the District, Santa Clara Valley Water District Public Facilities Financing Corporation (the "*Corporation*") and the Bank, as from time to time in effect.

The District further promises to pay interest from the date hereof on the outstanding principal amount hereof and unpaid interest hereon from time to time at the rates and times and in all cases in accordance with the terms of the Agreement. The Bank may endorse its records relating to this Bank Note with appropriate notations evidencing the Loans under the Agreement and payments of principal hereunder as contemplated by the Agreement.

This Bank Note is issued pursuant to, is entitled to the benefits of, and is subject to, the provisions of the Agreement and Resolution No. 16-10 providing for the allocation of water utility system revenues, adopted by the District on February 23, 2016, as amended from time to time, and that certain Resolution No. PFFC-12-001, adopted by the Corporation on May 10, 2012, as amended by Resolutions No. PFFC-14-001 (Amendment No. 1) and No. PFFC-14-002 (Amendment No. 2), each adopted by the Corporation on December 10, 2014, and as further amended from time to time. The principal of this Bank Note is subject to prepayment in whole or in part in accordance with the terms of the Agreement.

The parties hereto, including the undersigned maker and all guarantors, endorsers and pledgors that may exist at any time with respect hereto, hereby waive presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance and enforcement of this Bank Note and assent to the extensions of the time of payment or forbearance or other indulgence without notice.

THIS BANK NOTE AND THE OBLIGATIONS OF THE DISTRICT HEREUNDER SHALL FOR ALL PURPOSES BE GOVERNED BY AND INTERPRETED AND DETERMINED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA (EXCLUDING THE LAWS APPLICABLE TO CONFLICTS OR CHOICE OF LAW). THE OBLIGATION OF THE DISTRICT TO MAKE PAYMENTS OF PRINCIPAL AND INTEREST ON

THIS BANK NOTE IS A GENERAL OBLIGATION OF THE DISTRICT. THE DISTRICT HAS ADDITIONALLY PLEDGED THE NET WATER UTILITY SYSTEM REVENUES OF THE DISTRICT ON A PARITY WITH THE PAYMENT OF SUBORDINATE OBLIGATIONS OF THE DISTRICT TO THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THIS BANK NOTE, SUBORDINATE SOLELY TO PARITY OBLIGATIONS AND SENIOR LIEN OBLIGATIONS.



IN WITNESS WHEREOF, the District has caused this Bank Note to be signed in its name as an instrument by its duly authorized officer on the date and in the year first above written.

SANTA CLARA VALLEY WATER DISTRICT

By: \_\_\_\_\_  
Title: \_\_\_\_\_

Attest:

By: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT C**

**FORM OF STOP-ISSUANCE INSTRUCTION**

\$150,000,000  
Santa Clara Valley Water District  
Commercial Paper Certificates,  
Series A (Tax-Exempt) and Series B (Taxable)

[Date]

U.S. Bank National Association, as Paying Agent  
100 Wall Street, Suite 1600  
New York, New York 10005  
Attention: Commercial Paper Operations

U.S. Bank National Association, as Trustee  
1 California Street, Suite 1000  
San Francisco, CA 94111  
Attention: Mary Wong

Santa Clara Valley Water District  
5750 Almaden Expressway  
San Jose, California 95118-3614  
Attention: Treasury Officer

Santa Clara Valley Water District  
Public Facilities Financing Corporation  
c/o Santa Clara Valley Water District  
5750 Almaden Expressway  
San Jose, California 95118-3614

Dear Sir or Madam:

Reference is made to (i) the Amended and Restated Reimbursement Agreement, dated as of March 1, 2016 (the "*Agreement*"), by and among the Santa Clara Valley Water District (the "*District*"), Santa Clara Valley Water District Public Facilities Financing Corporation (the "*Corporation*") and The Bank of Tokyo-Mitsubishi UFJ, Ltd., acting through its New York Branch (the "*Bank*"); and (ii) the Restated Issuing and Paying Agent Agreement, dated as of June 1, 2012 (as amended, supplemented, restated and otherwise modified from time to time, the "*Issuing and Paying Agent Agreement*"), among the District, the Corporation and U.S. Bank National Association, as Paying Agent (the "*Paying Agent*"). All capitalized terms herein having the meanings ascribed thereto in the Agreement.

You are hereby notified that (a) either (1) an “Event of Default” under Section 8.01( ) of the Agreement has occurred and is now continuing or (2) one or more of the representations and warranties of the District or the Corporation set forth in the Agreement, is/are in the reasonable opinion of the Bank, no longer true and correct in all material respects and; (b) upon receipt of this notice, (i) no new Certificates, as defined in the Agreement, **[and no additional Parity Obligations the proceeds of which will be used to pay the Certificates)]** shall be issued or authenticated (ii) the Stated Amount of the Letter of Credit shall be permanently reduced to \$ \_\_\_\_\_, representing the principal amount of Certificates currently outstanding on the date hereof and interest thereon, and shall be further permanently reduced following the maturity of any such Certificates, and (iii) the Stated Amount shall no longer be reinstated following payment by the Bank of any Drawings.

You are hereby instructed to cease issuing Certificates under the Issuing and Paying Agent Agreement and the Certificate Resolution until such time, if any, as we have notified you in writing that (i) no Event of Default is continuing; and (ii) you may resume issuing Certificates.

IN WITNESS WHEREOF, the Bank has executed and delivered this Stop-Issuance Instruction as of the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

Sincerely,

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.,  
acting through its New York Branch

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

cc: [DEALERS]  
[RATING AGENCIES]

## EXHIBIT D

### COMPLIANCE CERTIFICATE

For the Quarter/Year ended \_\_\_\_\_ ("*Statement Date*")

The Bank of Tokyo-Mitsubishi UFJ, Ltd.  
445 South Figueroa Street, 5th Floor  
Los Angeles, California 90071  
Attention: Christopher Baron

Ladies and Gentlemen:

We refer to (i) the Amended and Restated Reimbursement Agreement, dated as of March 1, 2016 (as amended, restated and supplemented from time to time, the "*Reimbursement Agreement*"), by and among the Santa Clara Valley Water District (the "*District*"), Santa Clara Valley Water District Public Facilities Financing Corporation (the "*Corporation*") and The Bank of Tokyo-Mitsubishi UFJ, Ltd., acting through its New York Branch (and its successors and assigns, the "*Bank*"); and (ii) the Restated Issuing and Paying Agent Agreement, dated as of June 1, 2012 (as amended, supplemented, restated and otherwise modified from time to time, the "*Issuing and Paying Agent Agreement*"), among the District, the Corporation and U.S. Bank National Association, as Paying Agent (the "*Paying Agent*"). All capitalized terms herein having the meanings ascribed thereto in the Reimbursement Agreement.

The undersigned authorized representative of the District hereby certifies as of the date hereof that he/she is the [\_\_\_\_\_] of the District, and that, as such, he/she is authorized to execute and deliver this Certificate to the Bank on the behalf of the District, and that:

**[Include following paragraph 1 for fiscal year-end financial statements]**

1. Attached hereto as Schedule 1 are the audited financial statements of the District required by Section 6.01(a) of the Reimbursement Agreement for the fiscal year of the District ended as of the above referenced Statement Date, prepared in accordance with generally accepted accounting principles for governmental entities consistently applied including (i) a balance sheet for the fiscal year of the District ended as of the above referenced Statement Date, (ii) the related statements of operations and changes in equity, (iii) statements of cash flows for such fiscal year, setting forth in each case, in comparative form, the figures for the previous fiscal year, all certified and accompanied by an unqualified opinion of an independent certified public accounting firm to the effect that such audited financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis and fairly present the financial condition of the District as at their date and the results of its operations for the period then ended.

**[Start with the following as paragraph 1 for fiscal quarter-end compliance certificates]**

[2.][1.] The undersigned has reviewed and is familiar with the terms of the Reimbursement Agreement and has reviewed the District's obligations thereunder and under the other Related Documents and has made, or has caused to be made under his/her supervision, a detailed review of the transactions and condition (financial or otherwise) of the District during the accounting period covered by the attached financial statements.

[3.][2.] The examination described in paragraph 2 herein did not disclose, and I have no knowledge of, the existence of any condition or event which constitutes an Event of Default or Default under the Reimbursement Agreement or a default or event of default under any other Related Document, during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate, except as set forth in a separate attachment, if any, to this Certificate, describing in detail, the nature of the condition or event, the period during which it has existed and the action which the District has taken, is taking, or proposes to take with respect to each such condition or event.

[4.][3.] The representations and warranties of the District contained in Section 5.01 of the Reimbursement Agreement, and/or any representations and warranties of the District that are contained in any other Related Document or any document furnished at any time under or in connection with the Reimbursement Agreement, are true and correct in all material respects on and as of the date hereof (except for those representations and warranties that are conditioned by materiality, which are true and correct in all respects), except to the extent that such representations and warranties specifically relate to an earlier date, in which case they are true and correct in all material respects (except for those representations and warranties that are conditioned by materiality, which are true and correct in all respects), on and as of such earlier date as of such earlier date.

**[Include following paragraph 5 only for fiscal year-end financial statements]**

5. The District has kept, observed, performed and fulfilled each and every covenant, provision and condition of the Reimbursement Agreement on its part to be performed and is not in default in the performance or observance of any of the terms, covenants, provisions or conditions of the Reimbursement Agreement, including, but not limited to, the covenants contained in Section 6.21 of the Reimbursement Agreement, as demonstrated on Schedule 2 attached hereto. The financial covenant analyses and information set forth on Schedule 2 attached hereto are true and accurate on and as of the date of this Certificate.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of \_\_\_\_\_,  
\_\_\_\_\_.

SANTA CLARA VALLEY WATER DISTRICT

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

[Include following Schedule 2 only for fiscal year-end financial statements]

**SCHEDULE 2  
TO THE COMPLIANCE CERTIFICATE**

**SECTION 6.21 RATE COVENANT AND DEBT SERVICE COVERAGE COVENANT**

For the Year ended \_\_\_\_\_ ("*Statement Date*")

**A. Parity Debt Service Coverage Ratio:**

- a. Net Water Utility System Revenues for FY \_\_\_\_: \$ \_\_\_\_\_
  - b. Senior Debt Service: \$ \_\_\_\_\_
  - c. All other transfers and payments from the Water Utility System Revenue Fund required under Sections 2.2(a), (b), and (c) of the Parity Master Resolution not already taken into account in lines a and b: \$ \_\_\_\_\_
  - d. Line a minus lines b and c (Net Water Utility System Revenues available for Parity Debt Service): \$ \_\_\_\_\_
  - e. Parity Debt Service: \$ \_\_\_\_\_
- Parity Debt Service Coverage Ratio (d÷e)  
(1.25x minimum): \_\_\_\_\_

**B. Subordinate Debt Service Coverage Ratio:**

- a. Net Water Utility System Revenues for FY \_\_\_\_: \$ \_\_\_\_\_
- b. Senior Debt Service: \$ \_\_\_\_\_
- c. Parity Debt Service: \$ \_\_\_\_\_
- d. All other transfers and payments from the Water Utility System Revenue Fund required under Sections 2.2(a), (b), (c), (d) and (e) of the Parity Master Resolution not already taken into account in lines a, b and c: \$ \_\_\_\_\_



e. Line a minus lines b, c and d (Net Water Utility System Revenues available for Subordinate Debt Service): \$ \_\_\_\_\_

f. Subordinate Debt Service: \$ \_\_\_\_\_

Subordinate Debt Service Coverage Ratio (e÷f) (1.10x minimum): \_\_\_\_\_


RESOLUTION NO. PFPC-12-001

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SANTA CLARA VALLEY WATER DISTRICT PUBLIC FACILITIES FINANCING CORPORATION RESTATING RESOLUTION NO. PFPC-02-001, AS AMENDED BY RESOLUTION NO. PFPC-02-002, PROVIDING FOR THE EXECUTION AND DELIVERY OF SANTA CLARA VALLEY WATER DISTRICT COMMERCIAL PAPER CERTIFICATES AND THE ENTERING INTO OF VARIOUS AGREEMENTS IN CONNECTION THEREWITH.

Adopted May 10, 2012

I hereby certify that the foregoing is a full, true and correct copy of the original thereof on file in my office.

DATED: 2/11/15

  
**MICHELE L. KING**  
Clerk, Board of Directors  
Santa Clara Valley  
Water District

GENERAL INVESTIGATION  
OF THE  
SOCIETY OF THE  
SACRED

THE  
SACRED  
SOCIETY

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WHEREAS, pursuant to Section 53850 of the Government Code of the State of California the Santa Clara Valley Water District (the "District") may borrow money and incur indebtedness from time to time for any purpose for which it is authorized to expend moneys, including, but not limited to capital expenditures, investment and reinvestment and the discharge of any obligation or indebtedness of the District; and

WHEREAS, the Board of Directors of the District has from time-to-time determined that it was necessary and in the best interests of the District to issue tax and revenue anticipation notes and deposit such notes with the Santa Clara Valley Water District Public Facilities Financing Corporation (the "Corporation") to effect a commercial paper program; and

WHEREAS, the District has again determined to access the commercial paper program and to amend and restate certain documents relating thereto and, in order to reduce interest costs and to provide for credit support with respect to the commercial paper program it is advisable for the District to enter into a Reimbursement Agreement with Wells Fargo Bank, National Association, (the "Bank"), to provide a source of moneys to pay the principal of and interest, if any, with respect to commercial paper certificates at maturity;

WHEREAS, the Corporation desires to amend and restate Resolution PFFC-02-001, as amended by Resolution PFFC-02-002 to authorize the amendment and restatement of certain documents relating to the commercial paper program and certain other matters.

NOW THEREFORE, the Board of Directors of the Corporation finds, determines, declares and resolves as follows:

Section 1. Recitals True and Correct. All of the recitals herein set forth are true and correct, and the Board of Directors of the Santa Clara Valley Water District Public Facilities Financing Corporation so finds and determines.

Section 2. Definitions and Interpretation.

(a) Definitions. Unless the context otherwise requires, all capitalized terms shall have the definitions set forth below:

"Agreement" means that certain Reimbursement Agreement, dated as of June 1, 2012, by and among the Bank, the Corporation and the District providing for the issuance of a letter of credit to support the payment of the principal of and interest, if any, with respect to the Certificates, and any agreements executed by the District in connection with the provider of an Alternate Letter of Credit.

"Alternate Letter of Credit" means a letter of credit or other security or liquidity device issued in accordance with Section 9(b) hereof which shall have a term of not less than one year.

"Approving Officer" means each of the Chief Executive Officer, Chief Administrative Officer or Chief Financial Officer of the District, or the designee thereof.

"Authorized Denominations" means \$100,000 and any increment of \$5,000 in excess thereof.

"Bank" means initially Wells Fargo Bank, National Association and its successors and assigns, or any provider of an Alternative Letter of Credit.

"Bank Obligations" shall mean all reimbursement obligations and other amounts, including fees and expenses, payable to the Bank under the Agreement and the related fee letter.

"Board" means the Board of Directors of the Santa Clara Valley Water District Public Facilities Financing Corporation.

"Bond Counsel" means Stradling Yocca Carlson & Rauth, A Professional Corporation, or such other firm of nationally-recognized attorneys experienced in the issuance of obligations the interest on which is excludable from gross income under Section 103 of the Code as may be designated in writing by the District.

"Business Day" means a day on which (a) banks located in San Francisco, California, in New York, New York and in each of the cities in which the principal offices of the Registrar and Paying Agent, the Bank and the Dealer are located are not required or authorized by law or executive order to close for business, and (b) The New York Stock Exchange is not closed.

"Certificate" and "Certificates" means any Certificate and Certificates executed and delivered by the Trustee pursuant to this Resolution that are authenticated and delivered by the Paying Agent under and pursuant to this Resolution.

"Code" means the Internal Revenue Code of 1986, and the regulations issued thereunder, as the same may be amended from time to time, and any successor provisions of law. Reference to a particular section of the Code shall be deemed to be a reference to any successor to any such section.

"Corporation" means the Santa Clara Valley Water District Public Facilities Financing Corporation, a California non-profit public benefit corporation.

"CP Rebate Fund" means the fund created pursuant to Section 11(a)(iii) hereof.

"Dealer Agreement" means each Restated Dealer Agreement, dated as of June 1, 2012, by and among the District, the Corporation and a Dealer executed and delivered pursuant to Section 10 of this Resolution, including any similar agreement entered into by the District and the Corporation with a successor dealer.

"Dealer" means Barclays Capital, Inc. and J.P. Morgan Securities LLC or any successor enterprise which is acting as a dealer in the Series A Certificates and the Series B Certificates and is appointed as such by the District.

"District" means the Santa Clara Valley Water District, a flood control and water district of the State of California.

"Favorable Opinion of Bond Counsel" means an unqualified opinion of Bond Counsel to the effect that substituting the Letter of Credit with an Alternate Letter of Credit is permitted under this Resolution, complies with this Resolution and will not impair the exclusion of interest with respect to the Tax-Exempt Certificates from gross income for purposes of Federal income taxation or the exemption of interest with respect to the Certificates from personal income taxation under the laws of the State of California (subject to the inclusion of any exceptions contained in the opinion delivered upon original issuance of the Certificates).

"Independent Certified Public Accountant" means any firm of certified public accountants appointed by the District which is independent pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

"Issuing and Paying Agent Agreement" means the Restated Issuing and Paying Agent Agreement, dated as of June 1, 2012, by and among the District, the Corporation and the Paying Agent executed and delivered pursuant to Section 16 of this Resolution.

"Letter of Credit" means the irrevocable direct-pay letter of credit, issued by a Bank in accordance with the Agreement.

"Maturity Date" means the date, not later than 270 days after the date of issuance of a Certificate, on which the principal of and interest, if any, with respect to a Certificate is payable and not later than the maturity date of the related Tax and Revenue Anticipation Note.

"Maximum Rate" means, on any day, twelve percent (12%) per annum calculated on the basis of a stated interest rate. If Certificates are sold at a discount with or without a stated interest rate, the Maximum Rate on any day means the yield to the purchaser of an effective rate of twelve percent (12%).

"Moody's" means Moody's Investors Service, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the District and approved by the Bank (which shall not be under any liability by reason of such approval).

"Outstanding," when used as of a particular time with reference to Certificates, means all Certificates delivered hereunder except: (i) Certificates cancelled by the Paying Agent or surrendered to the Paying Agent for cancellation; (ii) Certificates that are paid or are defeased; and (iii) Certificates in lieu of or in substitution for which replacement Certificates shall have been executed by the Trustee and authenticated and delivered by the Paying Agent hereunder.

"Owner" means the registered owner of a Certificate in registered form or the person presenting any Certificate in bearer form.

"Paying Agent" means U.S. Bank National Association, which has been appointed pursuant to Section 16 hereof and any successor appointed pursuant to Section 16 hereof.

"Payment Funds" means the Series A Payment Fund and Series B Payment Fund.

"Permitted Investments" means any of the following instruments which at the time are legal investments under the laws of the State of California for moneys held hereunder and then proposed to be invested therein, but only to the extent that the then-current District Investment Policy and Staff Investment Guidelines allows moneys of the District to be invested in such instrument (the Trustee is entitled to rely upon the written investment direction of the District as a determination that such investment is a Permitted Investment):

- (i) Direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United



States of America, provided, that the full faith and credit of the United States of America must be pledged to any such direct obligation or guarantee ("Direct Obligations");

(ii) Direct Obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; consolidated debt obligations and letter of credit-backed issues of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation ("FHLMCs"); debentures of the Federal Housing Administration; mortgage-backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal) and senior debt obligations of the Federal National Mortgage Association ("FNMA's"); participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association ("GNMA's"); guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; debt obligations and letter of credit-backed issues of the Student Loan Marketing Association; local authority Certificates of the U.S. Department of Housing & Urban Development; guaranteed Title XI financings of the U.S. Maritime Administration; guaranteed transit certificates of the Washington Metropolitan Area Transit Authority; Resolution Funding Corporation securities.

(iii) Direct Obligations of any state of the United States of America or any subdivision or agency thereof whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's and "A" or better by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's and "A" or better by S&P;

(iv) commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, "P-1" by Moody's and "A-1" or better by S&P;

(v) Federal funds, unsecured certificates of deposit, deposit accounts, time deposits or bankers acceptances (in each case having maturities of not more than 365 days) of any domestic bank including a branch office of a foreign bank which branch office is located in the United States, provided legal opinions are received to the effect that full and timely payment of such deposit or similar obligation is enforceable against the principal office or any branch of such bank, which, at the time of purchase, has a short-term "Bank Deposit" rating of "P-1" by Moody's and a "Short-Term CD" rating of "A-1" or better by S&P;

(vi) deposits of any bank or savings and loan association which has combined capital, surplus and undivided profits of not less than \$3 million, provided such deposits are continuously and fully insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation;

(vii) investments in money-market funds rated "AAAm" or "AAAm-G" by S&P or money market deposit accounts of any bank, trust company, or national banking association (including the U.S. Bank Money Market Deposit Account offered by the Paying Agent);

(viii) repurchase agreements collateralized by Direct Obligations, GNMA's, FNMA's or FHLMC's with any registered broker/dealer subject to the Securities Investors'

Protection Corporation jurisdiction or any commercial bank insured by the FDIC, if such broker/dealer or bank has an unsecured, unsecured and unguaranteed obligation rated "P-1" or "A3" or better by Moody's and "A-1" or "A-" or better by S&P, provided:

1. a master repurchase agreement or specific written repurchase agreement governs the transaction; and

2. the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent ("Agent") for the Trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$50 million, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee; and

3. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Trustee; and

4. the repurchase agreement has a term of 180 days or less, and the Trustee or the agent will value the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and

5. the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103%.

(ix) Investment agreements, guaranteed investment contracts, funding agreements, or any form of corporate note representing the unconditional obligations of entities or agencies with unsecured long-term debt obligations or a claims-paying ability rated in one of the top two rating categories by Moody's and S&P;

(x) any other investment permitted under the investment policy of the District as amended from time to time.

"Project Funds" means the Tax-Exempt Project Fund and the Taxable Project Fund.

"S&P" means Standard & Poor's Ratings Services, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "S&P" shall be deemed to refer to any other nationally recognized securities rating agency selected by the District and approved by the Bank (which shall not be under any liability by reason of such approval).

"Series" means the Series A Certificates or the Series B Certificates.

"Series A Certificates" means the Santa Clara Valley Water District Commercial Paper Certificates, Series A (Tax-Exempt) created pursuant to Section 3 hereof.

"Series A Payment Fund" means the fund created pursuant to Section 11(b)(iii) hereof.

"Series B Payment Fund" means the fund created pursuant to Section 11(b)(iv) hereof.

"Series B Certificates" means the Santa Clara Valley Water District Commercial Paper Certificates, Series B (Taxable) created pursuant to Section 3 hereof.

"Tax and Revenue Anticipation Notes" means the Tax-Exempt TRAN and the Taxable TRAN.

"Tax Certificate" means the Tax Certificate dated as of the date on which Tax-Exempt Certificates are first executed and delivered under this Resolution, as supplemented from time to time upon the issuance of additional Tax-Exempt Certificates or otherwise.

"Tax-Exempt Certificates" means Series A Certificates.

"Tax-Exempt Project Fund" means the fund of such name created pursuant to Section 11(a) hereof.

"Tax-Exempt TRAN" means the Santa Clara Valley Water District 2011-2012 Tax-Exempt Tax and Revenue Anticipation Note issued by the District in accordance with Section 2 of a Resolution of the District adopted by the Board of Directors of the District on April 10, 2012, and other similarly secured tax-exempt tax and revenue anticipation notes deposited in accordance with Section 11(b) hereof.

"Tax-Exempt TRANS Payments" means payments of principal of and interest on the Tax-Exempt TRAN paid by the District to the Corporation in accordance with the terms of the Tax-Exempt TRAN.

"Taxable Certificates" means Series B Certificates.

"Taxable Project Fund" means the fund of such name created pursuant to Section 11(a) hereof.

"Taxable TRAN" means the Santa Clara Valley Water District 2011-2012 Taxable Tax and Revenue Anticipation Note issued by the District and secured in accordance with Section 2 of a Resolution of the District adopted by the Board of Directors of the District on April 10, 2012, and other similarly secured taxable tax and revenue anticipation notes deposited with the Corporation in accordance with Section 11(b) hereof.

"Taxable TRANS Payments" means payments of principal of and interest on the Taxable TRAN paid by the District to the Corporation in accordance with the terms of the Taxable TRAN.

"Trustee" means U.S. Bank National Association, which has been appointed pursuant to Section 11 hereof and any successor appointed pursuant to Section 11 hereof.

(a) Interpretation

(i) In this Resolution, unless the context otherwise requires:

(A) The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this Resolution, refer to this Resolution, and

the term "hereafter" shall mean after, and the term "heretofore" shall mean before, the date of this Resolution;

(B) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa;

(C) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons; and

(D) Any headings preceding the text of the several Sections of this Resolution, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Resolution, nor shall they affect its meaning, construction or effect.

(i) Whenever in this Resolution the District, the Bank, the Trustee or the Paying Agent is named or referred to, it shall include, and shall be deemed to include, its respective successors and assigns whether so expressed or not. All of the covenants, stipulations, obligations and agreements by or on behalf of, and other provisions for the benefit of, the District, the Bank, the Trustee or the Paying Agent contained in this Resolution shall bind and inure to the benefit of such respective successors and assigns and shall bind and inure to the benefit of any officer, board, commission, authority, agency or instrumentality to whom or to which there shall be transferred by or in accordance with law any right, power or duty of the District or of its successors or assigns, the possession of which is necessary or appropriate in order to comply with any such covenants, stipulations, obligations, agreements or other provisions of this Resolution.

(iii) Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person other than the District, the Trustee or the Paying Agent, including their respective agents, the Bank and the Owners of the Certificates, any right, remedy or claim under or by reason of this Resolution or any covenant, condition or stipulation hereof. All the covenants, stipulations, promises and agreements in this Resolution contained by or on behalf of the District shall be for the sole benefit of the District, the Trustee and the Paying Agent, including their respective agents, the Bank and the Owners of the Certificates.

Section 3. Authorization and Execution and Delivery of Commercial Paper Certificates.

Solely for the purposes specified in this Resolution and not pursuant to any common plan of financing, the Trustee shall execute and deliver commercial paper certificates from time to time in accordance with the Issuing and Paying Agent Agreement in an aggregate principal sum not in excess of \$100,000,000 outstanding at any one time. Any commercial paper certificates executed and delivered hereunder shall be at the time of such execution and delivery designated by the District as either Series A Certificates or Series B Certificates. No more than \$100,000,000 of Tax-Exempt Certificates may be outstanding at any one time and no more than \$100,000,000 of Taxable Certificates may be outstanding at any one time.

Each Approving Officer is hereby severally authorized to determine the aggregate principal amount of Certificates that shall be Outstanding at any one time which shall not exceed the lesser of (a) \$100,000,000, and (b) an amount which can be drawn under the Letter of Credit to pay principal of the Certificates (such amount initially being equal to \$100,000,000) and which does not cause the District to violate contractual obligations of the District in the Agreement.

The proceeds of the Certificates shall be used by the District for any lawful purpose, subject to the terms and conditions of this Resolution.

Under no circumstances may Certificates have maturities exceeding 270 days from the date of issue or extending beyond the earlier of: (a) the maturity date of the respective TRAN; (b) the stated expiration date of the Letter of Credit; or (c) the Business Day prior to the effective date of an Alternate Letter of Credit. The Certificates shall not represent interest rates in excess of the Maximum Rate, but otherwise Certificates may represent such rate or rates of interest and may be sold at such price or prices (including prices below or above the face amount thereof), and with such maturities, each as an Approving Officer shall determine at the time of issuance.

Section 4. Denominations, Medium, Method and Place of Payment and Dating of Certificates. The Certificates of a Series shall be executed and delivered in the form of bearer Certificates of such Series, or in fully registered form, if required by any depository designated under Section 8 hereof, in Authorized Denominations. The principal of and interest, if any, with respect to the Certificates of a Series shall be payable in lawful money of the United States of America, each on the Maturity Date, upon surrender of such Series of Certificates at the office of the Paying Agent.

The Paying Agent, the Trustee and the District may treat the Owner of a Certificate of a Series as the absolute owner thereof for all purposes, whether or not such Certificate of such Series shall be overdue, and the Paying Agent, the Trustee, the Corporation and the District shall not be affected by any knowledge or notice to the contrary; and payment of the principal of and interest, if any, with respect to such Certificate shall be made only to such Owner, which payments shall be valid and effectual to satisfy and discharge the liability of such Certificate to the extent of the sum or sums so paid. All Certificates paid pursuant to the provisions of this Section 4 shall be cancelled by the Paying Agent.

The Certificates shall be dated the date of authentication thereof. Interest with respect to Certificates, if any, will be in the amount of interest accrued from and including the date of authentication to but excluding the Maturity Date.

Section 5. Payment of Principal and Interest, if any, With Respect to Certificates. The interest with respect to Certificates, if any, shall become due and payable on the Maturity Date. The principal of the Certificates shall become due and payable on the Maturity Date. The principal and interest, if any, with respect to the Certificates shall be payable solely and exclusively from the proceeds of drawings on the Letter of Credit; provided however that under the terms and conditions set forth in Section 6 of the Issuing and Paying Agent Agreement and Section 11 hereof, principal of and interest, if any, with respect to a Series of Certificates may be paid from the proceeds of the sale of Certificates of such Series executed and delivered for that purpose, proceeds of the respective TRAN and amounts on deposit in the Payment Fund applicable to such Series, all in accordance with Section 11(b) hereof.

Section 6. Calculation and Payment of Interest. Interest payable with respect to the Tax-Exempt Certificates, if any, shall be calculated on the basis of a 365/366-day year and actual days elapsed. Interest payable with respect to the Taxable Certificates, if any, shall be calculated on the basis of a 360 day year and actual days elapsed.

Section 7. Form of Certificate. The Tax-Exempt Certificates and the Taxable Certificates and the assignment to appear thereon shall each be in substantially the form set forth in Exhibit A and Exhibit B, respectively, attached hereto and incorporated herein, with appropriate or necessary insertions, omissions and variations as permitted or required hereby.

Section 8. The Depository Trust Company and Transfer and Exchange Procedures.

(a) The Certificates of each Series shall be initially executed and delivered in the form of a DTC Master Commercial Paper Note registered in the name of "Cede & Co.," as nominee of The Depository Trust Company, New York, New York (hereinafter, Cede & Co. and The Depository Trust Company are referred to collectively as "The Depository Trust Company"). Each Approving Officer is hereby authorized and directed to negotiate with The Depository Trust Company a Letter of Representation (the "Letter of Representation") and is authorized to execute and deliver such Letter of Representation in a form acceptable to an Approving Officer and the Paying Agent. Registered ownership of the Certificates of a Series, or any portion thereof, may not thereafter be transferred except as set forth in Section 8(b) hereof.

(b) The Certificates of a Series shall be initially executed and delivered and registered as provided in Section 8(a) hereof. Registered ownership of such Series of Certificates, or any portions thereof, may not thereafter be transferred except:

(i) to any successor of The Depository Trust Company, or its nominee, or of any substitute depository designated pursuant to clause (ii) of this subsection (b) ("Substitute Depository"); provided that any successor of The Depository Trust Company or Substitute Depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(ii) to any Substitute Depository not objected to by an Approving Officer, upon (1) the resignation of The Depository Trust Company or its successor (or any Substitute Depository or its successor) from its functions as depository, or (2) a determination by an Approving Officer to substitute another depository for The Depository Trust Company (or its successor) because The Depository Trust Company (or its successor) is no longer able to carry out its functions as depository; provided that any such Substitute Depository so selected shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(iii) to any person as provided below, upon (1) the resignation of The Depository Trust Company or its successor (or any Substitute Depository or its successor) from its functions as depository, or (2) a determination by an Approving Officer to discontinue using a depository.

(c) In the case of any transfer pursuant to clause (i) or clause (ii) of Section 8(b) hereof, upon receipt of all Outstanding Certificates of a Series by the Paying Agent, together with a written request of an Approving Officer to the Paying Agent designating the Substitute Depository, a

single new Certificate of such Series for each maturity of Certificates of such Series then Outstanding, which the District shall prepare or cause to be prepared, shall be executed and delivered, registered in the name of such successor or such Substitute Depository, or its nominee, as the case may be, all as specified in such written request of an Approving Officer. In the case of any transfer pursuant to clause (iii) of Section 8(b) hereof, upon receipt of all outstanding Certificates of a Series by the Paying Agent, together with a written request of an Approving Officer to the Paying Agent, new Certificates of such Series, which the Corporation shall prepare or cause the District to prepare, shall be executed and delivered in such denominations and registered in the names of such persons as are requested in such written request of an Approving Officer, subject to the limitations of Section 8(f), provided that the Paying Agent shall deliver such new Certificates of a Series as soon as practicable after the date of receipt of such written request from an Approving Officer.

(d) The Corporation, the District, the Trustee and the Paying Agent shall be entitled to treat the person in whose name any registered Certificate of a Series is registered and any person presenting a bearer Certificate of such Series as the Owner thereof for all purposes of this Resolution and for purposes of payment of principal and interest, if any, with respect to such Certificate of a Series, notwithstanding any notice to the contrary received by the Corporation, the Trustee, the Paying Agent or the District; and the Corporation, the Trustee, the District and the Paying Agent shall not have responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the Certificates of a Series. Neither the Corporation, the District, the Trustee nor the Paying Agent shall have any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including The Depository Trust Company or its successor (or any Substitute Depository or its successor except in its capacity as Owner), except to the Owner of any Certificates of a Series, and the Paying Agent may rely conclusively on its records as to the identity of the Owners of the Certificates of a Series.

(e) Notwithstanding any other provision of this Resolution and so long as all outstanding Certificates of a Series are registered in the name of Cede & Co. as nominee of The Depository Trust Company or its registered assigns, the Corporation, the District, the Trustee and the Paying Agent shall cooperate with The Depository Trust Company, as sole registered Owner, and its registered assigns in effecting payment of the principal of and interest, if any, with respect to the Certificates of such Series by arranging for payment in such manner that funds for such payments are properly identified and are made available on the date they are due all in accordance with the Letter of Representation, the provisions of which the Paying Agent may rely upon to implement the foregoing procedures notwithstanding any inconsistent provisions herein.

(f) In the case of any transfer pursuant to clause (iii) of Section 8(b) hereof, any Certificate of a Series may, in accordance with its terms, be transferred or exchanged for a like aggregate principal amount in Authorized Denominations, upon the books required to be kept by the Paying Agent pursuant to the provisions hereof, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Series of Certificate for cancellation, and, in the case of a transfer, accompanied by delivery of a written instrument of transfer, duly executed in form approved by the Paying Agent.

Whenever any Certificate of a Series shall be surrendered for transfer or exchange, the Trustee shall execute and the Paying Agent shall authenticate, if required, and deliver a new Certificate or Certificates of such Series of Authorized Denominations for a like aggregate principal amount. The Paying Agent shall require the registered Owner requesting such transfer or exchange

to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange.

(g) The Paying Agent will keep or cause to be kept, at its principal office in New York, New York, sufficient books for the registration and transfer of the Certificates of a Series, which shall at all times be open to inspection by the Corporation and the District upon reasonable prior notice. Upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, Certificates of such Series as hereinbefore provided.

(h) If any Certificate of a Series shall become mutilated, the Trustee, at the expense of the Owner of such Series of Certificate, shall execute and the Paying Agent shall thereupon authenticate and deliver a new Certificate of such Series of like tenor bearing a different number in exchange and substitution for the Certificate of such Series so mutilated, but only upon surrender to the Paying Agent of the Certificate of such Series so mutilated. If any Certificate of a Series shall be lost, destroyed or stolen, evidence of the ownership thereof, and of such loss, destruction or theft may be submitted to the Trustee, the District and the Paying Agent and, if such evidence be satisfactory to them and indemnity satisfactory to them shall be given, the Corporation, at the expense of the Owner, shall execute, and the Paying Agent shall thereupon authenticate and deliver a new Certificate of such Series of like tenor and bearing a different number in lieu of and in substitution for the Certificate of such Series so lost, destroyed or stolen (or if any such Series of Certificate shall have matured or shall be about to mature, instead of issuing a substitute Certificate of such Series, the District may direct the Paying Agent to pay the same without surrender thereof). The District, Trustee and Paying Agent may require payment by the registered Owner of a Certificate of a Series of a sum not exceeding the actual cost of preparing each new Certificate of such Series executed and delivered pursuant to this paragraph and of the expenses which may be incurred by the Corporation, the District, the Trustee and the Paying Agent. Any Certificate of a Series executed and delivered under these provisions in lieu of any Certificate of such Series alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Corporation or the District whether or not the Certificate of such Series so alleged to be lost, destroyed or stolen shall be at any time enforceable by anyone, and shall be entitled to the benefits of this Resolution with all other Certificates of such Series secured by this Resolution.

(i) All Certificates of a Series surrendered for payment or registration of transfer, if surrendered to any person other than the Paying Agent, shall be delivered to the Paying Agent and shall be promptly cancelled by it. The District may at any time deliver to the Paying Agent for cancellation any Certificates of a Series previously authenticated and delivered hereunder which the District may have acquired in any manner whatsoever, and all Certificates of such Series so delivered shall promptly be cancelled by the Paying Agent. No Certificate of a Series shall be authenticated in lieu of or in exchange for any Certificates of such Series cancelled as provided herein, except as expressly permitted hereunder. All cancelled Certificates of a Series held by the Paying Agent shall be disposed of as directed by the District.

Section 9. Letter of Credit, Alternate Letter of Credit.

(a) Letter of Credit. The President or Vice President of the Corporation is hereby authorized and directed to execute and deliver the Agreement and such other documents required to be executed and delivered in connection therewith substantially in the forms presenting at this meeting. The Corporation acknowledges that the District has authorized the execution and delivery



of the Agreement with the Bank for and in the name of and on behalf of the District. Pursuant to the Agreement, the Bank shall issue the Letter of Credit which may be drawn upon to pay principal and interest, if any, with respect to the Certificates in accordance with Section 5 hereof.

(b) Alternate Letter of Credit. If at any time there shall have been delivered to the Paying Agent (i) an Alternate Letter of Credit in substitution for the Letter of Credit then in effect, (ii) a Favorable Opinion of Bond Counsel, (iii) written evidence from Moody's if the Certificates are rated by Moody's, and S&P, if the Certificates are rated by S&P, in each case to the effect that such rating agency has reviewed the proposed Alternate Letter of Credit and that the substitution of the proposed Alternate Letter of Credit for the Letter of Credit then in effect will not, by itself, result in a reduction, suspension or withdrawal of the rating(s) of the Certificates from those which then prevail, and (iv) written evidence satisfactory to the Bank of the provision for payment of all amounts due it under the Agreement on or before the effective date of such Alternate Letter of Credit, then the Paying Agent shall accept such Alternate Letter of Credit and shall surrender the Letter of Credit then in effect to the Bank. The District shall give the Dealer, the Paying Agent and the Bank written notice of the proposed substitution of an Alternate Letter of Credit for the Letter of Credit then in effect no less than 30 days prior to the date of such substitution.

Section 10. Dealer. Each Approving Officer is hereby severally authorized to negotiate with the Dealers, the interests rate or rates with respect to, and purchase price of, the Series A Certificates and the purchase price of the Series B Certificates. The President or Vice President of the Corporation are hereby authorized and directed to execute and deliver a Dealer Agreement with each Dealer, substantially in the form presented at the meeting, and such other documents required to be executed and delivered thereunder, for and in the name and on behalf of the Corporation. In accordance with Section 7 of the resolution of the Corporation, the Corporation hereby authorizes the Chief Executive Officer to execute a dealer agreement in substantially the form of the Dealer Agreement, with a successor dealer on an interim basis, in the event a current Dealer resigns or is terminated without a replacement dealer having been approved by the Board.

Section 11. Appointment of Trustee; Disposition of Proceeds of the Certificates; Disposition of TRANS Payments; Trustee.

The Corporation has agreed to employ the Trustee (the "Trustee") to perform the functions of the Trustee under this Resolution, all as herein provided and subject to the terms and conditions of this Resolution. The services to be provided by the Trustee shall be those specified in this Section 11. This appointment shall not preclude the Corporation from removing the Trustee and appointing one or more successors thereto, or appointing additional financial institutions to act as Trustee, all without notice to or consent of the Owners of Certificates in accordance with this Section 11. Any such successor Trustee shall be a bank or trust company with offices or a banking relationship with other banks in California or New York acceptable to the District and the Bank.

(a) Receipt and Disbursement of Funds.

(i) Receipt of Funds. The Corporation shall deposit with the District, and the District shall receive, all funds payable to the Corporation upon the initial execution and delivery of Certificates. The District shall deposit all funds derived from the execution and delivery of Tax-Exempt Certificates in a special fund entitled "Tax-Exempt Project Fund" to be held by the District which fund is hereby pledged to secure the Owners of the Tax-Exempt Certificates and the Bank. The District shall deposit all funds derived from the

execution and delivery of Taxable Certificates in a special fund entitled "Taxable Project Fund" to be held by the District which fund is hereby pledged to secure the Owners of the Taxable Certificates and the Bank.

(ii) Disbursement of Funds. Before any payment from the Tax-Exempt Project Fund shall be made, the Chief Executive Officer of the District shall file or cause to be filed with the Chief Administrative Officer or Chief Financial Officer of the District a requisition in the form of Exhibit C attached hereto and incorporated herein. Upon receipt of a requisition, the Chief Administrative Officer or Chief Financial Officer of the District shall pay such requisition in accordance with this Section 11.

Before any payment from the Taxable Project Fund shall be made, the Chief Executive Officer of the District shall file or cause to be filed with the Chief Administrative Officer or Chief Financial Officer of the District a requisition in the form of Exhibit D attached hereto and incorporated herein. Upon receipt of a requisition, the Chief Administrative Officer or Chief Financial Officer of the District shall pay such requisition in accordance with this Section 11.

(iii) CP Rebate Fund. The Trustee shall establish a CP Rebate Fund which shall be established and maintained separately from Payment Funds created hereunder. The Trustee shall also otherwise comply with the provisions of Section 17 hereof and shall comply with instructions from an Approving Officer intended to assure compliance with each Tax Certificate.

(b) Receipt and Disbursement of TRANS Payments

(i) Tax-Exempt Tax and Revenue Anticipation Note. The Corporation hereby assigns and transfers to the Trustee without recourse, for the benefit of the owners of the Tax-Exempt Certificates and the Bank, all of its rights, title, and interest in the Tax-Exempt TRAN including the right to receive Tax-Exempt TRANS Payments from the District, together with any and all of the other rights of the Corporation with respect to the Tax-Exempt TRAN as may be necessary to enforce payment of such Tax-Exempt TRANS Payments when due or otherwise to protect the interests of the Owners of the Tax-Exempt Certificates and the Bank. Tax-Exempt TRANS Payments are hereby irrevocably pledged and shall be used, upon receipt by the Trustee of instructions from the Paying Agent, to reimburse the Bank for drawings under the Letter of Credit and other Bank Obligations or, (1) upon receipt by the Trustee from the Paying Agent of notice that the Bank has failed to honor all or a portion of a properly presented drawing strictly conforming with the terms and conditions of the Letter of Credit or (2) in the event that an Alternate Letter of Credit provides liquidity support but not credit support, and in each case that Tax-Exempt Certificate proceeds received by the Paying Agent from the applicable Dealer are insufficient to make up the resulting deficiency, for the punctual payment of the Tax-Exempt Certificates, and the Tax-Exempt TRANS Payments shall not be used for any other purpose while any of the Tax-Exempt Certificates remain Outstanding or either the Letter of Credit is in effect or any amount payable to the Bank under the Agreement remains unpaid. This pledge shall constitute a first and exclusive lien on the Tax-Exempt TRANS Payments in accordance with the terms hereof.

All Tax-Exempt TRANS Payments to which the Corporation may at any time be entitled (including income or profit from investments pursuant to Section 11(c)(iii)) shall be paid directly to the Trustee pursuant to the terms of the Tax-Exempt TRAN and if received by the Corporation at any time shall be deposited by the Corporation with the Trustee within one Business Day after the receipt thereof, and the Trustee shall deposit all Tax-Exempt TRANS Payments as and when received in the Series A Payment Fund, as applicable. All moneys at any time deposited in the Series A Payment Fund shall be held by the Trustee in trust for the benefit of the Owners from time to time of the Tax-Exempt Certificates and the Bank, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes herein set forth.

(ii) Taxable Tax and Revenue Anticipation Note. The Corporation hereby assigns and transfers to the Trustee without recourse, for the benefit of the owners of the Taxable Certificates and the Bank, all of its rights, title, and interest in the Taxable TRAN including the right to receive Taxable TRANS Payments from the District, together with any and all of the other rights of the Corporation with respect to the Taxable TRAN as may be necessary to enforce payment of such Taxable TRANS Payments when due or otherwise to protect the interests of the Owners of the Taxable Certificates and the Bank. Taxable TRANS Payments are hereby irrevocably pledged and shall be used, upon receipt by the Trustee of instructions from the Paying Agent, to reimburse the Bank for drawings under the Letter of Credit and other Bank Obligations or, (1) upon receipt by the Trustee from the Paying Agent of notice and that the Bank has failed to honor all or a portion of a properly presented drawing strictly conforming with the terms and conditions of the Letter of Credit, or (2) in the event that an Alternate Letter of Credit provides liquidity support but not credit support, and in each case that Taxable Certificate proceeds received by the Paying Agent from the applicable Dealer are insufficient to make up the resulting deficiency, for the punctual payment of the Taxable Certificates, and the Taxable TRANS Payments shall not be used for any other purpose while any of the Taxable Certificates remain Outstanding or either the Letter of Credit is in effect or any amount payable to the Bank under the Agreement remains unpaid. This pledge shall constitute a first and exclusive lien on the Taxable TRANS Payments in accordance with the terms hereof.

All Taxable TRANS Payments to which the Corporation may at any time be entitled (including income or profit from investments pursuant to Section 11(c)(iii)) shall be paid directly to the Trustee pursuant to the terms of the Taxable TRAN and if received by the Corporation at any time shall be deposited by the Corporation with the Trustee within one Business Day after the receipt thereof, and the Trustee shall deposit all Taxable TRANS Payments as and when received in the Series B Payment Fund. All moneys at any time deposited in the Series B Payment Fund shall be held by the Trustee in trust for the benefit of the Owners from time to time of the Taxable Certificates and the Bank, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes herein set forth.

(iii) Series A Payment Fund. There is hereby established with the Trustee the Series A Payment Fund which the Trustee covenants to maintain and hold in trust separate and apart from other funds held by it so long as any Series A Certificates remain unpaid or any amounts remain owing to the Bank.

The Trustee shall deposit in the Series A Payment Fund the proceeds of the sale of Series A Certificates executed and delivered to repay maturing Series A Certificates

received from the Paying Agent in accordance with Section 5 of the Issuing and Paying Agent Agreement and all Tax-Exempt TRANS Payments allocated to the Series A Certificates received from the District in accordance with the District resolution pursuant to which such Tax-Exempt TRANS Payments are payable immediately upon receipt thereof. Promptly upon receipt by the Trustee of notice from the Paying Agent that a drawing on the Letter of Credit has been honored by the Bank, the Trustee shall transfer to the Bank from amounts on deposit in the Series A Payment Fund to reimburse the Bank for drawings on the Letter of Credit an amount equal to the lesser of the amount of such drawing honored by the Bank and the amount on deposit in the Series A Payment Fund. Promptly upon receipt by the Trustee of notice from the Paying Agent that the Bank dishonored all or a portion of a drawing on the Letter of Credit and that Series A Certificate proceeds received by the Paying Agent from the Dealer are insufficient to make up the resulting deficiency, the Trustee shall transfer to the Paying Agent from amounts on deposit in the Series A Payment Fund an amount equal to the amount requested by the Paying Agent in accordance with Section 6 of the Issuing and Paying Agent Agreement to make up such deficiency to the extent available in the Series A Payment Fund.

(iv) Series B Payment Fund. There is hereby established with the Trustee the Series B Payment Fund which the Trustee covenants to maintain and hold in trust separate and apart from other funds held by it so long as any Series B Certificates remain unpaid or any amounts remain owing to the Bank.

The Trustee shall deposit in the Series B Payment Fund the proceeds of the sale of Series B Certificates executed and delivered to repay maturing Series B Certificates received from the Paying Agent in accordance with Section 5 of the Issuing and Paying Agent Agreement and all Taxable TRANS Payments allocated to the Series B Certificates received from the District in accordance with the District resolution pursuant to which such Taxable TRANS Payments are payable immediately upon receipt thereof. Promptly upon receipt by the Trustee of notice from the Paying Agent that a drawing on the Letter of Credit has been honored by the Bank, the Trustee shall transfer to the Bank from amounts on deposit in the Series B Payment Fund to reimburse the Bank for drawings on the Letter of Credit an amount equal to the lesser of the amount of such drawing honored by the Bank and the amount on deposit in the Series B Payment Fund. Promptly upon receipt by the Trustee of notice from the Paying Agent that the Bank dishonored all or a portion of a drawing on the Letter of Credit and that Series B Certificate proceeds received by the Paying Agent from the Dealer are insufficient to make up the resulting deficiency, the Trustee shall transfer to the Paying Agent from amounts on deposit in the Series B Payment Fund an amount equal to the amount requested by the Paying Agent in accordance with Section 6 of the Issuing and Paying Agent Agreement to make up such deficiency to the extent available in the Series B Payment Fund.

(c) Terms and Conditions of Duties.

(i) Access to Records. Subject to reasonable security and notice requirements of the Trustee, the Trustee shall permit the Corporation, the Bank, or the District, or the duly authorized representatives, attorneys or auditors thereof, to inspect the books and records maintained by the Trustee pursuant hereto at such reasonable times as the Corporation, the Bank, or the District may reasonably request.

(ii) Performance of Duties Generally. At all times, whether or not a default by the District or the Corporation shall have occurred and be continuing, the Trustee shall perform only such actions as are expressly set forth herein, and no implied duties or responsibilities shall be imposed upon the Trustee. Without limiting the foregoing, the Trustee shall have no right or power to exercise any remedies on behalf of the Corporation, the Bank, the holders of the Certificates or any other party arising from any default by the District or the Corporation. No provision hereof shall be construed to relieve the Trustee from liability to the Corporation or the District for the Trustee's own negligent action, negligent failure to act or its own willful misconduct, subject to the following:

(A) The Trustee may consult with counsel and the reasonable advice or opinion of such counsel as to matters of law shall be full and complete authorization and protection in respect of any action taken or suffered hereunder in good faith reliance upon and in accordance with such advice or opinion of counsel.

(B) The Trustee shall not be liable with respect to any action taken, suffered or omitted by it in good faith (a) reasonably believed by it to be authorized or within the discretion or rights or powers conferred on it by this Resolution or (b) in accordance with any written direction or request of the Corporation or the District.

(C) In the absence of willful misconduct or negligence on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any requisition, note, notice, resolution, consent, facsimile, certificate, affidavit, letter, telegram, teletype message, statement, order or other document which appears on its face to be genuine and correct and to have been signed or sent by the proper person or persons.

(D) The Trustee shall not be liable or responsible for forgeries, fraud, impersonations, or determining the scope of authority of any Approving Officer.

(E) No provisions of this Section 11 shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its authority, unless the Trustee believes that repayment or adequate indemnity against risk or liability is assured.

(F) In no event shall the Trustee be personally liable for any taxes or other governmental charges imposed upon or in respect of any funds held therein or upon the income or other distributions thereon. The Trustee shall be reimbursed and indemnified by the District for all such taxes and charges, for any tax or charge against the Trustee and for any expenses, including counsel fees and expenses (including, without limitation, reasonable, allocated costs of in-house counsel and disbursements), which the Trustee may sustain or incur with respect to such taxes or charges.

(G) The Trustee shall not be liable for losses on investments made at the direction of the District or otherwise made in accordance with this Resolution.

(H) Before taking any action hereunder, the Trustee shall have the right, but not the obligation, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that required as a condition to such action, deemed desirable by the Trustee in establishing the necessity or appropriateness of such action.

(I) The Trustee may rely and be protected in relying on any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party, and shall not be required to make any investigation into the facts or matters contained therein. If it chooses to make such inquiry, the Trustee shall have access to the books, records or premises of the District and the Corporation, personally or through agents of the Trustee or attorneys, at any reasonable time upon reasonable notice.

(J) The Trustee shall bear no responsibility for the recitals contained herein and in the Certificates, which recitals are made only by the District and the Corporation, except those recitals expressly attributed to the Trustee. The Trustee makes no representation regarding the validity or sufficiency of this Resolution, the Certificates, the security for the Certificates or the tax status of interest, if any, with respect thereto.

(K) The Trustee and its officers and employees may acquire and hold Certificates with the same effect as if U.S. Bank National Association were not Trustee.

(L) The Trustee may execute any of its trusts or powers or perform its duties through attorneys, agents or receivers.

(M) The Trustee shall be under no obligation to exercise any of the rights or powers vested in the Trustee by this Resolution unless the District shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by the Trustee in compliance with such request or direction.

(N) In acting as Trustee hereunder, the Trustee acts solely in its capacity as Trustee hereunder and not in its individual or personal capacity. Under no circumstances shall the Trustee be liable in its individual or personal capacity for the obligations evidenced by the Certificates.

(O) The Trustee is not responsible for any official statement or any other offering material prepared or distributed with respect to the Certificates.

(iii) Investments. Moneys in the Payment Funds shall be invested by the Trustee in accordance with Section 18 hereof.

(iv) Instructions. The Trustee shall be entitled to conclusively rely and act upon and in compliance with the written instructions of the District.

(d) Successor Trustee.

(i) Merger. Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its trust business and assets or any part thereof, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, shall be and become a successor Trustee hereunder and vested with all of the trusts, powers, discretions, immunities, privileges and other matters as was its predecessor without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

(ii) Resignation. The Trustee and any successor Trustee may at any time resign by giving written notice by registered or certified mail to the Corporation, the District and the Bank. The Corporation shall exercise its best efforts to appoint a successor Trustee. Such resignation shall take effect only upon the effective date of the appointment of a successor Trustee by the Corporation and the acceptance by such successor Trustee of its duties hereunder, and the acceptance and acknowledgment thereof by the District and the Bank in writing, and the transfer of any funds held in the Payment Funds or otherwise in connection with this Section 11 to such successor. If no successor has been appointed within 90 days following removal or resignation of the Trustee, the Trustee shall be entitled to petition a court of competent jurisdiction for the appointment of a successor.

(iii) Removal. The Trustee may be removed at any time upon thirty (30) days' written notice by an instrument or concurrent instruments in writing delivered to the Trustee signed by the Corporation and approved in writing by the District. Such removal shall take effect only upon the effective date of the later of thirty (30) days or the appointment of a successor Trustee by the Corporation, and the acceptance by such successor Trustee of its duties hereunder and the acceptance and acknowledgment thereof by the District and consent thereto by the Bank in writing and the delivery of any funds held in connection with this Resolution to such successor.

(iv) Acceptance by Successor. Every temporary or permanent successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor an instrument in writing accepting such appointment hereunder, whereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, duties and obligations of its predecessors. Such predecessor shall, nevertheless, on the written request of the Corporation or the District, execute and deliver an instrument transferring to such successor all the estates, properties, rights and powers of such predecessor hereunder. Upon payment of any compensation or other amounts due or to become due hereunder to it, every predecessor Trustee shall deliver any funds held in the Payment Funds or otherwise in connection with its undertakings hereunder as the Trustee to its successor. Should any instrument in writing from the Corporation or the District be reasonably required by a successor Trustee for more fully and certainly vesting in such successor the estates, properties, rights, powers, duties and obligations hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, at the request of the temporary or permanent successor Trustee, be forthwith executed and acknowledged by the Corporation or the District, as the case may be, and delivered to such temporary or permanent Trustee.

(e) Fees and Expenses; Indemnification. The Trustee and Paying Agent shall receive fees, payable by the District for acting as Trustee and Paying Agent hereunder in accordance with the Fee Schedule approved by the District. Such fees shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust.

To the extent permitted by law, the District hereby agrees to indemnify the Paying Agent and Trustee and their respective officers, employees and agents against any loss, liability, action, suit, judgment, demand or cost (each a "Liability") and to pay or reimburse the Paying Agent and Trustee for any reasonable expense (including counsel fees and disbursements and reasonable, allocated costs of in-house counsel) which may be incurred by the Paying Agent or Trustee or any officer, employee or agent of either thereof by reason of, or in connection with, the sale of the Certificates or the Paying Agent's appointment and its duties as Paying Agent, or the Trustee's appointment and its duties as Trustee, except such Liability as shall result from Paying Agent's or Trustee's negligence or willful misconduct in the performance of its obligations and duties hereunder. The obligation of the District under this paragraph 11(e) shall survive payment of the Certificates or the resignation or removal of the Paying Agent or Trustee.

Section 12. Unclaimed Money. Anything contained herein to the contrary notwithstanding, any money held by the Paying Agent in trust for the payment and discharge of the principal of or interest, if any, with respect to any Certificates which remains unclaimed for two (2) years after the date when the payments on such Certificates have become payable, if such money was held by the Trustee or the Paying Agent on such date, or for two (2) years after the date of deposit of such money if deposited with the Paying Agent after the date when the principal of or interest, if any, with respect to such Certificates have become payable, shall upon written notice from the District be repaid by the Paying Agent to the District as its absolute property free from trust, and the Paying Agent shall thereupon be released and discharged with respect thereto and the Owners shall look only to the District for the payment of the principal of or interest, if any, with respect to such Certificates; provided that before being required to make any such payment to the District, the Paying Agent shall, at the expense and request of the District, publish once in The Wall Street Journal that such money remains unclaimed and that after a date named in such notice, which date shall not be less than sixty (60) days after the date of the earliest publication of such notice, the Paying Agent shall promptly pay to the Bank so much of such money as the Bank certifies to the Paying Agent that the District owes to the Bank with respect to any Certificate or under this Resolution, and the balance of such money then unclaimed will be returned to the District.

Section 13. Execution and Authentication of Certificates. The Certificates shall be executed by and in the name of the Trustee, as trustee under this Resolution, by the manual signature of an authorized officer or signatory of the Trustee and shall be delivered to the Paying Agent. The Paying Agent is hereby authorized to cause the blank spaces in Exhibit A and Exhibit B, as applicable hereto to be filled in as may be appropriate and to deliver the Certificates to the Dealer in accordance with the terms and provisions of the corresponding Dealer Agreement.

Section 14. Covenant of Further Assurances. It is hereby covenanted and warranted by the Board that all representations and recitals contained in this Resolution are true and correct and that the Board and that the Corporation, and their appropriate officials, have duly taken all proceedings necessary to be taken by them, and will take any additional proceedings necessary to be taken by them, for collection of TRANS Payments in accordance with law and for carrying out the provisions of this Resolution.



Section 15. District as Agent for the Corporation. The Corporation hereby appoints the District as its agent for all responsibilities given the Corporation under this Resolution and the commercial paper program herein described; provided that the District shall not act as the agent of the Corporation hereunder if acting in such capacity shall cause a merger in interest or would otherwise adversely affect the transactions contemplated hereby. References to the District herein shall refer to the District as the Corporation's agent.

Section 16. Paying Agent. The Corporation hereby agrees to employ the Paying Agent to perform the functions of the Paying Agent under this Resolution, all as herein provided and subject to the terms and conditions of this Resolution. In consideration of the compensation herein provided for, the Paying Agent accepts the employment above referred to subject to the terms and conditions of this Resolution. The President of the Corporation is hereby authorized and directed to execute and deliver an issuing and paying agent agreement with the District and the Paying Agent for and in the name of and on behalf of the Corporation. The Issuing and Paying Agent Agreement shall be substantially in the form of the Issuing and Paying Agent Agreement presented to the Board of the Corporation. The Corporation hereby directs and authorizes the payment by the Paying Agent of the principal of or interest, if any, with respect to the Certificates when such become due and payable, from the funds held by the Paying Agent. This appointment shall not preclude the Corporation with the written consent of the District from removing the Paying Agent and appointing one or more successors thereto, or appointing additional financial institutions to act as Paying Agent, all without notice to or the consent of the Owners of the Certificates but with written notice to and consent of the Bank; provided however, that the resignation or removal of the Paying Agent shall not be effective until the conditions set forth in Section 14 of the Issuing and Paying Agent Agreement have been satisfied. Any such successor paying agent shall be a commercial bank with trust powers or a trust company in either case with offices or banking relationships with other banks in New York, New York acceptable to the District and the Bank.

The Paying Agent is also appointed as registrar and hereby is directed to authenticate Certificates upon the direction of an Approving Officer or upon the request of any Owner for the transfer or exchange of Certificates in accordance with the provisions hereof.

Section 17. CP Rebate Fund.

(a) The Corporation shall establish and maintain with the Trustee a fund separate from any other fund established and maintained hereunder designated as the CP Rebate Fund with respect to the Tax-Exempt Certificates. Within the CP Rebate Fund, the Trustee shall maintain such accounts as the District shall direct. Subject to the transfer provisions provided below, all money at any time deposited in the CP Rebate Fund shall be held by the Trustee in trust, to the extent determined by the District to be required to satisfy the Rebate Amount (as defined in the Tax Certificate), for payment to the government of the United States of America. The Corporation, the Trustee, the District, and the Owners shall have no rights in or claim to such money. All amounts deposited into or on deposit in the CP Rebate Fund shall be governed by this Section 17, by Section 19 hereof and by the Tax Certificate (which is incorporated herein by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows the directions of the District, including supplying all necessary information in the manner provided in the Tax Certificate and requested by the District, and shall have no liability or responsibility to enforce compliance by the Corporation or the District with the terms of the Tax Certificate.

(i) Computation. Within 55 days of the end of each fifth Certificate Year (as such term is defined in the Tax Certificate), the District and the Corporation shall calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Treasury Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (e.g., the temporary investments exception of Section 148(f)(4)(B) and the construction expenditure exception of Section 148(f)(4)(C) of the Code or the eighteen month expenditure exception of Section 1.148-7(d) of the Treasury Regulations), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the "1½% Penalty") has been made), for this purpose treating the last day of the applicable Certificate Year as a computation date, within the meaning of Section 1.148-1(b) of the Treasury Regulations (the "Rebatable Arbitrage"). The District shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with this Section.

(ii) Transfer. Within 55 days of the end of the fifth Certificate Year, upon the written Request of the District, an amount shall be deposited to the CP Rebate Fund by the Trustee from any amounts provided by the District legally available for such purpose (as specified by the District in the aforesaid written Request), if and to the extent required so that the balance in the CP Rebate Fund shall equal the amount of Rebatable Arbitrage so calculated in accordance with (i) of this Subsection (a). In the event that immediately following the transfer required by the previous sentence, the amount then on deposit to the credit of the CP Rebate Fund exceeds the amount required to be on deposit therein, upon written Request of the District, the Trustee shall withdraw the excess from the CP Rebate Fund and remit the excess to the District.

(iii) Payment to the Treasury. The Trustee shall pay, as directed by Request of the District, to the United States Treasury, out of amounts in the CP Rebate Fund,

(A) not later than 60 days after the end of (X) the fifth Certificate Year, and (Y) each applicable fifth Certificate Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Certificate Year; and

(B) not later than 60 days after the payment of all the Tax-Exempt Certificates, an amount equal to 100% of the Rebatable Arbitrage calculated as of the date of such payment and any income attributable to the Rebatable Arbitrage determined to be due and payable, computed in accordance with Section 1.148-3 of the Treasury Regulations.

In the event that, prior to the time of any payment required to be made from the CP Rebate Fund, the amount in the CP Rebate Fund is not sufficient to make such payment when such payment is due, the District shall calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to this Subsection (a) shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, or shall be made in such other manner as provided under the Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the CP Rebate Fund after payment in full of the Tax-Exempt Certificates and the payments described in Subsection (a)(iii) above being made may be withdrawn by the District and utilized in any manner by the District.

(c) Survival of Defeasance. Notwithstanding anything in this Section to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance or payment in full of the Tax-Exempt Certificates.

(d) Recordkeeping. The District shall retain records of all determinations made hereunder until six years after the complete retirement of the Tax-Exempt Certificates.

(e) Inapplicability of Section to Proceeds of Taxable Certificates. Nothing in this Section 17 shall apply to the use of the proceeds of the Taxable Certificates, including the investment earnings thereon.

Section 18. Investment of Moneys in Funds. The Trustee shall, upon the direction of the District, invest moneys in the Payment Funds in Permitted Investments as instructed in writing by an Approving Officer. If the Trustee receives no such direction, or is unable to invest such proceeds in Permitted Investments, the Trustee will invest such moneys in a money market or sweep account qualifying as a Permitted Investment. All Permitted Investments in which proceeds of the Tax-Exempt Certificates are invested shall be acquired subject to the limitations set forth in Section 19 hereof.

All interest, profits and other income received from the investment of moneys in the CP Rebate Fund shall be deposited when received in such fund. All interest, profits and other income received from the investment of moneys in any other fund or account established pursuant to this Resolution shall be retained in such fund or account and after any fund or account is closed, any moneys in such fund or account, including investment earnings which would be allocated thereto shall be transferred when received to the District or as otherwise specified by the District pursuant to the Tax Certificate. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the fund or account for the credit of which such Investment Security was acquired.

Permitted Investments acquired as an investment of moneys in any fund or account established under this Resolution shall be credited to such fund or account, and shall be valued by the Trustee (but only in respect to funds and accounts which it maintains) at cost. For the purpose of determining the amount in any such fund or account, all Permitted Investments credited to such fund or account shall be valued on the last day of June of each year.

In the absence of any contrary instruction pursuant to Section 19 hereof, the Trustee and the District, as the case may be, may commingle any of the funds or accounts established pursuant to this Resolution in a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Trustee and the District hereunder shall be accounted for separately as required by this Resolution. Notwithstanding the foregoing, the Trustee and the District shall not commingle any funds or accounts created with respect to the Taxable Certificates with any funds or accounts created with respect to this Tax-Exempt Certificates. The Trustee may act as principal or agent in the making or disposing of any investment. The Trustee shall sell at the best price reasonably obtainable

by it, or present for prepayment, any Permitted Investments so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from such investment. The Trustee shall not be responsible for any tax, fee or other charge in connection with any investment, reinvestment or the liquidation thereof.

The Trustee or any of its affiliates may act as sponsor or advisor or provide administrative or other services in connection with any Permitted Investments.

To the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District or the Corporation the right to receive brokerage confirmations of security transactions as they occur, the District and the Corporation will not receive such confirmations to the extent permitted by law. The Trustee will furnish the District and the Corporation (to the extent requested by it) periodic cash transaction statements as provided herein which include detail for all investment transactions made by the Trustee hereunder.

Section 19. Tax Covenants. Notwithstanding any other provision of this Resolution, absent an opinion of Bond Counsel that the exclusion from gross income of interest as evidenced by the Tax-Exempt Certificates will not be adversely affected for federal income tax purposes, the District and the Corporation covenant to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The District and the Corporation will take no action or refrain from taking any action or make any use of the proceeds of the Tax-Exempt Certificates or of any other moneys or property which would cause the Tax-Exempt Certificates to be "private activity bonds" within the meaning of Section 141 of the Code;

(b) Arbitrage. The District and the Corporation will make no use of the proceeds of the Tax-Exempt Certificates or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action which will cause the Tax-Exempt Certificates to be "arbitrage bonds" within the meaning of Section 148 of the Code;

(c) Federal Guaranty. The District and the Corporation will make no use of the proceeds of the Tax-Exempt Certificates or take or omit to take any action that would cause the Tax-Exempt Certificates to be "federally guaranteed" within the meaning of Section 149(b) of the Code;

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

(e) Hedge Bonds. The District and the Corporation will make no use of the proceeds of the Tax-Exempt Certificates or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause either the Tax-Exempt Certificates to be considered "hedge bonds" within the meaning of Section 149(g) of the Code unless the District and the Corporation takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the Tax-Exempt Certificates for federal income tax purposes; and

(f) Miscellaneous. The District and the Corporation will take no action or refrain from taking any action inconsistent with its expectations stated in that certain Tax Certificate executed by the District and the Corporation in connection with each issuance of Tax-Exempt Certificates and will comply with the covenants and requirements stated therein and incorporated by reference herein.

Section 20. Benefits of This Resolution Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the Bank, the Corporation, the District, the Paying Agent, the Trustee and the Owners any claim, remedy or right under or pursuant hereto, and any agreement, condition, covenant or term contained herein required to be observed or performed by or on behalf of the Corporation or the District shall be for the sole and exclusive benefit of the Bank, the Trustee, the Paying Agent and the Owners.

Section 21. Successor Deemed Included in All References to Predecessor. Whenever the Bank, the Corporation, the District, the Trustee, the Paying Agent or any officer thereof is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Bank, the Corporation, the Trustee, the District, the Paying Agent or such officer, and all agreements, conditions, covenants and terms contained herein required to be observed or performed by or on behalf of the Bank, the Corporation, the District, the Trustee, the Paying Agent or any officer thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 22. Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required herein to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or such Owner's attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which such notary public or other officer purports to act that the person signing such declaration, request or other instrument or writing acknowledged to such notary public or other officer the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer, or by such other proof as the Paying Agent may accept which it may deem sufficient.

Any declaration, request or other instrument in writing of the Owner of any Certificate shall bind all future Owners of such Certificate with respect to anything done or suffered to be done by the Corporation, the Trustee, the District or Paying Agent in good faith and in accordance therewith.

Section 23. Waiver of Personal Liability. No member of the Board of Directors of the District or the Board of Directors of the Corporation or officer or employee of the Corporation or the District shall be individually or personally liable for the payment of the principal or interest, if any, with respect to the Certificates.

Section 24. Acquisition of the Certificates by the Corporation or the District. All Certificates acquired by the Corporation or the District, whether by purchase or gift or otherwise, shall be surrendered to the Paying Agent for cancellation.

Section 25. Notice by Mail. Any notice required to be given hereunder by mail to the Owners shall be given by mailing a copy of such notice, first class postage prepaid, to the Owners of

all the Certificates at their addresses appearing in the books required to be kept by the Paying Agent pursuant to the provisions of this Resolution.

Section 26. Funds. Any fund required to be established and maintained herein by the Trustee or the Paying Agent may be established and maintained in the account records of the Paying Agent either as an account or a fund, and may, for the purpose of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such funds shall at all times be maintained in accordance with sound industry practice and with due regard for the protection of the security of the Certificates.

Section 27. Partial Invalidity. If any one or more of the conditions, covenants or terms contained herein or required herein to be observed or performed by or on the part of the Corporation, the District, the Paying Agent, the Trustee or the Bank shall be contrary to law, then such condition or conditions, such covenant or covenants, or such term or terms shall be null and void and shall be deemed separable from the remaining conditions, covenants and terms hereof and shall in no way affect the validity hereof or of the Certificates, and the Owners shall retain all the benefit, protection and security afforded to them hereunder and under all provisions of applicable law. The Corporation and the District declare that they would have executed and delivered this Resolution and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the execution and delivery of the Certificates pursuant hereto irrespective of the fact that any one or more of the articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 28. Reference to Bank. Notwithstanding any provisions contained herein to the contrary, after the expiration or termination of the Letter of Credit under the Agreement and after all obligations owed to the Bank pursuant to the Agreement (other than the right to indemnification and other rights which purport to survive satisfaction of present payment obligations) have been paid in full or discharged, all references to the Bank contained herein shall be null and void and of no further force and effect.

Section 29. Governing Law. THIS RESOLUTION SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

Section 30. Notices. All written notices to be given hereunder shall be given by first-class mail, postage prepaid to the party or parties entitled thereto at the address set forth below, or at such other address as may be provided to the other parties hereinafter listed in writing from time to time, namely:

If to the Corporation:

Santa Clara Valley Water District Public Facilities Financing Corporation  
c/o Santa Clara Valley Water District  
5750 Almaden Expressway  
San Jose, California 95118-3614  
Attn: Clerk of the Board  
Telephone No: (408) 265-2607  
Telecopy No.: (408) 979-5685

If to the District:

Santa Clara Valley Water District  
5750 Almaden Expressway  
San Jose, California 95118-3614  
Attn: Charlene Sun, Treasury/Debt Officer  
Telephone No: (408) 630-2528  
Telecopy No.: (408) 979-5685

If to the Paying Agent:

U.S. Bank National Association  
100 Wall Street, Suite 1600  
New York, New York 10005  
Attn: Rocky Prashad, Commercial Paper Operations  
Telephone No: (212) 361-6140  
Telecopy No.: (212) 509-4529

If to the Trustee:

U.S. Bank National Association  
One California Street, Suite 1000  
San Francisco, California 94111  
Attn: Mary Wong/Corporate Trust Services  
Telephone No: (415) 677-3602

If to Moody's:

Moody's Investors Service  
7 World Trade Center  
250 Greenwich Street  
New York, New York 10007  
Attention: Public Finance Department/Rating Desk/C.F.

If to S&P:

Standard & Poor's Ratings Services  
25 Broadway  
New York, New York 10004  
Attention: Municipal Finance Department

If to the Bank:

Wells Fargo Bank, National Association  
550 California Street, 10th Floor  
San Francisco, California 94104  
Attn: Shelley Rintala  
Telephone No: (415) 396-8426  
Telecopy No.: (866) 359-9962

Wells Fargo Bank, National Association  
550 California Street, 10th Floor  
San Francisco, California 94104  
Attn: Jose Henriquez  
Telephone No: (415) 222-4795  
Telecopy No.: (415) 646-8767

With a copy to:

Chapman & Cutler LLP  
111 West Monroe Street  
Chicago, Illinois 60603  
Attn: Richard A. Cosgrove  
Telephone No: (312) 845-3738  
Telecopy No.: (415) 516-1938

Section 31. Notices to Rating Agencies. The Trustee shall give immediate notice to Moody's and S&P in the event:

- (a) The Paying Agent or Trustee resigns or is replaced.
- (b) This Resolution is amended or supplemented provided the Trustee shall have received written notice thereof.
- (c) The Agreement expires or is terminated, substituted or extended provided the Trustee shall have received written notice thereof.
- (d) The Agreement or the Issuing and Paying Agent Agreement terminates or is amended or supplemented, provided that the Trustee shall have received written notice thereof.
- (e) Appointment of a Dealer other than the initial Dealers, provided that the Trustee shall have received written notice thereof.
- (f) Defeasance of all or any portion of the Certificates.

Section 32. Next Succeeding Business Day. Unless otherwise noted in this Resolution, in the event that the day on which any act or function is to be performed or done is not a Business Day, such act or function will be performed or done on the next succeeding Business Day (and if such function is the making of a payment then no interest shall accrue for the intervening period).

Section 33. General Authorization. All actions heretofore taken by the officers and agents of the Corporation or the Board and Approving Officers with respect to the sale and issuance of the Certificates are hereby approved, confirmed and ratified, and the officers and agents of the Corporation and the Board and Approving Officers are hereby authorized and directed, for and in the name and on behalf thereof, to do any and all things and take any and all actions and execute any and all certificates, agreements and other documents which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Certificates in accordance with this Resolution.



Section 34. Modification or Amendment of this Resolution.

(a) Amendments Permitted.

(i) This Resolution and the rights and obligations of the Corporation, the District, the Owners of the Certificates, the Paying Agent and of the Trustee may be modified or amended from time to time and at any time by a resolution or resolutions supplemental thereto, which the Corporation may adopt with the written consent of the Bank, the District, the Trustee and the Paying Agent and with the written consent of the Owners of a majority in aggregate principal amount of all Certificates then Outstanding on file with the Trustee. No such modification or amendment shall (1) extend the fixed maturity of any Certificates, or reduce the amount of principal thereof, or extend the time of payment, or change the method of computing the rate of interest with respect thereto, or extend the time of payment of interest with respect thereto, without the consent of the Owner of each Certificate so affected, or (2) reduce the aforesaid percentage of Certificates the consent of the Owners of which is required to affect any such modification or amendment, or (3) permit the creation of any lien on the Tax-Exempt TRANS Payments or the Taxable TRANS Payments and other assets pledged under this Resolution, without the consent of the Owners of all of the Certificates then Outstanding. It shall not be necessary for the consent of the Certificate Owners to approve the particular form of any supplemental resolution, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the adoption by the Corporation and written consent thereto by the District of any supplemental Resolution pursuant to this clause (i), the Trustee shall mail a notice, setting forth in general terms the substance of such supplemental Resolution, to Moody's and S&P and the Owners of the Certificates at the respective addresses shown on the Certificate registration books held by the Trustee. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental resolution.

(ii) This Resolution and the rights and obligations of the Corporation, the District, the Trustee, the Paying Agent and the Owners of the Certificates may also be modified or amended from time to time and at any time by a supplemental resolution, which the Corporation may adopt with the written consent of the District and the Bank, the Trustee and the Paying Agent but without the consent of any Certificate Owners for any one or more of the following purposes:

(A) to add to the covenants and agreements of the Corporation or the District in this Resolution contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Certificates (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Corporation or the District;

(B) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in this Resolution, or in regard to matters or questions arising under this Resolution, as the Corporation may deem necessary or desirable and to which the District consents in writing; or

(C) to modify, amend or supplement this Resolution in such manner as to cause interest with respect to the Tax-Exempt Certificates to remain excludable from gross income under the Code.

(iii) The Trustee and the Paying Agent shall not be obligated to consent to any such supplemental resolution authorized by subsections (a) or (b) of this Section 34 which materially adversely affects the Trustee's or the Paying Agent's own rights, duties or immunities under this Resolution or otherwise.

(iv) Prior to the Trustee consenting to any supplemental resolution hereunder, there shall be delivered to the Trustee an opinion of Bond Counsel stating, in substance, that such supplemental resolution has been adopted in compliance with the requirements of this Resolution and that the adoption of such supplemental resolution will not, in and of itself, adversely affect the exclusion of interest with respect to the Tax-Exempt Certificates from federal income taxation.

(b) Effect of Supplemental Resolution.

Upon the adoption of any supplemental resolution pursuant to this Section, this Resolution shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Resolution of the Corporation, the District, the Trustee and all Owners of Certificates Outstanding shall thereafter be determined, exercised and enforced thereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such supplemental resolution shall be deemed to be part of the terms and conditions of this Resolution for any and all purposes. The Bank shall be notified in writing of the adoption of any supplemental resolution pursuant to this Section.

(c) Endorsement of Certificates; Preparation of New Certificates.

Certificates delivered after the adoption of any supplemental resolution pursuant to this Section 34 may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by an Approving Officer as to any modification or amendment provided for in such supplemental resolution, and, in that case, upon demand on the Owner of any Certificates Outstanding at the time of such execution and presentation of Certificates for the purpose at the office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such Certificates. If the supplemental resolution shall so provide, new Certificates so modified as to conform, in the opinion of the Corporation, to any modification or amendment contained in such supplemental resolution, shall be prepared and executed by the Corporation and authenticated by the Trustee, and upon demand on the Owners of any Certificates then Outstanding shall be exchanged at the office of the Trustee, without cost to any Certificate owner, for Certificates then Outstanding, upon surrender for cancellation of such Certificates, in equal aggregate principal amount of the same maturity.

(d) Amendment of Particular Certificates.

The provisions of this Section shall not prevent any Certificate Owner from accepting any amendment as to the particular Certificates held by such Owner.

(d) Amendment of Particular Certificates.

The provisions of this Section shall not prevent any Certificate Owner from accepting any amendment as to the particular Certificates held by such Owner.

Section 35. Defeasance. Whenever the Corporation shall deposit or cause to be deposited with the Trustee lawful moneys of the United States of America or Permitted Investments described in clause (i) or (ii) of the definition thereof, the principal of and the interest on which when due will provide money (as set forth in a verification report prepared by an Independent Certified Public Accountant) in an amount equal to the principal and interest, if any, due with respect to all or a portion of the outstanding Certificates upon the maturity thereof, the obligations of the Corporation hereunder, with respect to all or such portion of Certificates as have been so provided, shall thereupon cease, terminate, become void and be completely discharged and satisfied.

Section 36. Effective Date. This Resolution shall take effect from and after its date of adoption.


ADOPTED, SIGNED AND APPROVED this 10<sup>th</sup> day of May, 2012.



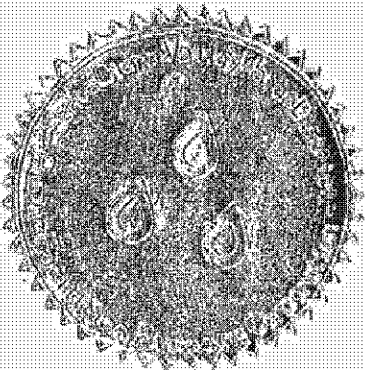
President of Santa Clara Valley Water District Public  
Facilities Financing Corporation

(SEAL)

ATTEST:



Secretary of Santa Clara Valley Water District  
Public Facilities Financing Corporation



STATE OF CALIFORNIA

COUNTY OF SANTA CLARA

) SS  
)

I, Michele L. King, Secretary of the Santa Clara Valley Water District Public Facilities Financing Corporation, DO HEREBY CERTIFY that the foregoing Resolution being No. 12-001, was adopted at a regular Board Meeting on May 10, 2012, of said Corporation by the following vote:

AYES: Directors: Garrod, Vanni, Bennetti, Oberg

NOES: Directors: None.

ABSTAIN: Directors: Mullen

ABSENT: Directors: None.


  
Secretary

EXHIBIT A

[FORM OF TAX-EXEMPT CERTIFICATE]

Registered  
No. \_\_\_\_\_

Registered  
\$ \_\_\_\_\_

SANTA CLARA VALLEY WATER DISTRICT  
COMMERCIAL PAPER CERTIFICATE, SERIES A (TAX-EXEMPT)

DATE OF  
ORIGINAL ISSUE

MATURITY  
DATE

REGISTERED OWNER: \_\_\_\_\_

PRINCIPAL AMOUNT: \_\_\_\_\_

This is to certify that the registered owners of this Santa Clara Valley Water District Commercial Paper Certificate is the owner of an undivided interest in the right to receive certain principal and interest payments on tax-exempt tax and revenue anticipation notes (the "Tax-Exempt TRANS Payments") received from time to time by the Santa Clara Valley Water District Public Facilities Financing Corporation (the "Corporation") from the Santa Clara Valley Water District (the "District"), under a Resolution of the Corporation, adopted on April 10, 2012 (the "Resolution"). The Corporation's right to receive the Tax-Exempt TRANS Payments have been assigned to U.S. Bank National Association, as Trustee (the "Trustee"). The Registered Owner is entitled to receive, at the principal office of the Trustee in New York, New York (the "Paying Agent"), the Principal Amount specified above on the Maturity Date specified above, upon its presentation and surrender as provided in the Resolution, and to receive interest with respect to such Principal Amount on the Maturity Date described herein. Interest is calculated on the basis of a 365/366 day year and actual days elapsed, as specified in the Resolution.

Unless this certificate is presented by an authorized representative of The Depository Trust Company ("DTC") to the Trustee or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of CEDE & CO. or such other name as requested by an authorized representative of DTC (and any payment is made to CEDE & CO. or to such other entity as is requested by an authorized officer of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL, since the Registered owner hereof, CEDE & CO., has an interest herein.

The Certificate is one of a duly authorized issue of tax-exempt commercial paper certificates executed and delivered by the Trustee under and by authority of the Resolution. All Certificates executed and delivered under the Resolution are payable from drawings on a letter of credit issued by

Wells Fargo Bank, National Association, or an Alternate Letter of Credit issued by another financial institution (the "Bank"), or, to the extent the Bank wrongfully dishonors a drawing of said Letter of Credit, from the proceeds of Certificates executed and delivered for such purpose and from Tax-Exempt TRANS Payments and from no other source. The obligation of the District to make the Tax-Exempt TRANS Payment is a general obligation of the District in accordance with Section 53857 of the California Government Code and is secured by and payable from Net Water Utility System Revenues of the District, subordinate only to Bonds and Contracts of the District, all as provided in the resolutions authorizing the issuance of the tax-exempt tax and revenue anticipation notes. This Certificate does not constitute an obligation of the District, the Corporation or any other public agency.

By acceptance of this Certificate the Registered Owner consents to all the terms and conditions hereof, and of the Resolution, a copy of which is on file with the Trustee.

This Certificate is transferable by the Registered Owner hereof in person or by his attorney duly authorized in writing at the office of the Paying Agent described above, but only in the manner, subject to the limitations and upon payment of the charges provided in the Resolution, and upon surrender and cancellation of this Certificate. Upon such transfer a new Certificate or Certificates of authorized denominations and for the same aggregate principal amount will be executed and delivered to the transferees in exchange herefor.

The Corporation, the District, the Trustee and the Paying Agent may deem and treat the Registered Owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal and interest due with respect hereto and for all other purposes and neither the Corporation, the District, the Trustee nor the Paying Agent shall be affected by any notice to the contrary.

This Certificate shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by the Paying Agent.

The Trustee has executed this Certificate solely in its capacity as Trustee under the Resolution and not in its individual or personal capacity. The Trustee is not responsible for the accuracy of the recitals of fact herein.

THE AUTHORITY HAS CERTIFIED, RECTED AND DECLARED that all acts, conditions and things required by the Resolution to exist, to have happened and to have been performed precedent to and in the execution and delivery of this Certificate, exist, have happened and have been performed in due time, form and manner as required by law.

IN WITNESS WHEREOF, this Certificate has been executed by the manual signature of an authorized officer or signatory of the Trustee.

U.S. BANK NATIONAL ASSOCIATION  
as Trustee

By: \_\_\_\_\_  
Authorized Signatory

Execution date:

CERTIFICATE OF AUTHENTICATION

This is one of the Certificates described in the within-mentioned Resolution, which Certificate has been authenticated on the date set forth below and is one of the Santa Clara Valley Water District Commercial Paper Certificates.

Date of Authentication:

U.S. BANK NATIONAL ASSOCIATION,  
Paying Agent

By: \_\_\_\_\_  
Authorized Signatory



EXHIBIT B

[FORM OF TAXABLE CERTIFICATE]

Registered  
No. \_\_\_\_\_

Registered  
\$ \_\_\_\_\_

SANTA CLARA VALLEY WATER DISTRICT  
COMMERCIAL PAPER CERTIFICATE, SERIES B (TAXABLE)

DATE OF  
ORIGINAL ISSUE

MATURITY  
DATE

REGISTERED OWNER: \_\_\_\_\_

PRINCIPAL AMOUNT: \_\_\_\_\_

This is to certify that the registered owners of this Santa Clara Valley Water District Commercial Paper Certificate is the owner of an undivided interest in the right to receive certain principal and interest payments on taxable tax and revenue anticipation notes (the "Taxable TRANS Payments") received from time to time by the Santa Clara Valley Water District Public Facilities Financing Corporation (the "Corporation") from the Santa Clara Valley Water District (the "District"), under a Resolution of the Corporation, adopted on April 10, 2012 (the "Resolution"). The Corporation's right to receive the Taxable TRANS Payments have been assigned to U.S. Bank National Association, as Trustee (the "Trustee"). The Registered Owner is entitled to receive, at the principal office of the Trustee in New York, New York (the "Paying Agent"), the Principal Amount specified above on the Maturity Date specified above, upon its presentation and surrender as provided in the Resolution; and to receive interest, if any, with respect to such Principal Amount on the Maturity Date described herein. Interest, if any, is calculated on the basis of a 365/366 day year and actual days elapsed, as specified in the Resolution.

Unless this certificate is presented by an authorized representative of The Depository Trust Company ("DTC") to the Trustee or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of CEDE & CO. or such other name as requested by an authorized representative of DTC (and any payment is made to CEDE & CO. or to such other entity as is requested by an authorized officer of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL, since the Registered owner hereof, CEDE & CO., has an interest herein.

The Certificate is one of a duly authorized issue of taxable commercial paper certificates executed and delivered by the Trustee under and by authority of the Resolution. All Certificates executed and delivered under the Resolution are payable from drawings on a letter of credit issued by Wells Fargo Bank, National Association, or an Alternate Letter of Credit issued by another financial institution (the "Bank"), or, to the extent the Bank wrongfully dishonors a drawing of said Letter of

Credit, from the proceeds of Certificates executed and delivered for such purpose and from Taxable TRANS Payments and from no other source. The obligation of the District to make the Taxable TRANS Payment is a general obligation of the District in accordance with Section 53857 of the California Government Code and is secured by and payable from Net Water System Revenues the District subordinate only to Bonds and Contracts of the District, all as provided in the resolutions authorizing the issuance of the tax and taxable revenue anticipation notes. This Certificate does not constitute an obligation of the District, the Corporation or any other public agency.

By acceptance of this Certificate the Registered Owner consents to all the terms and conditions hereof, and of the Resolution, a copy of which is on file with the Trustee.

This Certificate is transferable by the Registered Owner hereof in person or by his attorney duly authorized in writing at the office of the Paying Agent described above, but only in the manner, subject to the limitations and upon payment of the charges provided in the Resolution, and upon surrender and cancellation of this Certificate. Upon such transfer a new Certificate or Certificates of authorized denominations and for the same aggregate principal amount will be executed and delivered to the transferees in exchange herefor.

The Corporation, the District, the Trustee and the Paying Agent may deem and treat the Registered Owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal due with respect hereto and for all other purposes and neither the Corporation, the District, the Trustee nor the Paying Agent shall be affected by any notice to the contrary.

This Certificate shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by the Paying Agent.

The Trustee has executed this Certificate solely in its capacity as Trustee under the Resolution and not in its individual or personal capacity. The Trustee is not responsible for the accuracy of the recitals of fact herein.

THE AUTHORITY HAS CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Resolution to exist, to have happened and to have been performed precedent to and in the execution and delivery of this Certificate, exist, have happened and have been performed in due time, form and manner as required by law.

IN WITNESS WHEREOF, this Certificate has been executed by the manual signature of an authorized officer or signatory of the Trustee.

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee

By: \_\_\_\_\_

Authorized Signatory

Execution date:

CERTIFICATE OF AUTHENTICATION

This is one of the Certificates described in the within-mentioned Resolution, which Certificate has been authenticated on the date set forth below and is one of the Santa Clara Valley Water District Commercial Paper Certificates.

Date of Authentication:

U.S. BANK NATIONAL ASSOCIATION,  
Paying Agent

By: \_\_\_\_\_  
Authorized Signatory

EXHIBIT C

REQUISITION FORM FOR PAYMENT FROM  
TAX-EXEMPT PROJECT FUND

WHEREAS, pursuant to Resolution No. \_\_\_\_\_, adopted by the Santa Clara Valley Water District Public Facilities Financing Corporation (the "Corporation") on May \_\_, 2012 (the "Resolution"), the Corporation has appointed Santa Clara Valley Water District (the "District") as its agent for the responsibilities given the District under the Resolution, including responsibilities concerning disbursements for the Tax-Exempt Project Fund; and

WHEREAS, the District now wishes to withdraw certain funds for the payment of such permissible expenditures.

NOW, THEREFORE, the District hereby requisitions a withdrawal as follows:

\$ \_\_\_\_\_

- (i) Name and number of project:
- (ii) Item number of the payment from this account:
- (iii) (a) The name of the project involved:  
(b) The person to whom the payment is to be made [or the amount being requisitioned is for reimbursement of the District for costs of project theretofore paid by the District]:
- (iv) The purpose for which the obligation to be satisfied by such payment was incurred:
- (v) The amount requested has been incurred by the District and is presently due and payable and each item thereof is a proper charge against the above specified account and has not heretofore been previously paid therefrom;
- (vi) There has not been filed with or served upon the District any notice of lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the amounts payable to any of the persons named in such requisition, which has not been released or will not be released simultaneously with the payment of such obligation (other than materialmen's or mechanics' liens accruing by mere operation of law.

IN WITNESS WHEREOF, the District has caused this requisition to be signed by the Authorized Officer thereunto duly authorized:

SANTA CLARA VALLEY WATER DISTRICT

By: \_\_\_\_\_

EXHIBIT D

REQUISITION FORM FOR PAYMENT FROM  
THE TAXABLE PROJECT FUND

WHEREAS, pursuant to Resolution No. \_\_\_\_\_, adopted by the Santa Clara Valley Water District Public Facilities Financing Corporation (the "Corporation") on May \_\_, 2012, (the "Resolution"), the Corporation has appointed Santa Clara Valley Water District (the "District") as its agent for the responsibilities given the District under the Resolution, including responsibilities concerning disbursements for the Taxable Project Fund; and

WHEREAS, the District now wishes to withdraw certain funds for the payment of such permissible expenditures.

NOW, THEREFORE, the District hereby requisitions a withdrawal as follows:

\$ \_\_\_\_\_

- (i) Name and number of project:
- (ii) Item number of the payment from this account:
- (iii) (a) The name of the project involved:  
  
(b) The person to whom the payment is to be made [or the amount being requisitioned is for reimbursement of the District for costs of project theretofore paid by the District]:
- (iv) The purpose for which the obligation to be satisfied by such payment was incurred:
- (v) The amount requested has been incurred by the District and is presently due and payable and each item thereof is a proper charge against the above specified account and has not heretofore been previously paid therefrom;
- (vi) There has not been filed with or served upon the District any notice of lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the amounts payable to any of the persons named in such requisition, which has not been released or will not be released simultaneously with the payment of such obligation (other than materialmen's or mechanics' liens accruing by mere operation of law.

IN WITNESS WHEREOF, the District has caused this requisition to be signed by the Authorized Officer thereunto duly authorized:

SANTA CLARA VALLEY WATER DISTRICT

By: \_\_\_\_\_