

**SANTA CLARA VALLEY WATER DISTRICT
PUBLIC FACILITIES FINANCING CORPORATION MEETING (PFFC)
Santa Clara Valley Water District
5700 Almaden Expressway
Headquarters Building, Room A136
San Jose, CA 95118**

A G E N D A

November 10, 2016

10:00 a.m.

1. Roll Call.
2. Public Comment – Time Open for Public Comment on Any Subject Not on the Agenda.
3. Approval of Minutes of January 28, 2016 PFFC Meeting.
4. Fiscal Year 2016-2017 Santa Clara Valley Water District Budget and Debt Program Updates.
5. Adopt a Resolution of the Board of Directors of the Santa Clara Valley Water District Public Facilities Financing Corporation Authorizing the Execution and Delivery of Aggregate Principal Amount Not To Exceed \$65,000,000 Refunding and Improvement Certificates of Participation, Approving the Execution and Delivery of Certain Documents and Authorizing Certain Actions in Connection Therewith.
6. Adopt a Resolution of the Board of Directors of the Santa Clara Valley Water District Public Facilities Financing Corporation Authorizing the Execution and Delivery of Certain Agreements In Connection With the Expansion of the Santa Clara Valley Water District Commercial Paper Program and the Execution and Delivery of Santa Clara Valley Water District Commercial Paper Certificates and Revolving Certificates Thereunder and Certain Related Actions.
7. Schedule Next PFFC Meeting.
8. Other Business.
9. Adjourn.



DRAFT MINUTES
SANTA CLARA VALLEY WATER DISTRICT
PUBLIC FACILITIES FINANCING CORPORATION
January 28, 2016

(Paragraph numbers coincide with agenda item numbers)

A Special Meeting of the Santa Clara Valley Water District Public Facilities Financing Corporation (PFFC) was held in Conference Room A-143 of the District Headquarters Building, 5700 Almaden Expressway, San Jose, California, at 2:00 p.m. on January 28, 2016.

1. Roll Call: PFFC Board of Director members in attendance were Anthony Bennetti, Dean Chu, Maria Oberg, and David Vanni, constituting a quorum.

PFFC Director Steven Mullen was absent.

PFFC Corporate Officer present: Michele King, Corporate Secretary.

District Board Member present: Director Nai Hsueh, District 5.

District staff present: Najon Chu, Chief Financial Officer; Jim Fielder, Chief Operating Officer, Water Utilities; Jesus Nava, Chief Administrative Officer; Charlene Sun, Treasury and Debt Officer; and Stan Yamamoto, District Counsel.

Members of the external finance team present: Mr. Doug Brown, Bond Counsel, Stradling, Yocca, Carlson and Rauth; and Mr. Ed Soong, Financial Advisor, Public Resources Advisory Group.

2. Time Open for Public Comment on Any Subject Not on the Agenda: There was no one present who wished to speak.

3. Approval of Minutes of November 17, 2015 PFFC Meeting: It was moved by Director Bennetti, seconded by Director Chu, and unanimously carried that the November 17, 2015, minutes be approved as presented.

4. Adopt Resolution of the Board of Directors of the Santa Clara Valley Water District Public Facilities Financing Corporation Authorizing the Execution and Delivery of Not to Exceed \$125 million Revenue Certificates of Participation, Approving the Execution and Delivery of Certain Documents and Authorizing Certain Actions in Connection Therewith: Ms. Charlene Sun, Treasury Debt Officer, provided the Corporation Board with information on the District's 2016 Water Utility Financing Plan, including review of the Revenue Certificates of Participation, finance plan, District Capital Improvement Plan, estimated sources and uses of funds, key terms of the Parity Master Resolution, flow of funds, credit rating agency process, disclosure requirements, financing team members, estimated costs of issuance, and financing schedule. Mr. Doug Brown, Bond Counsel from Stradling, Yocca, Carlson and Rauth, reviewed the legal documents associated with the refinancing.

It was moved by Director Bennetti, seconded by Director Oberg to ADOPT RESOLUTION NO. 16-001 OF THE BOARD OF DIRECTORS OF THE SANTA CLARA VALLEY WATER DISTRICT PUBLIC FACILITIES FINANCING CORPORATION AUTHORIZING THE EXECUTION AND DELIVERY OF NOT TO EXCEED \$125 MILLION REVENUE CERTIFICATES OF PARTICIPATION, APPROVING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS AND AUTHORIZING CERTAIN ACTIONS IN CONNECTION THEREWITH, by roll call vote:

Ayes: A.Bennetti, D. Chu, M. Oberg, D. Vanni
Noes: None
Abstain: None
Absent: S. Mullen

5. Discuss Regular Meeting Schedule: Ms. Michele King, Corporate Secretary, reviewed the current PFFC regular meeting schedule as outlined in Resolution 1 that set a specific meeting date and time in November. The committee agreed that the new meeting time would be held in the month of November, no later than the second week, at 2:00 p.m.

It was moved by Director Chu, seconded by Director Oberg, to ADOPT RESOLUTION NO. 16-002 setting the regular meeting date and time for the Santa Clara Valley Water District Public Facilities Financing Corporation to be held in November, no later than the second week at 2:00 p.m., by roll call vote:

Ayes: A.Bennetti, D. Chu, M. Oberg, D. Vanni
Noes: None
Abstain: None
Absent: S. Mullen

6. Schedule Next PFFC Meeting: It was agreed that there was no need for another special PFFC meeting. The committee agreed that the next meeting would be scheduled in accordance with the newly adopted resolution.

7. Other Business: None.

8. Adjourn: The meeting adjourned at 2:55 p.m.

Michele L. King, CMC
Corporate Secretary, PFFC

FY 2016-17 Budget & Debt Program Updates November 10, 2016



Budget & Debt Program Updates

March 30, 2016 Issued Water Utility Debt, Series 2016ABCD:

- \$181.5M Refunding Revenue Bonds and \$98M COPs
- Yields for 2018-2046 maturities:
 - tax-exempt @ 0.73% to 2.92%; taxable @ 1.57% to 4.3%
- All-in true interest @ 3.68% vs. 2/23/16 estimate of 4.30%
- Total refunding debt service savings of \$19.7 million over 30 years

May 10, 2016: Board adopted FY2016-17 Budget, Groundwater Production Charge, & 5yr CIP

FY2016-17 Adopted Operating and Capital Budget

(\$ in millions)

Category	FY 2015 Actuals	FY 2016 Proj. Act.	FY 2017 Adopted Budget	Change (FY17 - FY16)	% Chg
Operating Outlays	300.6	344.6	351.7	7.1	2%
less: Intra-District Reimbursement *	-57.9	-68.4	-68	0.4	-1%
Net Operating Outlays	242.7	276.2	283.7	7.5	3%
Capital Outlays	129.9	318.2	240.7		
Carried Forward Capital Projects			172.9		
Total Capital Outlays	129.9	318.2	413.6	95.4	30%
Total	372.6	594.4	697.3	102.9	17%

* Intra-District Reimbursements are the amounts needed for general funds' operations and to maintain adequate reserves

FY2016-17 Capital Budget Including Carryovers

Capital Outlay by Fund (\$ in millions)	FY 2017 Adopted Capital Bdgt	Carry over	Total FY 2017 Capital Outlays
Watershed	43.4	47.8	91.2
Safe, Clean Wtr	49.5	92.1	141.7
Water Utility	128.1	22.6	150.7
General Fund	8.1	8.3	16.4
Service Funds (Fleet & IT)	11.6	2.0	13.6
Total	240.7	172.9	413.6

Total CIP \$292.4M to be funded by pay-go and \$225M short-term financing (\$150M CP & \$75M Revolver)

SCW Major Projects: \$20M Guadalupe; \$54M Berryessa Creel; \$92M Llagas Creek; Svale \$32M

WU Major Projects: \$45M Rinconada WTP; \$26 South Cty Rec. Water Pipeline; \$12M Penitencia Seismic Retrofit; \$10M 5-Year Pipeline Rehab; \$11M Calero & Guadalupe Dams Seismic Retrofit; \$11M Expedited Purified Water Program

FY 2016 Debt Service Budget

(\$Thousands)	Total Amount Sold	Date of Issue	Balance 6/30/16	2016-2017 Debt Service Pmts (1)		
				Principal	Interest	Total
Watersheds Indebtedness				WS 2017A Refunding COPs		
2004A COPs	32,965	1/29/04	6,585	1,315	329	1,644
2007A COPs	78,780	2/27/07	57,195	2,980	2,780	5,760
2012A COPs	52,955	11/20/12	35,280	3,725	1,572	5,297
SCW CP	-	various	-	-	173	173
Total Watersheds	164,700		99,060	8,020	4,854	12,874

(1) Annual debt service payment reflects principal and interest only and excludes fees.

FY 2017 Debt Service Budget

(\$Thousands)	Total Amount Sold	Date of Issue	Balance 6/30/16	2016-2017 Debt Service Pmts (1)		
				Principal	Interest	Total
<u>Water Utility Indebtedness</u>						
2006B Bonds (TX)	25,570	12/21/06	20,370	700	1,077	1,777
2007A COPs	77,270	10/1/07	66,610	1,860	3,242	5,102
2007B COPs (TX)	53,730	10/1/07	41,970	1,270	849	2,119
2016A (TE)/B (TX) Bonds	181,530	3/17/16	181,530	-	8,545	
2016C (TE)/D (TX) COPs	98,045	3/17/16	98,045	-	3,682	3,682
2017 Bonds	180,645	5/__/17	-	-	1,919	1,919
Comm. Paper	150,000	various	-		1,553	1,553
Total Water Utility	766,790		408,525	3,830	20,868	24,698
Combined Total (WS & WU)	\$ 931,490		\$ 507,585	\$ 11,850	\$ 25,722	\$ 37,572

(1) Annual debt service payment reflects principal and interest only and excludes fees.

Watershed 2017 Refunding COPs

- ▶ Not to exceed par of \$65M to refund 2004A and 2007A COPs & pay costs of issuance
- ▶ Based on 10/31/16 rates plus 0.50%, est. NPV savings 13%-16% @ \$8.4-\$10.3M
- ▶ All-in true interest cost @2.26%-2.71%

Sources

Principal Amount	\$59,080,000
Transferred Moneys	5,849,700
Plus/Less Net Original Issue Premium/Discount	9,002,004
TOTAL	\$73,931,704

Uses

Deposit to 2004A & 2007A Escrow Fund	\$65,505,081
Project Fund	8,016,852
Costs of Issuance	313,000
Underwriter's Discount	95,096
Additional Proceeds	1,675
TOTAL	\$73,931,704

\$75M CP Program Expansion

- ▶ \$75M Revolving Certificates issued to Wells Fargo Bank
 - ▶ WFB Selected through competitive RFP process; 3-year fee est. \$715K to \$2.4M lower than others
- ▶ Inexpensive short-term debt to fund CIP as needed
 - ▶ Unutilized fee: 0.25% or \$190K/year
 - ▶ Utilized fee: 70% of 1M LIBOR plus 0.35% for TE and 1M LIBOR plus 0.50% for TX; est. \$724K - \$1M/year
- ▶ Refund with long-term fixed rate debt
- ▶ Diversifies short-term interest rate and market access risks
- ▶ Mitigates bank credit risk
- ▶ Allow future extensions under certain conditions



Public Facilities Financing Corporation
Meeting Date: 11/10/2016
Agenda Item No.: 5
Unclassified Manger: Najon Chu
Email: NChu@valleywater.org

PUBLIC FACILITIES FINANCING CORPORATION AGENDA MEMO

SUBJECT: Adopt a Resolution of the Board of Directors of the Santa Clara Valley Water District Public Facilities Financing Corporation Authorizing the Execution and Delivery of Aggregate Principal Amount Not To Exceed \$65,000,000 Refunding and Improvement Certificates of Participation, Approving the Execution and Delivery of Certain Documents and Authorizing Certain Actions in Connection Therewith

RECOMMENDED ACTION:

Adopt a Resolution of the Board of Directors of the Santa Clara Valley Water District Public Facilities Financing Corporation Authorizing the Execution and Delivery of Aggregate Principal Amount Not To Exceed \$65,000,000 Refunding and Improvement Certificates of Participation, Approving the Execution and Delivery of Certain Documents and Authorizing Certain Actions in Connection Therewith (Attachment 1)


SUMMARY:

Public Facilities Financing Corporation (PFFC) Board approval of the recommended action will enable the Santa Clara Valley Water District (District) to take advantage of the current low interest rate environment and refinance all or a portion of the existing Series 2004A and 2007A COPs. The refunding is projected to yield 13%-16% in net present value savings and generate between \$8.4-10.3 million in new money proceeds which can be used to fund additional flood protection improvement projects in the East (Coyote Watershed), Central (Guadalupe Watershed), Northwest (Lower Peninsula Watershed) and North Central (West Valley Watershed) Flood Control Zones.

The proceeds of the sale together with other monies will be used to (i) refinance all or a portion of the outstanding 2004A and 2007A COPs; (ii) finance the cost of certain flood protection improvement projects; and (iii) pay the costs of issuance.

BACKGROUND:

The full details of the financing are provided in Attachment 2 –Draft District Board Memo.

Santa Clara Valley Water District 	PFFC Board Agenda Memo	Meeting Date: 11/10/2016 Agenda Item No.: 5 Unclassified Manger: Najon Chu Email: NChu@valleywater.org <hr/> Page 2 of 2
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ATTACHMENT(S):

1. Resolution of the Board of Directors of the Santa Clara Valley Water District Public Facilities Financing Corporation Authorizing the Execution and Delivery of Aggregate Principal Amount Not To Exceed \$65,000,000 Refunding and Improvement Certificates of Participation, Approving the Execution and Delivery of Certain Documents and Authorizing Certain Actions in Connection Therewith
2. Draft District Board Memo

BOARD OF DIRECTORS

**SANTA CLARA VALLEY WATER DISTRICT
PUBLIC FACILITIES FINANCING CORPORATION**

RESOLUTION NO. 16-__

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SANTA CLARA VALLEY WATER DISTRICT PUBLIC FACILITIES FINANCING CORPORATION AUTHORIZING THE EXECUTION AND DELIVERY OF AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$65,000,000 REFUNDING AND IMPROVEMENT CERTIFICATES OF PARTICIPATION, APPROVING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS AND AUTHORIZING CERTAIN ACTIONS IN CONNECTION THEREWITH

WHEREAS, the Santa Clara Valley Water District Public Facilities Financing Corporation is a nonprofit public benefit corporation existing under the California Nonprofit Benefit Corporation Law (the “Corporation”) with the authority to assist in the financing and refinancing of capital improvements on behalf of the Santa Clara Valley Water District (the “District”); and

WHEREAS, the Corporation and U.S. Bank National Association, as trustee (the “Trustee”), are parties to that certain Assignment Agreement dated as of June 15, 1994, as amended by Amendment No. 1, dated as of November 1, 2002, and by Amendment No. 2, dated as of November 1, 2003 and the District and the Corporation have previously caused the execution of those certain Santa Clara Valley Water District Refunding and Improvement Certificates of Participation, Series 2004A (the “2004 Certificates”) payable from installment payments (the “1994 Installment Payments”) payable under that certain Installment Purchase Agreement dated as of June 15, 1994, by and between the District and the Corporation, as amended by Amendment No. 1 to the Installment Purchase Agreement, dated as of November 1, 2002 (the “1994 Installment Purchase Agreement”), the proceeds of which were used to refinance and finance certain flood control facilities of the District (the “1994 Project”);

WHEREAS, the Corporation and U.S. Bank National Association, as trustee (the “Trustee”), are parties to that certain Assignment Agreement dated as of February 15, 2000, as amended by Amendment No. 1, dated as of November 1, 2005, and the District and the Corporation have previously caused the execution of those certain Santa Clara Valley Water District Refunding and Improvement Certificates of Participation, Series 2007A (the “2007 Certificates”) payable from installment payments (the “1995 Installment Payments” and, collectively with the 1994 Installment Payments, the “Installment Payments”) payable under that certain Installment Purchase Agreement dated as of June 27, 1995, by and between the District and the Corporation, as amended by Amendment No. 1 to the Installment Purchase Agreement, dated as of February 1, 2000, and by Amendment No. 2 to the Installment Purchase Agreement, dated as of November 1, 2005 (the “1995 Installment Purchase Agreement” and, together with the 1994

Resolution of the Board Of Directors of the Santa Clara Valley Water District Public Facilities Financing Corporation Authorizing the Execution and Delivery of Aggregate Principal Amount Not to Exceed \$65,000,000 Refunding and Improvement Certificates of Participation, Approving The Execution and Delivery of Certain Documents and Authorizing Certain Actions in Connection Therewith

Installment Purchase Agreement, the “Installment Purchase Agreements”), the proceeds of which were used to refinance and finance certain flood control facilities of the District (the “1995 Project”);

WHEREAS, since the dates of the delivery of the 2004 Certificates and the 2007 Certificates, prevailing interest rates have fallen and the District desires to refinance all or a portion of the 2004 Certificates and the 2007 Certificates; and

WHEREAS, as a result of such refinancing, there will be Installment Payments available to support refunding certificates of participation and additional certificates of participation; and

WHEREAS, the proceeds of such additional certificates of participation can, by the terms of the Installment Purchase Agreements, be applied to costs associated with portions of the projects described under the Installment Purchase Agreements; and

WHEREAS, in order to assist the District in such financing and refinancing, the Corporation desires to enter into that certain Trust Agreement (the “Trust Agreement”) the form of which is on file with the Corporation; and

WHEREAS, the District has determined that it would be in the best interests of the District and citizens of the community to authorize the preparation and delivery of Refunding and Improvement Certificates of Participation in an aggregate principal amount not to exceed \$65,000,000 (the “Certificates”);

NOW, THEREFORE, the Board of Directors of the Corporation does hereby resolve as follows:

Section 1. Authorization. This Board of Directors hereby authorizes the preparation, sale and delivery of the Certificates in an aggregate principal amount not to exceed \$65,000,000 in accordance with the terms and provisions of the Trust Agreement. The purposes for which the proceeds of the sale of the Certificates shall be expended is to defease and/or prepay all or such portion of the outstanding 2004 Certificates and 2007 Certificates as determined by the District, to finance the costs of certain capital improvements to the flood control facilities of the District as described in the Installment Purchase Agreements, to fund a reserve fund at the option of the District, to purchase insurance or a reserve surety policy for the Certificates at the option of the District, and to pay the costs of the sale and delivery of the Certificates.

Section 2. Certificate Documents. The Trust Agreement presented at this meeting is approved. The President, Vice-President or Chief Financial Officer and the Secretary are authorized and directed to execute and deliver the Trust Agreement. The Trust Agreement shall be executed in substantially the form hereby approved, with such additions thereto and changes therein as are approved by the officers executing such Trust Agreement, such approval to be conclusively evidenced by the execution and delivery thereof.

Resolution of the Board Of Directors of the Santa Clara Valley Water District Public Facilities Financing Corporation Authorizing the Execution and Delivery of Aggregate Principal Amount Not to Exceed \$65,000,000 Refunding and Improvement Certificates of Participation, Approving The Execution and Delivery of Certain Documents and Authorizing Certain Actions in Connection Therewith

Section 3. Other Actions. The President, Vice-President, Chief Financial Officer or Secretary and such other officers of the Corporation are authorized and directed, acting singly, to do any and all things and to execute and deliver any and all documents which such officers may deem necessary or advisable in order to consummate the sale and delivery of the Certificates, and the delivery of the Trust Agreement, and otherwise effectuate the purposes of this Resolution, and such actions previously taken by such officers are hereby ratified and confirmed.

Section 4. Effect. This Resolution shall take effect immediately.

ADOPTED. SIGNED AND APPROVED this __th day of _____ 2016.

David Vanni
President of Santa Clara Valley Water District
Public Facilities Financing Corporation

ATTEST:

Michele L. King
Secretary of Santa Clara Valley Water District
Public Facilities Financing Corporation

STATE OF CALIFORNIA)
) SS
COUNTY OF SANTA CLARA)

I, Michele L. King, Secretary of the Santa Clara Valley Water District Public Facilities Financing Corporation, do hereby certify that the foregoing resolution was duly adopted by the Board of Directors of said Corporation at a special meeting held on the __th day of _____ 2016, and that it was so adopted by the following vote:

AYES: Directors

NOES: Directors

ABSENT: Directors

ABSTAIN: Directors

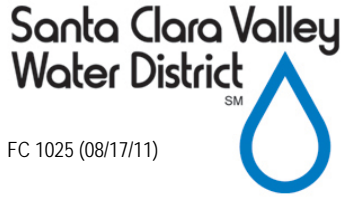
Secretary of Santa Clara Valley Water District
Public Facilities Financing Corporation

STATE OF CALIFORNIA)
) SS
COUNTY OF SANTA CLARA)

I, _____, Secretary of the Santa Clara Valley Water District Public Facilities Financing Corporation, do hereby certify that the above and foregoing is a full, true and correct copy of RESOLUTION NO. 16-__ of said Board, and that the same has not been amended or repealed.

DATED: _____, 2016

Secretary of Santa Clara Valley Water District
Public Facilities Financing Corporation



FC 1025 (08/17/11)

Meeting Date: 12/13/2016
Agenda Item:
Unclassified Manager: N. Chu
Extension: 2208
Director(s): All

BOARD AGENDA MEMO

SUBJECT: Adopt a Resolution of the Board of Directors of the Santa Clara Valley Water District Authorizing the Execution and Delivery of Aggregate Principal Amount Not to Exceed \$65 Million Refunding and Improvement Certificates of Participation, Approving the Execution and Delivery of Certain Documents and Authorizing Certain Acts in Connection Therewith

RECOMMENDATION:

- A. Adopt a Resolution of the Board of Directors of the Santa Clara Valley Water District Authorizing the Execution and Delivery of Aggregate Principal Amount Not to Exceed \$65 Million Refunding and Improvement Certificates of Participation, Approving the Execution and Delivery of Certain Documents and Authorizing Certain Acts in Connection Therewith; and
- B. Authorize the Chief Executive Officer, Chief Operating Officer-Administrative Services, Chief Financial Officer, or Treasury and Debt Officer (in each case, the interim, acting or otherwise appointed such officer, as the case may be, and together, the “Authorized Officers”) and the Clerk of the Board of Directors and such other officers and staff of the District, acting singly, to do any and all things and to execute and deliver any and all documents which such officers may deem necessary or advisable and to do and cause to be done any and all acts and things necessary in order to consummate the sale and delivery of the Certificates of Participation; and
- C. Approve the Certificate of the District Regarding Project Substitution (Attachment 7).

SUMMARY:

Board authorization of the Refunding and Improvement Certificates of Participation (COPs), Series 2017A, will enable the Santa Clara Valley Water District (District) to take advantage of the current low interest rate environment and refinance all or a portion of the existing Series 2004A and 2007A COPs. The refunding is projected to yield 13%-16% in net present value savings and generate between \$8.4-10.3 million in new money proceeds which can be used to fund additional flood protection improvement projects in the East (Coyote Watershed), Central (Guadalupe Watershed), Northwest (Lower Peninsula Watershed) and North Central (West Valley Watershed) Flood Control Zones.

SUBJECT: Resolution of the Board of Directors of the Santa Clara Valley Water District Authorizing the Execution and Delivery of Aggregate Principal Amount Not to Exceed \$65 Million Refunding and Improvement Certificates of Participation, Approving the Execution and Delivery of Certain Documents and Authorizing Certain Acts in Connection Therewith

12/13/2016

Financing Structure

The proceeds of the sale together with other monies will be used to (i) refinance all or a portion of the outstanding 2004A and 2007A COPs; (ii) finance the cost of certain flood protection improvement projects; and (iii) pay the costs of issuance.

The 2017A COPs are expected to be structured with serial maturities at a fixed interest rate with a final maturity date on February 1, 2030 and similar annual debt service payments as the 2004A and 2007A COPs that are being refinanced. The current credit ratings for the 2004A and 2007A COPs are 'AAA', 'Aa1', and 'AA+' respectively from Fitch Ratings, Moody's Investors Service, and S&P Global rating agencies. Staff anticipates receiving similar credit ratings from Fitch and Moody's for the 2017A COPs. In order to reduce the cost of the transaction, staff does not plan to obtain a third rating from S&P and does not believe the refunding savings will be negatively impacted by the lack of a S&P rating.

Based on market conditions as of October 31, 2016 plus 0.50% interest rate cushion, the all-in true interest cost of the 2017A COPs is projected at 2.26%- 2.71%. The final structure, credit rating and true interest cost of the refunding is subject to change pending actual market conditions on the day of pricing which is expected to occur in early January 2017.

Financing Schedule

Credit ratings are expected to be received in the first week of January 2017 and the refunding transaction is expected to close before the end of January 2017. The District has sole discretion to cancel or postpone the sale of the 2017A COPs if such action is deemed in the best interest of the District.

Method of Sale

This financing will be sold on a negotiated basis to Siebert, Cisneros Shank & Co. LLC (Siebert) as the Senior Manager and Fidelity Capital Markets Services as the Co-Manager. . Siebert and Fidelity are members of the District's Underwriter Pool which was established in 2012 pursuant to a competitive Request for Qualifications process (CAS File FS10-2013) (the "RFQ"). As reported in the CEO Bulletin dated September 23-29, 2016, Siebert is a Woman and Minority Business Enterprise (W/MBE) having senior managed \$5.86 billion of municipal debt in 2015. Siebert was also the top-ranked W/MBE firm in 2015. The majority owner of Siebert is Suzanne Shank, an African-American woman. The use of Siebert on the refunding will allow for a well-qualified firm to senior manage the transaction while meeting District Board's desire to promote more diversity in business relationships per feedback provided at the January 19, 2016 Board meeting.

SUBJECT: Resolution of the Board of Directors of the Santa Clara Valley Water District Authorizing the Execution and Delivery of Aggregate Principal Amount Not to Exceed \$65 Million Refunding and Improvement Certificates of Participation, Approving the Execution and Delivery of Certain Documents and Authorizing Certain Acts in Connection Therewith

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Estimated Sources and Uses of Bond Proceeds

Based on market conditions as of October 31, 2016 plus 0.50% interest rate cushion, the estimated sources and uses of funds are set forth in the Table below. The total principal amount shown in the table below is lower than the total not to exceed authorization of \$65 million to allow flexibility for possible structure changes due to market volatility at the time the COPs are priced in January 2017.

Sources	
Principal Amount	\$59,080,000
Transferred Moneys	5,849,700
Plus/Less Net Original Issue Premium/Discount	9,002,004
TOTAL	\$73,931,704

Uses	
Deposit to 2004A & 2007A Escrow Fund	\$65,505,081
Project Fund	8,016,852
Costs of Issuance	313,000
Underwriter's Discount	95,096
Additional Proceeds	1,675
TOTAL	\$73,931,704

Security

The Series 2017A COPs represent a right of the holder to receive the Installment Payments payable by the District under the Installment Purchase Agreements dated June 15, 1994 and June 27, 1995, as amended, by and between the District and the Public Facilities Financing Corporation (PFFC). The Installment Payments are payable from and are secured by a pledge of and lien on the District Flood Control System Revenues pursuant to the Flood Control Master Resolution No. 94-60 adopted by District Board on June 23, 1994.

The Flood Control System Revenues include all gross income and revenue received or receivable by the District from its ownership or operation of the Flood Control System including Flood Control Benefit Assessments among other fees, taxes and investment earnings except (i) property taxes levied for the payment of debt service on District general obligation bonds, (ii) any future property taxes which pursuant to statute are to be applied to a specified purpose other than flood control, and (iii) property taxes levied for payments on the District's contract to purchase water from the State Water Project. The Flood Control System Revenues do not include the special parcel tax authorized for the Safe, Clean Water Program.

The District has pledged to fix, prescribe and collect Flood Control Benefit Assessments in an amount equal to 125% of the Maximum Annual Debt Service on the then outstanding Installment Payments. The District's obligation to make the Installment Payments is absolute and unconditional and the District has covenanted to continue such payments so long as debt associated with the Installment Payments remain outstanding. The obligation of the District to

SUBJECT: Resolution of the Board of Directors of the Santa Clara Valley Water District Authorizing the Execution and Delivery of Aggregate Principal Amount Not to Exceed \$65 Million Refunding and Improvement Certificates of Participation, Approving the Execution and Delivery of Certain Documents and Authorizing Certain Acts in Connection Therewith

12/13/2016

make Installment Payments does not constitute a debt of the District or of the State of California or any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Financing Documents

The following financing documents, in substantially final form, are attached for Board review and approval: Resolution of the Board; Preliminary Official Statement; Trust Agreement; Escrow Agreements; Continuing Disclosure Agreement; Certificate Purchase Contract; Certificate of the District Regarding Project Substitution; and Resolutions of the PFFC.

Flood Protection Projects

The refunding is estimated to generate between \$8.4-10.3 million in new money proceeds which can be utilized to fund flood protection projects that meet the following criteria: (i) per the Installment Purchase Agreements, all bond proceeds must be utilized for projects within the various Flood Control Zones in a proportionate amount to the debt service allocation to each Zone and (ii) per the United States Internal Revenue Service, issuers of tax-exempt bonds must demonstrate reasonable expectations that bond proceeds will be expended within a 3 year period from the issue date. In order to comply with the above requirements, staff has carefully reviewed the Flood Control Capital Improvement Plan and recommends the debt proceeds be used to finance the various flood control capital projects outlined in Attachment 7 - Certificate of the District Regarding Project Substitution.

The District may substitute or add additional projects at any time in the future by filing a Certificate of the District regarding the changes with the PFFC and the Trustee.

PFFC

The District is required to issue the 2017A COPs in conjunction with the PFFC. The PFFC approved the resolution authorizing the issuance of 2017A COPs and other related actions on November 10, 2016.

FINANCIAL IMPACT:

Based on market conditions as of October 31, 2016 plus 0.50% interest rate cushion, the all-in true interest cost of the 2017A COPs is projected at 2.26%- 2.71%. The refunding is projected to yield 13%-16% in net present value savings and generate between \$8.4-10.3 million in new money proceeds which can be used to fund additional flood protection improvement projects. The estimated cost of issuance payable from debt proceeds is \$313,000 which consists of legal fees, financial advisory fees, credit rating fees, printing and other fees and services associated with the refunding.

The final interest rates, net present value savings, and annual debt service are subject to change pending actual market conditions on the day of the sale in January 2017.

SUBJECT: Resolution of the Board of Directors of the Santa Clara Valley Water District Authorizing the Execution and Delivery of Aggregate Principal Amount Not to Exceed \$65 Million Refunding and Improvement Certificates of Participation, Approving the Execution and Delivery of Certain Documents and Authorizing Certain Acts in Connection Therewith

12/13/2016

CEQA:

The proposed actions are not subject to the California Environmental Quality Act (CEQA) because the activities will not result in a direct or reasonably foreseeable indirect physical change in the environment, as outlined in the State CEQA Guidelines, Section 15060(c)(2).

ATTACHMENTS:

1. Resolution of the Board of Directors of the Santa Clara Valley Water District Authorizing the Execution and Delivery of Aggregate Principal Amount Not to Exceed \$65 Million Refunding and Improvement Certificates of Participation, Approving the Execution and Delivery of Certain Documents and Authorizing Certain Acts in Connection Therewith
2. Preliminary Official Statement
3. Trust Agreement
4. Escrow Agreement
5. Continuing Disclosure Agreement
6. Certificate Purchase Contract
7. Certificate of the District Regarding Project Substitution

**BOARD OF DIRECTORS
SANTA CLARA VALLEY WATER DISTRICT**

RESOLUTION NO. 16-

**AUTHORIZING THE EXECUTION AND DELIVERY OF
AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$65,000,000
REFUNDING AND IMPROVEMENT CERTIFICATES OF PARTICIPATION,
APPROVING THE EXECUTION AND DELIVERY OF CERTAIN
DOCUMENTS AND AUTHORIZING CERTAIN ACTS
IN CONNECTION THEREWITH**

WHEREAS, the Santa Clara Valley Water District (the "District"), is a flood control and water district duly organized and existing under and pursuant to the Constitution and laws of the State of California; and

WHEREAS, the District has previously caused the delivery of those certain Santa Clara Valley Water District Refunding and Improvement Certificates of Participation, Series 2004A (the "2004 Certificates") payable from installment payments (the "1994 Installment Payments") due from the District under an Installment Purchase Agreement, dated as of June 15, 1994, as amended by Amendment No. 1, dated as of November 1, 2002 (the "1994 Installment Purchase Agreement"), between the District and Santa Clara Valley Water District Public Facilities Financing Corporation (the "Corporation") to finance certain flood control facilities of the District (the "1994 Project"); and

WHEREAS, the District has previously caused the delivery of those certain Santa Clara Valley Water District Refunding and Improvement Certificates of Participation, Series 2007A (the "2007 Certificates") payable from installment payments (the "1995 Installment Payments") due from the District under an Installment Purchase Agreement, dated as of June 27, 1995, as amended by Amendment No. 1, dated as of February 15, 2000 and Amendment No. 2, dated as of November 1, 2005 (the "1995 Installment Purchase Agreement"), between the District and the Corporation to finance certain flood control facilities of the District (the "1995 Project"); and

WHEREAS, the District now desires to refinance all or a portion of the 2004 Certificates and the 2007 Certificates; and

WHEREAS, as a result of such refinancing, there will be 1994 Installment Payments and 1995 Installment Payments available to support additional certificates of participation; and

WHEREAS, the proceeds of such additional certificates of participation can, by the terms of the 1994 Installment Purchase Agreement and the 1995 Installment Purchase Agreement, be applied to costs associated with portions of the project described under the 1994 Installment Purchase Agreement and the 1995 Installment Purchase Agreement, respectively; and

Authorizing the Execution and Delivery of Aggregate Principal Amount Not to Exceed \$65,000,000 Refunding and Improvement Certificates of Participation, Approving the Execution and Delivery of Certain Documents and Authorizing Certain Acts in Connection Therewith

Resolution No. 16-

WHEREAS, the Corporation has agreed to assist the District in such financing and refinancing; and

WHEREAS, the District has determined that it would be in the best interests of the District and citizens of the community to authorize the preparation and delivery of refunding and improvement certificates of participation in an aggregate principal amount not to exceed \$65,000,000 (the "Certificates");

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

Section 1. Authorization. This Board of Directors hereby authorizes the preparation, sale and delivery of the Certificates in an aggregate principal amount not to exceed \$65,000,000 in accordance with the terms and provisions of the Trust Agreement referred to in Section 3 below. The purposes for which the proceeds of the sale of the Certificates shall be expended is to defease and/or prepay all or such portion of the outstanding 2004 Certificates and/or 2007 Certificates as may be recommended by Public Resources Advisory Group, as the District's financial advisor (the "Financial Advisor"), to be economically advantageous, to finance the costs of certain capital improvements to the flood control facilities of the District as described in the 1994 Installment Purchase Agreement and 1995 Installment Purchase Agreement, to fund a reserve fund at the option of the District, to purchase insurance or a reserve surety policy for the Certificates at the option of the District, and to pay the costs of the sale and delivery of the Certificates.

Section 2. Official Statement. The Preliminary Official Statement, in substantially the form on file with the District and made a part hereof as though set forth in full herein, is hereby approved. One or more Authorized Officers (as defined in Section 8 below) is hereby authorized to sign a certificate pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 relating to the Preliminary Official Statement and one or more Authorized Officers are hereby authorized and directed to execute, approve and deliver the Official Statement in the form of the Preliminary Official Statement which, upon execution as authorized below, is made a part hereof as though set forth in full herein, with such changes, insertions and omissions as may be recommended by District Counsel or Special Counsel and approved by the officer executing the same, said execution being conclusive evidence of such approval. Siebert Cisneros Shank & Co., L.L.C. and Fidelity Capital Markets Services (together, the "Underwriters") are hereby authorized to distribute and deliver copies of the Official Statement to the purchasers of the Bonds, with such changes therein as may be approved or required by one or more Authorized Officers. The distribution of copies of the Preliminary Official Statement is hereby authorized and approved.

Section 3. Trust Agreement. The Trust Agreement, in substantially the form on file with the District and, upon execution as authorized below, made a part hereof as though set forth in full herein, is hereby approved. One or more Authorized Officers and the Clerk of the Board of Directors are hereby authorized and directed to execute and deliver the Trust Agreement with such changes, insertions and omissions as may be approved by the officers executing the same, said execution being conclusive evidence of such approval.

Section 4. Escrow Agreement. The Escrow Agreement, in substantially the form on file with the District and, upon execution as authorized below, made a part hereof as though set forth in full herein, is hereby approved. One or more Authorized Officers are hereby authorized and directed to execute and deliver one or more Escrow Agreements with such changes, insertions and omissions as may be approved by the officer executing the same, said execution being conclusive evidence of such approval.

Section 5. Continuing Disclosure Agreement. The Continuing Disclosure Agreement, in substantially the form on file with the District and, upon execution as authorized below, made a part hereof as though set forth in full herein, is hereby approved. One or more Authorized Officers are hereby authorized and directed to execute and deliver the Continuing Disclosure Agreement with such changes, insertions and omissions as may be approved by the officer executing the same, said execution being conclusive evidence of such approval.

Section 6. Trustee. U.S. Bank National Association, San Francisco, California is hereby appointed to act as trustee under the Trust Agreement.

Section 7. Terms and Conditions of Sale; Approval of Purchase Agreement. The Certificates shall be sold at a negotiated sale in accordance with the terms of and as described in the Certificate Purchase Agreement (the "Purchase Agreement"). The Purchase Agreement, in substantially the form on file with the District and, upon execution as authorized below, made a part hereof as though set forth in full herein, is hereby approved. One or more Authorized Officers are hereby authorized and directed to execute and deliver the Purchase Agreement with such changes, insertions and omissions as may be approved by the officer executing the same, said execution being conclusive evidence of such approval; provided that the underwriting discount shall not exceed one-half percent (0.50%) of the aggregate principal amount of the Certificates.

Section 8. Other Actions. The Chief Executive Officer, Chief Operating Officer-Administrative Services, Chief Financial Officer, Treasury/Debt Officer and the Clerk of the Board of Directors (in each case, the interim, acting or permanently appointed such officer, as the case may be) and such other appropriate officers and staff of the District (the "Authorized Officers") are authorized and directed, acting singly or in combination, to do any and all things and to execute and deliver any and all documents which such

Authorizing the Execution and Delivery of Aggregate Principal Amount Not to Exceed \$65,000,000 Refunding and Improvement Certificates of Participation, Approving the Execution and Delivery of Certain Documents and Authorizing Certain Acts in Connection Therewith

Resolution No. 16-

officers may deem necessary or advisable in order to consummate the sale and delivery of the Certificates, the Official Statement, the Trust Agreement, the Escrow Agreement, the Continuing Disclosure Agreement, the Purchase Agreement and otherwise effectuate the purposes of this resolution, and such actions previously taken by such officers and staff are hereby ratified and confirmed.

Section 9. Termination. The authority of the Authorized Officers to undertake the activities authorized herein shall expire on the one year anniversary of the adoption of this resolution.

Section 10. Effect. This resolution shall take effect immediately.

PASSED AND ADOPTED by the Board of Directors of Santa Clara Valley Water District by the following vote on _____, 2016.

AYES: Directors

NOES: Directors

ABSENT: Directors

ABSTAIN: Directors

SANTA CLARA VALLEY WATER DISTRICT

By: _____
BARBARA KEEGAN
Chair/Board of Directors

ATTEST: MICHELE L. KING, CMC

Clerk/Board of Directors

PRELIMINARY OFFICIAL STATEMENT DATED JANUARY __, 2017

NEW ISSUE – BOOK-ENTRY ONLY

Fitch: “__”
Moody’s: “__”
See “RATINGS” herein.

In the opinion of Hawkins Delafield & Wood LLP, Special Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) the portion of each Installment Payment constituting interest is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) the portion of each Installment Payment constituting interest is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Special Counsel to the District, under existing statutes, the portion of each Installment Payment constituting interest is exempt from personal income taxes imposed by the State of California. See “TAX MATTERS” herein.

[INSERT DISTRICT
LOGO]

**[\$[Par Amount]*
Santa Clara Valley Water District
Refunding and Improvement Certificates of Participation, Series 2017A**

Dated: Date of Delivery

Due: February 1, as shown below

The proceeds of the 2017A Certificates together with certain other moneys will be used to: (a) refund the \$_____ outstanding principal amount of 2004A Certificates, (b) refund the \$_____ outstanding principal amount of the 2007A Certificates, (c) finance the cost of certain flood control improvements, and (d) pay the costs of issuing the 2017A Certificates. See “PLAN OF FINANCE.”

Interest represented by the 2017A Certificates is payable on each February 1 and August 1, commencing on August 1, 2017. The 2017A Certificates will be prepared as fully registered 2017A Certificates and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. DTC will act as securities depository of the 2017A Certificates. Purchasers of beneficial interests will not receive certificates representing their interest in the 2017A Certificates. So long as Cede & Co. is the registered owner of the 2017A Certificates, as nominee of DTC, references herein to the registered owners shall mean Cede & Co., as aforesaid, and shall not mean the beneficial owners of the 2017A Certificates. Individual purchases of the 2017A Certificates will be made in book-entry form only in authorized denominations of \$5,000 or any integral multiple thereof. Principal and interest are payable directly to DTC by U.S. Bank National Association, San Francisco, California, as Trustee. Upon receipt of payments of principal and interest, DTC is to remit such principal and interest to the DTC Participants for subsequent disbursement to the beneficial owners of the 2017A Certificates. See “THE 2017A CERTIFICATES.”

The 2017A Certificates, together with the \$_____ aggregate outstanding principal amount of the 2012A Certificates, are payable from the 1994 Installment Payments (as defined herein). The 2017A Certificates are also payable from the 1995 Installment Payments (as defined herein). The 1994 Installment Payments and the 1995 Installment Payments are together referred to as the “Installment Payments.” The obligation of the District to make the Installment Payments is payable from, and is secured by a pledge of and lien on, the District’s Flood Control System Revenues. The 1994 Installment Payments and the 1995 Installment Payments are payable on a parity basis. The Installment Payments will not be secured by any debt service reserve fund. See “SECURITY AND SOURCES OF PAYMENT.”

The obligation of the District to make the Installment Payments does not constitute a debt of the District or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

The 2017A Certificates are subject to prepayment prior to their stated maturities as described herein. See “THE 2017A CERTIFICATES – Prepayment of 2017A Certificates.”

MATURITY SCHEDULE

Payment Date (February 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP[†]
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THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The 2017A Certificates are offered when, as and if executed and delivered to the Underwriters, subject to the approval as to the legality of certain matters by Hawkins Delafield & Wood LLP, San Francisco, California, Special Counsel, and certain other conditions. Certain legal matters will be passed upon for the District and the Corporation by District Counsel, Stan Yamamoto, Esq., for the Underwriters by Schiff Hardin LLP, San Francisco, California, and for the Trustee by its counsel. It is expected that the 2017A Certificates in book-entry form will be available for delivery through the facilities of DTC on or about January __, 2017.

* Preliminary, subject to change.

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard and Poor’s Financial Services LLC on behalf of the American Bankers Association. CUSIP numbers are provided for convenience of reference only. The District does not take any responsibility for the accuracy of such numbers.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED JANUARY __, 2017

Siebert Cisneros Shank & Co., L.L.C.

[Fidelity Capital Markets Services]

Dated: January __, 2017

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

SANTA CLARA VALLEY WATER DISTRICT

5750 Almaden Expressway
San Jose, California 95118

BOARD OF DIRECTORS AND OFFICERS OF THE DISTRICT

Barbara Keegan, Chair, District 2
[John Varela, Vice-Chair District 1]
Richard P. Santos, Director District 3
Linda J. LeZotte, Director District 4
Nai Hsueh, Director District 5
Tony Estremera, Director District 6
Gary Kremen, Director District 7

**BOARD OF DIRECTORS AND OFFICERS OF THE
PUBLIC FACILITIES FINANCING CORPORATION**

David Vanni, President
Steve M. Mullen, Vice President
Maria Oberg, Chief Financial Officer
Anthony Benetti
Dean Chu
Michele L. King, Secretary

DISTRICT STAFF

Stan Yamamoto, District Counsel
Norma Camacho, Interim Chief Executive Officer
Melanie Richardson, Interim Chief Operating Officer, Watershed
James M. Fiedler, Chief Operating Officer, Water Utility Enterprise
_____, Chief Operating Officer, Administrative Services
Michelle L. King, CMC, Clerk of the Board

SPECIAL COUNSEL

Hawkins Delafield & Wood LLP
San Francisco, California

TRUSTEE

U.S. Bank National Association
San Francisco, California

FINANCIAL ADVISOR

Public Resources Advisory Group
Los Angeles, California

VERIFICATION AGENT

Causey Demgen & Moore P.C.
Denver, Colorado

No dealer, broker, salesperson or other person has been authorized by the District, the Corporation, the Underwriters or the Trustee to give any information to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2017A Certificates by a person in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction. This Official Statement is not to be construed as a contract with the purchasers or any of the owners of 2017A Certificates. Any statement made in this Official Statement involving estimates, forecasts or matters of opinion, whether or not expressly so stated, is intended solely as such and not as representations of fact. The information set forth herein has been furnished by the District, The Depository Trust Company, and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as representations by the Underwriters. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof.

In reliance upon exemptions contained in such acts, the 2017A Certificates have not been registered under the Securities Act of 1933, as amended, nor has the Trust Agreement been qualified under the Trust Indenture Act of 1939, as amended. The registration or qualification of the 2017A Certificates in accordance with applicable provisions of securities laws of any state in which the 2017A Certificates have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation. Neither those states nor any of their agencies have passed upon the merits of the 2017A Certificates or the accuracy or completeness of this Official Statement.

The Underwriters have provided the following sentence for inclusion in this Official Statement:

The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THE OFFERING OF THE 2017A CERTIFICATES, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT MAY STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH 2017A CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The District maintains a website, however, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2017A Certificates.

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[Insert Map Here]

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[\$[Par Amount]*
Santa Clara Valley Water District
Refunding and Improvement Certificates of Participation
Series 2017A

INTRODUCTION

This Official Statement, including the cover page, inside cover page, and Appendices, is provided to furnish certain information in connection with the offering of \$[Par Amount]* aggregate principal amount of Santa Clara Valley Water District Refunding and Improvement Certificates of Participation, Series 2017A (the “2017A Certificates”). The Santa Clara Valley Water District (the “District”) is a multi-purpose special district authorized to supply water and provide flood protection services, 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 “District Act”).

The 2017A Certificates will be delivered pursuant to a Trust Agreement, dated as of January 1, 2017 (the “Trust Agreement”), by and among the District, the Santa Clara Valley Water District Public Facilities Financing Corporation, a California non-profit public benefit corporation (the “Corporation”) and U.S. Bank National Association, San Francisco, California, as trustee (the “Trustee”). The 2017A Certificates represent a right to receive: (1) the installment payments (the “1994 Installment Payments”) payable by the District under an Installment Purchase Agreement dated as of June 15, 1994, by and between the District and the Corporation, as amended by Amendment No. 1 to the Installment Purchase Agreement, dated as of November 1, 2002 (collectively, the “1994 Installment Purchase Agreement”), and (2) the installment payments (the “1995 Installment Payments,” and together with the 1994 Installment Payments, the “Installment Payments”) payable by the District under an Installment Purchase Agreement dated as of June 27, 1995, by and between the District and the Corporation, as amended by Amendment No. 1 to the Installment Purchase Agreement, dated as of February 15, 2000 and as further amended by Amendment No. 2 to the Installment Purchase Agreement, dated as of November 1, 2005 (collectively, the “1995 Installment Purchase Agreement,” and together with the 1994 Installment Purchase Agreement, the “Installment Purchase Agreements”).

Pursuant to an Assignment Agreement, dated as of June 15, 1994, by and between the Corporation and the Trustee, as amended by Amendment No. 1 to the Assignment Agreement, dated as of November 1, 2002, by and between the Corporation and the Trustee, and by Amendment No. 2 to the Assignment Agreement, dated as of November 1, 2003, by and between the Corporation and the Trustee (collectively referred to as the “1994 Assignment Agreement”), the Corporation assigned to the Trustee, for the benefit of the registered owners of the 2017A Certificates, all of its rights to receive the 1994 Installment Payments and certain other rights and interests of the Corporation in the 1994 Installment Purchase Agreement.

Pursuant to an Assignment Agreement, dated as of February 15, 2000, by and between the Corporation and the Trustee, as successor trustee to State Street Bank and Trust Company of California, M.A., as amended by Amendment No. 1 to the Assignment Agreement, dated as of November 1, 2005, by and between the Corporation and the Trustee (collectively referred to as the “1995 Assignment Agreement,” and together with the 1994 Assignment Agreement, the “Assignment Agreements”), the Corporation assigned to the Trustee, for the benefit of the registered owners of the 2017A Certificates, all of its rights to receive the 1995 Installment Payments and certain other rights and interests of the Corporation in the 1995 Installment Purchase Agreement.

Guide to this Official Statement. The 2017A Certificates are payable from Installment Payments, which are payable from, and are secured by a pledge of and lien on, the District Flood Control System Revenues. The Flood Control System Revenues are described under “SECURITY AND SOURCES OF

* Preliminary, subject to change.

PAYMENT.” A general description of the operations and finances of the District is provided under “THE DISTRICT,” and the District’s audited financial statements for the fiscal year ended June 30, 2016 are included as Appendix A. The District’s Flood Control System is described under “FLOOD PROTECTION AND STREAM STEWARDSHIP,” “HISTORICAL OPERATING RESULTS,” and “PROJECTED OPERATING RESULTS.” The application of the proceeds of the sale of the 2017A Certificates is described in the sections “PLAN OF FINANCE” and “ESTIMATED SOURCES AND USES OF FUNDS.” A summary of the Trust Agreement and the Installment Payment Agreements is provided in Appendix B.

Purpose. The proceeds of the 2017A Certificates together with certain other moneys will be used to (a) refund the \$_____ outstanding principal amount of 2004A Certificates (as defined under “Outstanding Flood Control System Obligations” below), (b) refund the \$_____ outstanding principal amount of the 2007A Certificates (as defined under “Outstanding Flood Control System Obligations” below), (c) finance the cost of certain flood control improvements, and (d) pay the costs of issuing the 2017A Certificates, all as more particularly described under the captions “PLAN OF FINANCE” and “SECURITY AND SOURCES OF PAYMENT.”

Security for the Installment Payments. The Installment Payments are payable from, and are secured by a pledge of and lien on, the District Flood Control System Revenues (as described under the caption “SECURITY AND SOURCES OF PAYMENT – Flood Control System Revenues”). A portion of the Flood Control System Revenues is comprised of Flood Control Benefit Assessments which the District is authorized to levy on any parcel of property within the District. The District has covenanted at all times to fix, prescribe and collect or lease to be collected Flood Control Benefit Assessments in an amount equal to 125 percent of the Maximum Annual Debt Service on the then outstanding 1994 Installment Payments, the 1995 Installment Payments, and any payments pursuant to any installment agreements which are on a parity therewith (the “Parity Obligations”) (as described under the caption “SECURITY AND SOURCES OF PAYMENT – Rate Covenant”). The District’s obligation to make the Installment Payments from Flood Control System Revenues is absolute and unconditional and the District has covenanted to continue such payments whether or not the Series 1994 Project and the Series 1995 Project (as such terms are defined under the caption “PLAN OF FINANCE”) are operating or operable. Such payments are not subject to annual appropriation or abatement in the event of loss or destruction of the Series 1994 Project and the Series 1995 Project. The District’s obligations to make the 1994 Installment Payments and the 1995 Installment Payments are payable from Flood Control System Revenues on a parity basis.

On November 6, 2012, the voters of Santa Clara County approved a special parcel tax to fund certain programs of the District. This parcel tax is not part of the Flood Control System Revenues and are not available for securing debt obligations of the District. See “THE DISTRICT – Debt Structure of the District” and “– Safe, Clean Water and Natural Flood Protection Program.”

Outstanding Flood Control System Obligations. On June 23, 1994 the District adopted Resolution No. 94-60, entitled “A Resolution of the Board of Directors of the Santa Clara Valley Water District Providing for the Allocation of Flood Control System Revenues and Establishing Covenants to Secure the Payment of Obligations Payable from Flood Control System Revenues” (the “Master Resolution”). Pursuant to the Master Resolution and resolutions of the District, the District approved the 1994 Installment Purchase Agreement and the 1995 Installment Purchase Agreement.

The 1994 Installment Payments secure the payments of principal and interest with respect to the \$_____ aggregate outstanding principal amount of Santa Clara Valley Water District Refunding and Improvement Certificates of Participation, Series 2004A (the “2004A Certificates”) and the \$_____ aggregate outstanding principal amount of Santa Clara Valley Water District Refunding and Improvement Certificates of Participation Series 2012A (the “2012A Certificates”). The Outstanding 2004A Certificates are being prepaid from a portion of the proceeds of the 2017A Certificates. The principal and interest with respect to the 2017A Certificates, together with the 2012A Certificates, will be paid from the 1994 Installment Payments.

The 1995 Installment Payments secure the payments of principal and interest with respect to the \$_____ aggregate outstanding principal amount of Santa Clara Valley Water District Refunding and Improvement Certificates of Participation, Series 2007A (the “2007A Certificates”), which will be prepaid from a portion of the proceeds of the 2017A Certificates.

The 1994 Installment Payments and the 1995 Installment Payments are payable from and are secured by a pledge of and lien on, the District’s Flood Control System Revenues on a parity basis. See “SECURITY AND SOURCES OF PAYMENT.”

Additional Debt Test. In addition to the 1994 Installment Purchase Agreement and the 1995 Installment Purchase Agreement, the Master Resolution provides for the issuance of additional bonds, contracts, other parity obligations and subordinate obligations upon satisfaction of certain conditions. See the caption “SECURITY AND SOURCES OF PAYMENT – Additional Parity Obligations” and in Appendix B – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – FLOOD CONTROL MASTER RESOLUTION – Additional Bonds and Contracts and Other Parity Obligations.”

No Debt Service Reserve Fund. The Installment Payments will not be secured by any debt service reserve fund.

Prepayment. The 2017A Certificates are subject to optional and extraordinary prepayment prior to their stated maturities. See “PLAN OF FINANCE – Prepayment of 2017A Certificates.”

Limited Obligations. The obligation of the District to make the Installment Payments described herein are payable from, and are secured by a pledge of and lien on, the District’s Flood Control System Revenues. The obligation of the District to make Installment Payments does not constitute a debt of the District or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction. See “SECURITY AND SOURCES OF PAYMENT.”

Miscellaneous. Brief descriptions of the 2017A Certificates, the security and sources of payment for the 2017A Certificates and the District are provided herein. Such descriptions do not purport to be comprehensive or definitive. Definition of certain capitalized terms used herein may be found in Appendix B – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.” All references made to various documents herein are qualified in their entirety by reference to the forms thereof, all of which are available for inspection at the office of the Clerk of the Board of the District (see address on the inside cover of this Official Statement).

Continuing Disclosure. The District has covenanted in a Continuing Disclosure Agreement for the benefit of the holders and beneficial owners of the 2017A Certificates to provide certain financial information and operating data relating to the District by not later than each April 1, commencing April 1, 2018, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the District with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System (“EMMA”). The specific nature of the information to be contained in the Annual Report and the notice of enumerated events is set forth in Appendix E – “FORM OF CONTINUING DISCLOSURE AGREEMENT” hereto. These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934. For a discussion of the District’s compliance with prior continuing disclosure undertakings, see the caption “CONTINUING DISCLOSURE.”

Forward-Looking Statements. Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words. Such forward-looking statements include, but are not limited to, certain statements

contained in the information under the caption “FLOOD PROTECTION AND STREAM STEWARDSHIP” and “PROJECTED OPERATING RESULTS” herein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

PLAN OF FINANCE

Prepayment of 2004A Certificates and 2007A Certificates

2004A Certificates. On the closing date of the 2017A Certificates, The District will apply a portion of the proceeds of the 2017A Certificates, together with certain other moneys, to defease the \$_____ aggregate principal amount of 2004A Certificates remaining outstanding as of the date of execution and delivery of the 2017A Certificates. The 2004A Certificates financed and refinanced certain flood control projects of the District (the “Series 1994A Project”).

To effect the defeasance of the 2004A Certificates, such proceeds and other moneys will be set aside in an escrow account (the “2004A Escrow Fund”) held and maintained by U.S. Bank National Association, as escrow agent for the 2004A Certificates (the “2004A Escrow Agent”) under an Escrow Agreement, dated as of January 1, 2017, by and between the 2004A Escrow Agent and the District (the “2004A Escrow Agreement”). Such proceeds will be held as cash or invested in certain direct United States governmental obligations or obligations the payment of principal of and interest on which is guaranteed by the United States government (the “Government Obligations”). On February 1, 2017, the 2004A Escrow Agent will apply a portion of the funds deposited into the 2004A Escrow Fund to pay the principal and interest due on the 2004A Certificates. The 2004A Certificates maturing on and after February 1, 2018 will be prepaid on February __, 2017 at a prepayment price equal to 100% of the principal with respect to such 2004A Certificates, plus accrued interest.

The cash and Government Obligations deposited in the 2004A Escrow Fund, will be irrevocably pledged under the 2004A Escrow Agreement, to the payment of the principal and interest with respect to the 2004A Certificates and will not be pledged or available to pay principal of and interest with respect to the 2017A Certificates. The Government Obligations, together with any earnings thereon, shall be sufficient to provide for the payment of the principal and interest with respect to the 2004A Certificates due on February 1, 2017, and the prepayment price of the 2004A Certificates maturing on and after February 1, 2018 on the prepayment date. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS” herein.

2007A Certificates. The District will apply a portion of the proceeds of the 2017A Certificates, together with certain other moneys, to defease the \$_____ aggregate principal amount of 2007A Certificates remaining outstanding as of the date of execution and delivery of the 2017A Certificates. The 2007A Certificates financed and refinanced certain flood control projects of the District (the “Series 1995 Project”).

To effect the defeasance of the 2007A Certificates, such proceeds and other moneys will be set aside in an escrow account (the “2007A Escrow Fund”) held and maintained by U.S. Bank National Association, as escrow agent for the 2007A Certificates (the “2007A Escrow Agent,” and with the 2004A Escrow Agent, the “Escrow Agent”) under an Escrow Agreement, dated as of January 1, 2017, by and between the 2007A Escrow Agent and the District (the “2007A Escrow Agreement”). Such proceeds will be held as cash or invested in Government Obligations. On February 1, 2017, the 2007A Escrow Agent will apply a portion of the funds deposited into the 2007A Escrow Fund to pay the principal and interest due on the 2007A Certificates. The

2007A Certificates maturing on and after February 1, 2018 will be prepaid on February __, 2017 at a prepayment price equal to 100% of the principal with respect to such 2007A Certificates, plus accrued interest.

The cash and Government Obligations deposited in the 2007A Escrow Fund, will be irrevocably pledged under the 2007A Escrow Agreement, to the payment of the principal and interest with respect to the 2007A Certificates and will not be pledged or available to pay principal of and interest with respect to the 2017A Certificates. The Government Obligations, together with any earnings thereon, shall be sufficient to provide for the payment of principal and interest with respect to the 2007A Certificates due on February 1, 2017, and the prepayment price of the 2007A Certificates maturing on and after February 1, 2018 on the prepayment date. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS” herein.

Flood Control Improvements

A portion of the proceeds of the 2017A Certificates will be used to finance and reimburse a portion of the costs previously incurred and to pay additional costs to be incurred by the District with respect to the Flood Control System. These projects include but are not limited to the projects listed below, and are subject to change at the option of the District.

East Zone / Coyote Watershed Project. The project includes flood protection improvements to Coyote Creek, such as barrier removal, creek restoration and replacement of a pedestrian bridge; and flood protection improvements to Lower Calera Creek, such as extension and construction of flood walls.

Central Zone Project. The project includes flood protection improvements to Almaden Lake, including the construction of a new 1,700-foot long earthen levee, capping the existing mercury in the lake, and the construction of a new creek corridor.

Northwest Zone / Lower Peninsula Watershed Project. The project includes flood protection improvements to Permanente Creek, including the construction of the Rancho San Antonio Detention Basis and the McKelvey Park Detention Basin, and improvements to Permanente Creek Channel.

North Central Zone / West Valley Watershed Project. The project includes flood protection improvements to Sunnyvale East and West Channels, consisting of flood walls, levee and maintenance road improvements, bridge/culvert modifications and sediment removal, and repairing and stabilizing channel banks.

THE 2017A CERTIFICATES

General

The 2017A Certificates will be executed and delivered in the aggregate principal amount of \$[Par Amount]*. One fully registered 2017A Certificate for each maturity in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), as registered owner of all 2017A Certificates will be delivered to DTC on the Delivery Date. The principal and interest with respect to the 2017A Certificates will be paid directly to Cede & Co. by the Trustee as long as DTC or its nominee, Cede & Co. is the registered owner of the 2017A Certificates. For information relating to DTC and the DTC book-entry system as it relates to the 2017A Certificates, see Appendix C – “BOOK-ENTRY SYSTEM.”

The 2017A Certificates will be dated the date of delivery. Interest with respect to the 2017A Certificates will be payable at the rates set forth on the cover page of this Official Statement on each February 1 and August 1 commencing [August 1, 2017]. Principal with respect the 2017A Certificates will be payable on February 1 in each of the years, and in the amounts, set forth on the cover page of this Official

* Preliminary, subject to change.

Statement. Interest with respect to the 2017A Certificates will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Prepayment of 2017A Certificates

Optional Prepayment. The 2017A Certificates with Certificate Payment Dates on or after February 1, 20__ are subject to optional prepayment, representing prepaid Installment Payments, by the District on any date on or after February 1, 20__, upon notice as hereinafter provided, as a whole or in part by lot in such order of maturity as the District may determine, in integral multiples of \$5,000, from any source of available funds, at a prepayment price equal to the principal amount or such part thereof evidenced and represented by the 2017A Certificates to be prepaid without premium.

Optional Prepayment from Insurance or Condemnation Proceeds. The 2017A Certificates are subject to optional prepayment by the District on any date prior to their respective Certificate Payment Dates, upon notice as hereinafter provided, as a whole or in part by lot within each Certificate Payment Date, in such order of prepayment as the District may determine, in integral multiples of Authorized Denominations, from payments made by the District from the net proceeds received by the District due to the damage, destruction or condemnation of all or any portion of the Flood Control System under the circumstances and upon the conditions and terms prescribed in the Trust Agreement and in the Installment Purchase Agreements, at a prepayment price equal to the sum of the principal amount or such part thereof evidenced and represented by the 2017A Certificates to be prepaid, plus accrued interest evidenced and represented thereby to the date fixed for prepayment, without premium.

Selection of 2017A Certificates for Prepayment. If less than all Outstanding 2017A Certificates maturing by their terms on any one date are to be prepaid at any one time, and no other method of selection is specified in the Trust Agreement, the Trustee will select such 2017A Certificates of such maturity date to be prepaid in any manner that it deems appropriate and fair. For purposes of such selection, such 2017A Certificates will be deemed to be composed of \$5,000 multiples and any such multiple may be separately prepaid or redeemed.

There is no requirement to prepay the Installment Payments from insurance or condemnation proceeds on a pro rata or other basis.

Notice of Prepayment

Notice of prepayment will be given by the Trustee, not less than twenty (20) nor more than sixty (60) days prior to the prepayment date to (i) the respective Owners of the 2017A Certificates designated for prepayment at their addresses appearing on the registration books of the Trustee, (ii) the Securities Depositories and (iii) the Information Services; provided, however, that so long as a book-entry system is used for the 2017A Certificates, the Trustee will send notice of prepayment only to the Securities Depositories and Information Services. Notice of prepayment to the Securities Depositories shall be given by registered mail, other electronically secure means, or any other method agreed upon and notice of prepayment to the Information Services shall be given by mail, other electronically secure means, or any other method agreed upon. Each notice of prepayment shall state the series, prepayment date, the prepayment price, if any, the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity is to be prepaid, the distinctive certificate numbers of the 2017A Certificates of such maturity to be prepaid and, in the case of 2017A Certificates to be prepaid in part only, the respective portions of the principal amount thereof to be prepaid. Each such notice shall also state that on the prepayment date there will become due and payable on the 2017A Certificates to be prepaid, all of the principal amount thereof on the prepayment date, and that from and after such prepayment date interest evidenced and represented by the 2017A Certificates shall cease to accrue, and shall require that such 2017A Certificates be then surrendered at the address of the Trustee specified in the prepayment notice. Failure by the Trustee to give notice of prepayment pursuant to the Trust Agreement to any one or more of the Information Services or Securities Depositories, or the insufficiency of

any such notice shall not affect the sufficiency of the proceedings for prepayment. Failure by the Trustee to give notice of prepayment pursuant to the Trust Agreement to any one or more of the respective Owners of any 2017A Certificates designated for prepayment shall not affect the sufficiency of the proceedings for prepayment with respect to the Owners to whom such notice was given.

In the event of prepayment of 2017A Certificates, the Trustee will give notice of optional prepayment, other than any notice that refers to 2017A Certificates that are to be prepaid from proceeds of a refunding bond issue, only if sufficient funds have been deposited with the Trustee to pay the applicable prepayment price of the 2017A Certificates to be prepaid.

The District may, at its option, prior to the date fixed for prepayment in any notice of prepayment rescind and cancel such notice of prepayment by Written Request of the District and the Trustee will mail notice of such cancellation to the recipients of the notice of prepayment being cancelled.

Effect of Prepayment. If notice of prepayment has been duly given as aforesaid and money for the payment of the prepayment price of the 2017A Certificates called for prepayment is held by the Trustee, then on the prepayment date designated in such notice, such 2017A Certificates will become due and payable, and from and after the date so designated interest evidenced and represented by the 2017A Certificates so called for prepayment will cease to accrue, and the Owners of such 2017A Certificates will have no rights in respect thereof except to receive payment of the prepayment price thereof. Any prepayment of 2017A Certificates pursuant to the Trust Agreement will cause the schedule of Installment Payments set forth in the Installment Purchase Agreements to be recalculated by the District in accordance with the Installment Purchase Agreements. Such schedule will be furnished by the District to the Trustee. All 2017A Certificates prepaid, pursuant to the provisions of the Trust Agreement will be cancelled by the Trustee and will be delivered to, or upon the order of, the District and will not be redelivered.

SECURITY AND SOURCES OF PAYMENT

The 2017A Certificates are payable from Installment Payments, which are payable from, and are secured by a pledge of and lien on, the District Flood Control System Revenues. The following section provides a description of the security. For a description of the District's Flood Control System and additional information regarding the Flood Control Benefit Assessments, see "FLOOD PROTECTION AND STREAM STEWARDSHIP," "HISTORICAL OPERATING RESULTS," and "PROJECTED OPERATING RESULTS."

Flood Control System Revenues

General. The Master Resolution provides for the allocation of Flood Control System Revenues (as defined below). Such provisions apply to the Installment Purchase Agreements as well as to such other debts and obligations payable from Flood Control System Revenues as the District may issue or incur in the future, including without limitation revenue bonds, installment sale agreements, leases, and contracts of indebtedness.

Under the Master Resolution, "Flood Control System Revenues" is defined to mean all gross income and revenue received or receivable by the District from its ownership or operation of the Flood Control System (described under the caption "FLOOD PROTECTION AND STREAM STEWARDSHIP") including, Flood Control Benefit Assessments, all Fees (as defined below) imposed in lieu of Flood Control Benefit Assessments, and all proceeds of taxes and certain investment earnings except (i) property taxes levied for the payment of debt service on its general obligation bonds, (ii) any future property taxes which pursuant to statute are to be applied to a specified purpose other than such future property taxes to be used for payment of debt service on Parity Obligations; and (iii) property taxes levied for payments on the District's contract to purchase water from the State Water Project (the "State Water Project Contract"). "Flood Control Benefit Assessments" is defined to mean the benefit assessments of the District established pursuant to Resolution No. 86-54 relating to the Northwest Flood Control Zone, Resolution No. 86-55 relating to the Central Flood Control Zone, Resolution No. 86-56 relating to the East Flood Control Zone, and Resolution No. 86-57 relating to the South

Flood Control Zone, all as adopted on July 29, 1986 and as approved by the voters of the respective flood control zones on November 4, 1986, and Resolution No. 90-8 adopted on February 20, 1990, relating to the North Central Flood Control Zone, as approved by the voters of the North Central Flood Control Zone on June 5, 1990, and any other benefit assessment of the District established under the Benefit Assessment Act of 1982, as amended, or any similar law. “Fees” is defined in the Master Resolution to mean fees and charges imposed under the Revenue Bond Act of 1941, as amended, or any similar law which imposes a lien on property.

On November 6, 2012, the voters of Santa Clara County approved a special parcel tax to fund certain programs of the District. This parcel tax is not part of the Flood Control System Revenues and are not available for securing debt obligations of the District. See “THE DISTRICT – Debt Structure of the District” and “– Safe, Clean Water and Natural Flood Protection Program.”

Benefit Assessments. Pursuant to the Benefit Assessment Act of 1982, as amended, being California Government Code Sections 54703, et seq. (the “Benefit Assessment Act”), the District was authorized to impose a benefit assessment on any parcel of property within the District to finance the costs of providing flood control services and facilities. The amount of the assessment imposed on any parcel of property is related to the benefit to the parcel which is derived from the provision of the service or facility and, in the case of a benefit assessment for flood control services, the benefit may be determined on the basis of the proportionate storm water runoff from each parcel. In addition, the annual aggregate amount of the assessment does not exceed the estimated annual cost of providing the service or facility; the revenue derived from the assessment is not to be used to pay the cost of any service or facility other than the service for which the assessment is levied; and the District may establish zones or areas of benefit and may restrict the imposition of the assessment to areas lying within such zones or areas of benefit. Prior to the first year of imposing the assessment, such imposition was approved by the eligible voters within the affected zone or area of benefit, and thereafter the collection of such assessment is collected on behalf of the District by the County on each parcel of property in the same manner, and subject to the same penalties and priority of lien on such property as other charges and real property taxes fixed and collected by the County. See “FLOOD PROTECTION AND STREAM STEWARDSHIP” herein. In accordance with the Benefit Assessment Act, but subject to the voter-approved restrictions described below, the District currently levies a benefit assessment on each parcel of property in each of its five flood control zones based on (a) the District’s costs of providing flood protection services and facilities in such zone, and (b) the proportionate amount of storm water runoff from such parcel of property. The amount of runoff from each parcel relates directly to its size and use, with larger sizes generating greater runoff, as does higher development with more impervious surfaces. In addition, the District’s costs of providing flood protection services in a zone include the District’s operating and maintenance expenses for facilities which benefit such zone, a proportionate share of the District’s general administrative expenses and the costs of installation and improvement of capital facilities which benefit such zone, including the District’s obligations incurred for such capital improvements.

The District received requisite voter approval in its five flood control zones which encompass most but not all of Santa Clara County (the “County”). Each zone has a separate flood control program and is a separate fiscal entity with its own revenues and expenditures; however, all benefit assessments collected from all such zones are included in the definition of Flood Control System Revenues and, pursuant to the Master Resolution, the Installment Payments are pledged to the payment of the District’s obligations under the Installment Purchase Agreements without distinction as to the zone or zones of collection and without distinction as to the zone or zones directly benefited by installation and improvement of the capital facilities financed from the proceeds of the 2017A Certificates.

In 1986, in order to accelerate the implementation of flood control projects, the eligible voters of each of the zones, except the North Central Zone, approved a benefit assessment program for each zone subject to the following restrictions: (a) the maximum annual percentage increase in the assessment rate could not exceed the annual increase in the Bay Area Consumer Price Index except for a period of up to two years following a declaration of a flood disaster by the President of the United States or the Governor of California;

(b) benefit assessments could not be levied beyond June 30, 2000 unless a debt or other obligation was duly authorized and incurred and which depended on benefit assessments for service, and in that event, assessments could be levied for but not beyond the period for which such debt or other obligation is outstanding; (c) no such debt or obligation could be incurred after June 30, 1995 and; (d) that after June 30, 2000 such benefit assessments could not be levied in amounts in excess of the sums necessary to meet the annual requirements of such debt or other obligation.

In 1990, in order to accelerate the implementation of flood control projects in the North Central Flood Control Zone, the eligible voters of that zone approved a benefit assessment program subject to the following restrictions: (a) the maximum annual percentage increase in the assessment rate for this zone could not exceed the annual increase in the Bay Area Consumer Price Index or two percent, whichever was greater, except that such limit may be exceeded for a period of up to two years following a declaration of a flood disaster by the President of the United States or the Governor of California; (b) benefit assessments shall not be levied beyond June 30, 2000 unless a debt or other obligation was duly authorized and incurred and which depends on benefit assessments for service and in that event assessments could be levied for but not beyond the period for which such debt or other obligation is outstanding; and (c) that after June 30, 2000 such benefit assessments could not be levied in amounts in excess of the sums necessary to meet the annual requirements of such debt or other obligation.

Pledge

Pursuant to the each of the Installment Purchase Agreements, the District has pledged Flood Control System Revenues to secure the payment of the principal and interest components of each of the Installment Payments. The pledge of Flood Control System Revenues for the payment of the principal and interest components of the 1994 Installment Payments is on a parity with the pledge of Flood Control System Revenues made pursuant to the 1995 Installment Purchase Agreement. See “SECURITY AND SOURCES OF PAYMENT – Flood Control System Revenues” herein.

No Reserve Fund

The Installment Payments will not be secured by any debt service reserve fund.

Allocation of Flood Control System Revenues

Amounts from time to time on deposit in the Flood Control System Revenue Fund are to be allocated and applied by the District to the following purposes, at the following times and in the following order of priority:

- (a) to the payment of all Parity Obligation Payments as the same become due and payable;
- (b) to the replenishment of reserve funds securing Parity Obligations at the times and in the amounts required under the terms of instruments securing such Parity Obligations;
- (c) to the payment of all payments scheduled to be paid by the District (the “Subordinate Obligation Payments”) under and pursuant to Subordinate Obligations (as defined below), as such Subordinate Obligation Payments become due and payable;
- (d) to the replenishment of reserve funds securing obligations of the District authorized and expected by the District under applicable law, the payments under and pursuant to which are payable from Flood Control System Revenues, subject and subordinate to Parity Obligation Payments and are payable from any fund established pursuant to a trust agreement (the “Subordinate Obligations”) at the times and in the amounts required under the terms of instruments securing such Subordinate Obligations;

- (e) to the payment of Maintenance and Operation Costs as the same become due and payable;
- (f) Prior to the last Business Day of each Fiscal Year, after making each of the foregoing payments, the balance of the money in the Flood Control System Revenue Fund may be used for all lawful purpose of the Flood Control System (defined herein); and
- (g) On the last Business Day of any Fiscal Year, to any lawful purpose of the District.

Rate Covenant

The District has covenanted to at all times fix, prescribe and collect or cause to be collected Flood Control Benefit Assessments in an amount equal to 125 percent of the Maximum Annual Debt Service on the then outstanding Parity Obligations during each Fiscal Year. In the event that the District shall take such actions to impose Fees in lieu of Flood Control Benefit Assessments, the amount of such Fees, together with other available Flood Control System Revenues, imposed in each Fiscal Year shall also be in an amount equal to 125 percent of the Maximum Annual Debt Service on the then outstanding Parity Obligations during each Fiscal Year, provided, however, prior to imposing such Fees in lieu of Flood Control Benefit Assessments, the District shall receive (i) an Opinion of Counsel as to the validity of such Fees to be imposed in an amount limited to the cost of providing Flood Control Service, and (ii) a certificate of an Independent Consultant as to the economic feasibility of imposing such Fees.

Additional Parity Obligations

The District may at any time incur or issue Parity Obligations (that is, Obligations the payments of which are payable from the Flood Control System Revenues on a parity with all other Parity Obligations, including without limitation the Installment Payments), provided:

- (a) The District shall certify that the District is not then in default under any Trust Agreement or with respect to any Parity Obligation.
- (b) Such Bond or Contract or Other Parity Obligation shall not allow the declaration of payments thereunder to be immediately due and payable in the event of a default by the District thereunder or under the applicable Trust Agreement or other agreement unless such remedy is then allowed with respect to all Parity Obligations then Outstanding.

Notwithstanding the foregoing provisions, there shall be no limitations on the ability of the District to execute Reimbursement Agreements.

- (c) Long-Term Parity Obligations may be incurred provided that the Debt Service Coverage Ratio, as evidenced by a certificate of the District (together with supporting calculations in the Master Resolution for the most recent period of 12 full consecutive calendar months for which the financial statements of the District have been reported upon) by an independent certified public accountant, taking into account (i) all Long-Term Parity Obligations then Outstanding, (ii) the Long-Term Parity Obligations then proposed to be incurred and (iii) (A) the Flood Control Benefit Assessments then being collected as of such date of calculation, so long as the District has fixed, prescribed and caused to be collected such Flood Control Benefit Assessments, or (B) the Fees in lieu of Flood Control Benefit Assessments then being imposed, so long as the District has taken such actions to impose such Fees in lieu of Flood Control Benefit Assessments is not less than 125 percent of the Maximum Annual Debt Service, and a Certificate of the District so certifying and setting forth in sufficient detail the computation thereof is filed with each Trustee along with the financial statements and report of accountants thereon if they are not already on file with such Trustee.

Certain other conditions and tests must be satisfied with respect to Parity Obligations that are not Long-Term Parity Obligations. See Appendix B – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE MASTER RESOLUTION.”

Subordinate Obligations

The District may incur Subordinate Obligations payable from Flood Control System Revenues without meeting the tests set forth for Parity Obligations. There are no Subordinate Obligations payable from Flood Control System Revenues as of the date of this Official Statement.

ESTIMATED SOURCES AND USES OF FUNDS ⁽¹⁾

The following is an estimate of the sources and uses of funds with respect to the 2017A Certificates.

Sources:

Principal Amount of 2017A Certificates
Original Issue Premium
Transferred Moneys⁽²⁾
Total Sources

Uses:

Deposit to 2004A Escrow Fund
Deposit to 2007A Escrow Fund
Deposit to Acquisition and Construction Fund
Costs of Issuance⁽³⁾
Underwriters' Discount
Total Uses

⁽¹⁾ All amounts rounded to the nearest dollar; amounts may not independently add.

⁽²⁾ From the funds and accounts created with respect to the Trust Agreements relating to the 2004A Certificates and the 2007A Certificates and from funds and accounts held by the District.

⁽³⁾ Includes certain legal, financing, verification and printing costs.

INSTALLMENT PAYMENT SCHEDULE

The following table shows the current debt services on the 2004A Certificates, the 2007A Certificates and the 2012A Certificates. Upon the delivery of the 2017A Certificates and the defeasance of the 2004A Certificates and the 2007A Certificates, the Installment Payments with respect to the 2017A Certificates will be made by the District under the Installment Purchase Agreements from Flood Control System Revenues on a parity with the 1994 Installment Payments allocable to the 2012A Certificates. The table below will be updated upon the delivery of the 2017A Certificates and the defeasance of the 2004A Certificates and the 2007A Certificates.

Installment Payment Schedules

Year Ending February 1	1994 Installment Payments ⁽¹⁾			1995 Installment Payments ⁽²⁾			
	Principal	Interest	Total	Principal	Interest	Total	Total
2017	\$5,040,000	\$950,475	\$5,990,475	\$2,980,000	\$1,390,075	\$4,370,075	\$10,360,550
2018	5,290,000	1,648,950	6,938,950	3,095,000	2,660,950	5,755,950	12,694,900
2019	5,555,000	1,384,450	6,939,450	3,250,000	2,506,200	5,756,200	12,695,650
2020	4,755,000	1,106,700	5,861,700	3,390,000	2,368,075	5,758,075	11,619,775
2021	4,995,000	868,950	5,863,950	3,540,000	2,224,000	5,764,000	11,627,950
2022	5,195,000	664,500	5,859,500	3,715,000	2,047,000	5,762,000	11,621,500
2023	5,410,000	451,850	5,861,850	3,895,000	1,861,250	5,756,250	11,618,100
2024	5,625,000	230,350	5,855,350	4,095,000	1,666,500	5,761,500	11,616,850
2025				4,295,000	1,461,750	5,756,750	5,756,750
2026				4,515,000	1,247,000	5,762,000	5,762,000
2027				4,740,000	1,021,250	5,761,250	5,761,250
2028				4,975,000	784,250	5,759,250	5,759,250
2029				5,225,000	535,500	5,760,500	5,760,500
2030				5,485,000	274,250	5,759,250	5,759,250
Total	\$41,865,000	\$7,306,225	\$49,171,225	\$57,195,000	\$22,048,050	\$79,243,050	\$128,414,275

⁽¹⁾ Corresponds to the 2004A Certificates and the 2012A Certificates.

⁽²⁾ Corresponds to the 2007A Certificates.

THE DISTRICT

The following section provides a general description of the District. See APPENDIX A – “AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS OF THE DISTRICT” for the District’s audited financial statements for the fiscal year ended June 30, 2016. The District’s Flood Control System is separately described under “FLOOD PROTECTION AND STREAM STEWARDSHIP,” “HISTORICAL OPERATING RESULTS,” and “PROJECTED OPERATING RESULTS.”

Organization, Purpose and Powers

Santa Clara Valley Water District is a multi-purpose special district organized and existing in accordance with the Santa Clara Valley Water District Act, Chapter 1405 of Statutes of 1951 of the State of California, as amended (the “Law”), authorized to supply water and provide flood protection services in Santa Clara County, California (the “County”). The District encompasses the entire County which is one of the nine counties that make up the San Francisco Bay Area.

The District has broad powers relating to all aspects of the control 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. Revenues realized from the District’s water utility activities are not included in the definition of Flood Control System Revenues and are not pledged to the payment of the District’s obligations under the Installment Purchase Agreements.

The District has been providing flood protection measures since 1951. These measures include maintenance and construction of flood protection facilities. 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 Flood Control System is defined in the Master Resolution as all property rights, contractual rights and facilities of the District relating to the flood and storm water control service now existing or hereafter established. In general, the Flood Control System includes those structures and improvements described in the section entitled “FLOOD PROTECTION AND STREAM STEWARDSHIP.”

For flood control administrative purposes, the District is divided into five zones which conform to the major watersheds in the valley. Each zone has a separate flood control program and is a separate fiscal entity with its own revenues and expenditures; however, all revenues of all such zones are included, without distinction, in the definition of Flood Control System Revenues. The northeastern portion of the County is not included in a flood control zone because streams in this area do not flow into the Santa Clara Valley.

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

As provided under California law, the District receives its share of the County-wide one percent property tax levied. The portion of such proceeds allocable to the Flood Control System, including the watershed and stream stewardship program, are included in the definition of Flood Control System Revenues and are pledged to the payment of the District’s obligations under the 1994 Installment Purchase Agreement. See the caption “THE DISTRICT – 1% Property Tax Moneys” for a discussion of recent State legislation and a recently enacted amendment to the State Constitution affecting the District’s receipt of a percentage of the County-wide one percent tax levy. As provided under California law, the District receives taxes above its

share of the limit set forth in Article XIII A of the California Constitution for repayment of its obligation under its contract for water from the State Water Project. Such taxes are pledged to the payment of obligations under the State Water Project Contract, and are not included in the definition of Flood Control System Revenues and are not pledged to the payment of the District's obligations under the Installment Purchase Agreements.

Board of Directors and Management

Board of Directors. The Santa Clara Valley Water District Board of Directors (the "Board") is composed of seven members each elected from equally-divided districts drawn through a formal process. The purpose of the Board, on behalf of Santa Clara County, is to protect the public health and safety and enhance the quality of living within Santa Clara County by comprehensively managing water resources in a practical, cost-effective, and environmentally-sensitive manner. The Directors serve overlapping four-year terms, a structure created pursuant to the adoption of the District Act. The current Directors are:

[John Varela (District 1): Mr. Varela was appointed to the Board in December 2015 to fill the seat vacated by prior Director Dennis Kennedy. Mr. Varela is the current Vice Chair of the Board. Mr. Varela has served as a member of the City Council and Mayor of the City of Morgan Hill and currently sits on the board for the Morgan Hill Chamber of Commerce. In addition, Mr. Varela is active in the Silicon Valley Chamber Coalition Regional Economic Development Initiative. Mr. Varela has experience as an entrepreneur in the solar/clean energy and bio-fuel industries. District 1 encompasses the South County cities of Morgan Hill and Gilroy; the community of San Martin, the Evergreen and Silver Creek neighborhoods of San Jose; parts of south San Jose; and hills east of San Jose and Milpitas. Updates pending Nov 2016 election]

Barbara Keegan (District 2): Ms. Keegan was elected to the Board in November 2012 to represent District 2 and is the current Chair of the Board. Ms. Keegan has extensive experience as a licensed civil engineer including over 19 years with the City of San Jose's public works department and as City Engineer/Assistant Director of Public Works for the City of Sunnyvale. In addition to serving on the Board, Ms. Keegan serves on the boards of the North Willow Glen Neighborhood Association and the San Jose Arena Authority. Ms. Keegan holds a bachelor's and master's degree in civil engineering from San Jose State University. District 2 includes portions of the City of Jose and the City of Santa Clara.

Richard P. Santos (District 3): Mr. Santos became a member of the Board in 2000. Mr. Santos retired as a Fire Captain from the San Jose Fire Department with 33 years of service. While at the San Jose Fire Department, Mr. Santos served for 12 years on the San Jose Police and Fire Retirement Board and was a labor representative of the San Jose Firefighters local union. He was then and is still very active as a volunteer for community services and has spearheaded several civic activity fundraiser projects. Mr. Santos received a bachelor's degree in public administration from Farelston and Nova Colleges and received associates degrees in political science and fire science. He also has a lifetime teaching credential from the California Community College system, where he taught fire science at Mission College. District 3 is in the northeastern portion of the county and includes the City of Milpitas, portions of San Jose (Berryessa area, the Alum Rock area north of McKee Road and the Alviso area) portions of Sunnyvale and Santa Clara.

Linda J. LeZotte (District 4): Ms. LeZotte first became a member of the Board in 2010 and served as Chair of the Board in 2012. Ms. LeZotte previously served for eight years as a member of the City Council of the City of San Jose and for six years as a San Jose Planning Commissioner. In addition, Ms. LeZotte chaired the Joint Venture Silicon Valley Sustainable Buildings Initiative, and served on the Bay Area Climate Collaborative-Green Building Group, and the Cities Association Green Building Collaborative. She currently serves on the Advisory Board of Sustainable Silicon Valley. Ms. LeZotte is an attorney with over 30 years of experience, specializing in the areas of land use, environmental and municipal law, and corporate development. District 4 includes the City of Campbell, portions of the Willow Glen and Cambrian communities, and North Almaden and Blossom Hill areas of San Jose.

Nai Hsueh (District 5): Ms. Hsueh was elected to the Board in 2012 to serve District 5. Ms. Hsueh has more than 25 years of experience working on various aspects of water resources issues, including previously serving as Chief Operating Officer, Capital Program Services of the District. During her tenure at the District, she first progressed through the engineering career path from Assistant Engineer to Senior Engineer to one of the District's Chief Operating Officers. In such capacity, Ms. Hsueh was responsible for managing and implementing the District's capital improvement program to support its water supply, flood protection and environmental stewardship missions. Ms. Hsueh is a registered civil engineer in California and received her bachelor's degree in agricultural engineering from National Taiwan University and her master's degree in hydraulic engineering from the University of Iowa. District 5 includes portions of Cupertino, San Jose, Saratoga and Sunnyvale.

Tony Estremera (District 6): Mr. Estremera began his tenure on the District Board in 1996. He is the Directing Attorney for the Santa Clara County Legal Aid Society. His government experience includes volunteering in both appointed and elected positions including the Santa Clara County Grand Jury, Santa Clara County Housing Task Force, Valley Medical Center Advisory Board, Santa Clara County Personnel Board, San Jose Municipal Stadium Task Force, (San Jose) Mayor's Committee on Minority Affairs and the San Jose/Evergreen Community College District Board of Trustees. Mr. Estremera received his law degree from the Boalt Hall School of Law, Berkeley. He is an active member of the State Bar of California and the Santa Clara County Bar Association. District 6 includes the North-Eastern portion of the City of San Jose (Alum Rock to the north and Monterey Road/Capital Expressway to the south).

Gary Kremen (District 7): Mr. Kremen was elected to the District Board in 2014. Mr. Kremen has over 30 years of experience in starting and mentoring companies, including Clean Power Finance and WaterSmart Software. Mr. Kremen teaches graduate level courses from time to time at Northwestern University on energy policy, is a member of the Foundation Board of University of California, Merced, and is an advisor, grant proposal evaluator, and judge at Stanford University's TomKat Center for Sustainable Energy. Mr. Kremen has served as President of the Board of Directors of Purissima Hill Water District and as the Secretary of the Water Conservation Committee for Los Altos Hills. Mr. Kremen is a member of the Proposition 39, California Clean Energy Jobs Act Citizen's Oversight Board, appointed by the then-California State Controller, John Chiang. District 7 includes Palo Alto, Los Altos, Los Altos Hills, Mountain View, Monte Sereno, Los Gatos, and the southernmost portion of the San Jose.

Management. The District is headed by a Chief Executive Officer, District Counsel, Chief Operating Officer - Water Utility Enterprise, Chief Operating Officer - Watersheds, Chief Operating Officer - Administrative Services, and Clerk of the Board.

On March 8, 2016, the District selected Ms. Norma Camacho, Chief Operating Officer - Watersheds as interim Chief Executive Officer. Ms. Camacho is expected to serve as interim Chief Executive Officer until the Board selects a permanent Chief Executive Officer. As a result of such appointment, on September 8, 2016, the District announced that the position of Interim Chief Operating Officer, Watersheds, will be filled by Melanie Richardson, a Deputy Operating Officer, until further notice.

Stan Yamamoto, District Counsel. Mr. Yamamoto joined the District as District Counsel in February 2010. Mr. Yamamoto is a graduate of San Jose State University and earned his law degree at the University of Santa Clara School of Law. Mr. Yamamoto has more than 34 years of experience in the area of public law and has served as City Attorney for the cities of Redwood City, Riverside and Modesto, California.

Norma Camacho, Interim Chief Executive Officer. Ms. Camacho joined the District in March 2012 and was the Chief Operating Officer for the District's Watersheds Operation before being appointed as the Interim Chief Executive Officer. She has more than 25 years of long-range planning, program development, finance, and capital projects experience. Most recently she was the director of the Ventura County Watershed Protection District, directing day-to-day operations of a 142-person organization with a budget of \$59,000,000. Prior to that position she served in the Ventura County Executive Office as deputy executive director of

finance and budgets. Ms. Camacho holds a bachelor's degree in civil engineering (structural) from Stanford University. She is a member of the American Society of Civil Engineers and the American Public Works Association, and was recently vice-chair of the County Engineers Association of California Flood Control Committee.

Melanie Richardson, Interim Chief Operating Officer – Watershed. Ms. Richardson is the Interim Chief Operating Officer for Watersheds at the District. She has been with the District for 25 years in the following roles: Associate Civil Engineer, Assistant Operating Officer of Water Supply, Deputy Administrative Officer of Corporate Business Services, and most recently, the Deputy Operating Officer of Watersheds Design & Construction. She was appointed as Interim Chief Operating Officer for Watersheds effective August 15, 2016. Ms. Richardson is a registered Civil Engineer in the state of California and has served as one of the two Designated Engineers for the District.

James M. Fiedler, Chief Operating Officer – Water Utility Enterprise. Mr. Fiedler is the Chief Operating Officer responsible for management of the District's Water Utility Enterprise. Responsibilities include leading the District's water policy development and program implementation of its water importation, surface reservoir operations, groundwater management, raw and treated water delivery, wholesale treated water, water recycling and water conservation programs. Mr. Fiedler has 30 years of engineering and management experience in the area of water supply and flood control, primarily with the District. His management and technical experience includes regional water resources, flood and environmental planning, design, construction, operations and maintenance of water supply and flood protection infrastructure. He is a registered engineer in California and received his bachelor's degree in civil engineering from Loyola Marymount University, Los Angeles, California and his master's degree in civil engineering from Stanford University.

Chief Operating Officer – Administrative Services. [The District is in the process of searching for a Chief Operating Officer for Administrative Services. This position is responsible for management of financial planning and management, information technology, general services and human resources. The District may enter into an on-call contract with Management Partners to hire a temporary Chief Operating Officer for Administrative Services if the position is not filled before December 20, 2016.]

Michele L. King, CMC, Clerk of the Board. Ms. King began service with the District in 2004 and has more than 12 years of experience in providing support to elected officials of special districts. As Clerk, Ms. King's responsibilities include ensuring that the District complies with regulations and deadlines for Board and committee meetings, agenda publications, Groundwater Production Charge Protests, Lobbyist Ordinance compliance, public record requests, and the Board, Board Advisory and Ad Hoc Committee, and Clerk of the Board annual budgets. Ms. King is a Certified Municipal Clerk and a member of the Northern California Clerks Association and the International Institute of Municipal Clerks.

Budgeting Process

The District's budget process uses a goal-driven approach that spans the planning, development, adoption and execution phases of the budget. These practices encourage development of organizational goals, and establishment of policies and plans to achieve these goals and policies. The guidelines used by the District in developing this formal budget process are the recommended budget practices for improved state and local government budgeting prepared by the National Advisory Council on State and Local Budgeting and the Government Finance Officers Association.

The District Act requires that the budget be adopted prior to June 30 for any given year. The District develops an annual budget for all funds. The budget process includes project plan, long-term cost forecasting and annual budget development. After adoption by the Board, the District has authority to expend the appropriations for the given Fiscal Year. During the Fiscal Year, budget amendments and adjustments may be made to reflect changes in financial conditions, programs and/or authorizing laws that affect ongoing

expenditures. The budget cycle is completed with the review and alignment of staff work plans to be consistent with the resource allocation made in the adopted budget.

The current budget for Fiscal Year 2016-17 was approved by the Board on May 10, 2016. As of September 20, 2016, no material amendment to such budget has been approved.

Debt Structure of the District

Long-Term Indebtedness. The District’s long-term debt outstanding as of June 30, 2016, consisted of the following:

**SCHEDULE OF LONG-TERM INDEBTEDNESS
(Dollars In Thousands)
(as of June 30, 2016)**

Type of Indebtedness	Final Maturity	Balance Outstanding
Flood Control Indebtedness:		
1994 Installment Purchase Agreement ⁽¹⁾	2024	\$41,865
1995 Installment Purchase Agreement ⁽²⁾	2030	57,195
Total Flood Control Installment Purchase Agreement		\$99,060
Water Utility Indebtedness:		
Total Senior Water Utility System Obligations		\$128,950
Total Parity Water Utility System Obligations		279,575
Total Other Indebtedness		\$408,525
Total Long-Term Indebtedness		\$507,585

⁽¹⁾ 1994 Installment Payments secure the 2004A Certificates and 2012A Certificates. Proceeds of the 2004A Certificates and 2012A Certificates were used to finance and refinance the District’s Flood Control System facilities. The 2004A Certificates will be prepaid using a portion of the proceeds of the 2017A Certificates.

⁽²⁾ 1995 Installment Payments secure the 2007A Certificates. Proceeds of the 2007A Certificates were used to finance and refinance the District’s Flood Control System facilities. The 2007A Certificates will be prepaid using a portion of the proceeds of the 2017A Certificates.

Source: Santa Clara Valley Water District.

Short-Term Indebtedness. The District may issue from time to time tax revenue anticipation notes (“TRANS”) to secure the District’s Commercial Paper Certificates. The TRANS are payable from taxes, income, revenue, cash receipts and other moneys which are received by the Water Utility System of the District for each fiscal year 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 on a subordinate basis to Bonds and Contracts (as defined in the Parity Master Resolution), in accordance with the Parity Master Resolution.

The TRANS dated July 1, 2016 in the amount of \$225 million matures on October 1, 2017. As of [January 1, 2017] the District had no Commercial Paper Certificates outstanding.

Future Debt Issues. Over the next five years, the District plans to issue additional debt for flood protection projects secured by special parcel tax revenues levied for the Safe, Clean Water Program, as approved by Santa Clara County voters on November 6, 2012. The Safe, Clean Water Program replaced the expired Clean, Safe Creeks and Natural Flood Protection parcel tax. The approval of the Safe, Clean Water Program extended the parcel tax for 15 years through June 30, 2028 and is projected to generate approximately

\$722 million in parcel tax revenue over this time period. Revenue from the Safe, Clean Water Program special parcel tax will not secure payment of principal and interest relating to the Certificates is not included in the projection of Flood Control System Revenues. See the caption “THE DISTRICT – Safe, Clean Water and Natural Flood Protection Program.”

Direct and Overlapping Debt

Direct and overlapping debt with respect to the District’s service area as of _____, 2016, is shown in the following table prepared by California Municipal Statistics, Inc. The Debt Report has been derived from data assembled and reported to the District by California Municipal Statistics, Inc. None of the District, the Underwriters nor Public Resources Advisory Group, the financial advisor to the District, have independently verified the information in the Debt Report and do not guarantee its completeness or accuracy.

Statement of Direct and Overlapping Debt
_____, 2016

Source: Prepared for the Santa Clara Valley Water District by California Municipal Statistics, Inc.

Ad Valorem Taxes

Since 1961, the District has contracted with the California Department of Water Resources to purchase water from the State Water Project. A property tax is levied each year to pay to the State the District’s contract obligation. For the Fiscal Year ended June 30, 2016 the District received tax revenues of \$24,471,718 to pay the District’s contract obligation.

General Obligation Tax Rates
(% of Assessed Value)

Fiscal Year Ended June 30,	District State Water Project Tax Rates	Net Changes
2012	0.0064%	—
2013	0.0069	0.0005%
2014	0.0070	0.0001
2015	0.0065	(0.0005)
2016	0.0057	(0.0008)

Source: Santa Clara Valley Water District.

The following table represents a five-year history of assessed valuation in the District:

SANTA CLARA VALLEY WATER DISTRICT
Assessed Valuations
Fiscal Years Ending June 30
(Dollars in Thousands)

	Net Local Secured	State Board of Equalization (SBE)	Net Unsecured	Total
2012	\$275,581,705	\$557,469	\$20,791,740	\$296,930,914
2013	283,903,536	525,302	22,225,683	306,654,521
2014	308,939,519	596,002	23,021,092	332,556,613
2015	332,220,200	577,096	22,417,252	355,214,548
2016	362,318,558	594,415	23,239,529	386,152,502

Source: County of Santa Clara Property Tax Apportionment Division

1% Property Tax Moneys

Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter approved indebtedness). A 1% property tax is automatically levied by each California county and distributed according to a formula among taxing agencies. The District has used proceeds from the 1% tax levy to provide flood protection, stream stewardship, water quality and water supply, and administration plus debt service for the District as a whole.

The following table shows the allocation of the 1% property taxes for their distribution over the past five years.

Allocation of the District Share of County 1% Property Tax
Fiscal Years Ending June 30⁽¹⁾
(Dollars in Thousands)

Distribution	2012	2013 ⁽²⁾	2014	2015	2016
General Fund	\$4,793,508	\$5,485,845	\$5,677,534	\$6,211,421	\$6,728,866
Water Utility Fund	4,254,905	4,678,333	5,072,380	5,601,823	6,062,880
Flood Control Zones ⁽³⁾	48,456,629	55,646,954	57,631,007	62,886,881	68,005,419
Total:	\$57,505,042	\$65,811,132	\$68,380,921	\$74,700,125	\$80,797,165

⁽¹⁾ The amount received by the District under its allocation of the County's 1% Property Tax is affected by its participation in the County's Teeter Plan. The County or the District could change their participation in the Teeter Plan and this could affect the District's allocation of such amounts. See "Teeter Plan" below.

⁽²⁾ Includes \$5.2 million ERAF Shift repayment discussed below.

⁽³⁾ Includes allocation of the County's 1% Property Tax for watershed and stream stewardship program.

Source: Santa Clara Valley Water District.

Moneys received by the District as the District's share of the County 1% tax levy are allocated by Board action each year among various District activities. Upon allocation of one percent tax moneys by the Board to the Flood Control System such moneys are Flood Control System Revenues and are pledged to the payment of principal and interest with respect to the Installment Payments and are available, but are not required to be used, to pay Maintenance and Operation costs of the District's facilities.

On November 2, 2004, State voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State may not, among other things: (i) shift property taxes from local governments to schools or community colleges; or (ii) change how 1% ad valorem property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature. Beginning in State fiscal year 2009-10, the State was permitted to shift to schools and community colleges a limited amount of local

government property tax revenues if certain conditions are met, including: (a) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State; and (b) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

On July 28, 2009, the Governor of the State signed a revised State fiscal year 2009-10 budget which included a shift (the “ERAF Shift”) of approximately 8% of the 1% ad valorem property tax revenues (other than unitary taxes) from certain local agencies, including the District, to school districts and other governmental agencies. Pursuant to Proposition 1A, the State repaid the portion of the 1% ad valorem property taxes that was subject to such ERAF Shift, totaling approximately \$5.2 million including interest, to the District in fiscal year 2012-13.

Teeter Plan

In 1993, the District adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”) as provided for in Section 4701 et seq. of the Revenue and Taxation Code of the State. Generally, the Teeter Plan provides for a tax distribution procedure in which secured roll taxes are distributed to taxing agencies within the County on the basis of the tax levy, rather than on the basis of actual tax collections. The County then receives all future delinquent tax payments, penalties and interest, and a tax redemption distribution system for all taxing agencies is avoided. Pursuant to the Teeter Plan, the County establishes a tax losses reserve fund and a tax resources account and each entity levying property taxes in the County may draw on the amount of uncollected taxes and assessments credited to its tax fund in the same manner as if the amount credited had been collected.

The County is responsible for determining the amount of the tax levy on each parcel which is entered onto the secured property tax roll. Upon completion of the secured property tax roll, the County’s Auditor-Controller determines the total amount of taxes and assessments actually extended on the roll for each tax fund for which a tax levy has been included, and apportions 100 percent of the tax and assessment levies to that tax fund’s credit. Such moneys may thereafter be drawn against by the taxing agency in the same manner as if the amount credited had been collected. The County determines which moneys in the County treasury (including those credited to the tax losses reserve fund) shall be available to be drawn on to the extent to the amount of uncollected taxes credited each fund for which a levy has been included. When amounts are received on the secured tax roll for the current year, or for redemption of tax-defaulted property, Teeter Plan moneys are distributed to the apportioned tax resources accounts.

Safe, Clean Water and Natural Flood Protection Program

On November 6, 2012, the voters of the County, by not less than two-thirds of those voting, approved a special parcel tax as authorized in California and pursuant to Resolution 2012-62 and 2012-63A of the District Board. This Program replaced the Clean, Safe Creeks and Natural Flood Protection Plan, which voters approved in November 2000. The tax is levied for a period of fifteen years at fixed and uniform rates per area and according to the county-designated land use of each parcel subject to the tax, including a minimum rate for single family residential parcels under one-quarter of an acre in size. Government-owned property is exempt from the tax, and the state legislature has authorized low-income senior citizens who own and occupy property to apply for an exemption. Revenue from the tax is used to accomplish and fund a number of outcomes and activities of the District described in the program. Some of the funds are spent on pay-as-you go flood protection measures and stream maintenance, as well as stream stewardship, habitat restoration and open space opportunities, ensuring a reliable water supply and protecting our water supply from earthquakes and natural disasters. Revenues from the tax are not Flood Control System Revenues and are not available for securing debt obligations of the District. See the caption “THE DISTRICT – Debt Structure of the District” for a discussion of the District special parcel tax that was approved on November 6, 2012.

Bargaining Units

On August 26, 2014, the Board approved new multi-year memorandum of understanding agreements (“MOU’s”) between the District and the bargaining units. The agreements became effective on January 1, 2015 and expire on December 31, 2017. The current agreements include across the board salary adjustments of 3.0% in 2015, 2016 and 2017. Under the current MOU’s, the District will continue to participate in the California Public Employment Retirement System (“CalPERS”), a cost sharing multiple-employer defined benefit plan operated on a statewide basis. The District’s contract with CalPERS includes a three-tier benefit level: (1) benefits at the 2.5% of fiscal year compensation benefit level for every year of service for employees at age 55 (“2.5% @ 55”) hired prior to March 19, 2012; (2) benefits at the 2% of fiscal year compensation benefit level for every year of service for employees at age 60 (“2% @ 60”) hired on or after March 19, 2012 and before January 1, 2013, and (3) benefits at the 2% of fiscal year compensation benefit level for every year of service for employees at age 62 (“2.0% @ 62”) hired on or after January 1, 2013 (See the caption “Employees Retirement Plan – Benefits Provided” below). During the term of the current MOU’s: (1) employees participating in the 2.5% @ 55 tier will pay 50% of the normal cost as determined by CalPERS, with a minimum contribution of 8% and a maximum of 11%; (2) employees participating in the 2.0% @ 60 tier will pay 50% of the normal cost as determined by CalPERS, with a minimum contribution of 7% and a maximum of 10%; and (3) employees participating in the 2% @ 62 tier will pay 50% of the normal cost as determined by CalPERS, which is currently 6.75%. The foregoing deductions will be pre-tax.

Employees are eligible for the following retiree medical coverage: (1) employee hired on or after July 1, 1988 and prior to March 1, 2007 is eligible for (a) medical coverage for the employee with a minimum of 10 years (20,800 hours) of continuous District service, and (b) medical coverage for the employee plus one eligible dependent with a minimum of 15 years (31,200 hours) of continuous District service; and (2) employee hired on or after March 1, 2007 is eligible for (a) medical coverage for the employee with 15 years (31,200 hours) of continuous District service, and (b) medical coverage for the employee plus one eligible dependent with 20 years (41,600 hours) or more years of continuous District service.

Employees’ Retirement Plan

All qualified permanent and probationary employees are eligible to participate in the agent multiple-employer defined benefit pension plan (the “Plan”) administered by CalPERS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and District’s resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website (<https://www.calpers.ca.gov/>). The information on such website is not incorporated into this Official Statement by reference.

Benefits Provided. CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits for those members enrolled in the 2.5% @ 55 and 2.0% @ 60 retirement formulas. Members enrolled in the 2.0% @ 62 formula are eligible to retire at age 52 with statutorily reduced benefits.. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the California Public Employees’ Retirement Law.

The Plan’s provisions and benefits in effect at July 1, 2016, are summarized as follows:

Hire Date	Prior to 3/19/2012	3/19/2012 to 12/31/2012	On or After 1/1/2013
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Benefit formula	2.5% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years' service	5 years' service	5 years' service
Benefit payments	monthly	monthly	monthly
Minimum Retirement age	55	60	62
Monthly benefits, as a % of eligible compensation ⁽¹⁾	2% to 2.5%	1.1% to 2.4%	1.0% to 2.5%
Required employee contribution rates	8.0% + 1.09%*	7.0% + 2.09%*	6.75%
Required employer contribution rates	21.147%	21.147%	21.147%

* Member additional contribution towards District's CalPERS cost in effect at June 30, 2015; See the caption "— Employee Relations" above for a description of the maximum employee contributions per negotiated agreement with the bargaining units.

⁽¹⁾ With respect to the 2%@60 and 2%@62 benefit formulas, the monthly benefits earned as a percentage of eligible compensation increases at a rate set by CalPERS for each quarter worked beyond age 60.

Source: _____

Employees Covered. At July 1, 2016, the following number of employees were covered by the benefit terms of the Plan:

Inactive employees or beneficiaries currently receiving benefits	444
Active employees	718

Contributions. Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Net Pension Liability. The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The available net pension liability of the Plans was most recently measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions. The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

<i>Valuation date</i>	June 30, 2014
<i>Measurement date</i>	June 30, 2015
<i>Actuarial cost method</i>	Entry-age normal cost method
<i>Discount rate</i>	7.65%
<i>Inflation</i>	2.75%
<i>Salary increases</i>	Varies by entry age and service
<i>Investment rate of return⁽¹⁾</i>	7.5%
<i>Mortality rate table⁽²⁾</i>	Derived using CalPERS' membership data for all funds
<i>Post retirement benefit increase</i>	Contract COLA up to 2.75% unit purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter.

⁽¹⁾ Net of pension plan investment expenses, including inflation.

⁽²⁾ The mortality rate table was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuarial Scale BB.

Source: _____

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study can be obtained at CalPERS' website under "Forms and Publications." The information on such website is not incorporated into this Official Statement by reference.

Discount Rate

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018.

Changes in the Net Pension Liability. The following table shows the changes in net pension liability recognized over the measurement period.

	Increase (Decrease)		Net Pension Liability (c) = (a) - (b)
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	
Balance at 6/30/2014 ⁽¹⁾	\$657,757,127	\$508,241,424	\$149,515,703
Changes Recognized for the Measurement Period:			
Service Cost	13,735,953	--	13,735,953
Interest on Total Pension Liability	48,842,236	--	48,842,236
Changes if Benefit Terms	--	--	--
Different between Expected and Actual Experience	(184,479)	--	(184,479)
Changes of Assumptions	(12,079,891)	--	(12,079,891)
Contribution from Employer	--	15,157,939	(15,157,939)
Contribution from Employees	--	6,242,234	(6,242,234)
Net Investment Income	--	11,478,076	(11,478,076)
Benefit Payments, including Refunds of Employee Contribution	(27,800,232)	27,800,232	--
Administrative Expense	--	(566,550)	566,550
Net Changes During 2014-15	22,513,587	4,511,466	18,002,120
Balance at 6/30/2015 ⁽¹⁾	\$680,270,713	\$512,752,890	\$167,517,823

⁽¹⁾ The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and OPEB expense.

Source: _____

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the District, calculated using the current discount rate, as well as what the District’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

Plan Net Pension Liability/(Assets)	Discount Rate – 1%	Current Discount	Current Discount + 1%
	6.65%	7.65%	8.65%
	\$259,734,951	\$167,517,823	\$91,158,808

Pension Plan Fiduciary Net Position. Detailed information about the District’s pension plan fiduciary net position is available in the separately issued CalPERS financial reports.

Pension Expenses and Deferred Outflow/Inflow of Resources. For the year ended June 30, 2016, the District recognized pension expense of \$13.9 million. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Pension contribution subsequent to measurement date	\$16,532,182	--
Net differences between projected and actual earnings on plan investments	--	(\$13,406,171)
Total	\$13,948,105	(\$13,406,171)

Approximately \$16.5 million is reported as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period	Deferred Outflows/(Inflows) of Resources
2015-16	(\$6,484,114)
2016-17	(\$6,484,114)
2017-18	(\$5,838,619)
2018-19	5,400,676
Total	(\$13,406,171)

Payable to the Pension Plan. At June 30, 2016, the District reported a payable of \$167.5 million for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

For more information with respect to the District’s Plan, see Note 11 to the District’s audited financial statements attached hereto as Appendix A.

Post-Employment Benefits. The District provides post-employment health care benefits, in accordance with the negotiated MOUs with employee groups adopted by the Board for retired employees and/or their surviving spouses who meet the eligibility requirements and elect the option. As of June 30, 2016, there were 444 retirees and surviving spouses receiving such benefits.

The Governmental Accounting Standards Board published Statement No. 45 (“GASB 45”), requiring governmental agencies that fund post-employment benefits on a pay-as-you-go basis, such as the District, to account for and report the outstanding obligations and commitments related to such post-employment benefits in essentially the same manner as for pensions.

The District participates in the CalPERS California Employer's Retiree Benefit Trust Program ("CERBT"), a prefunding plan trust fund. On June 24, 2008, the Board approved the reallocation of \$17,700,000 from its existing reserves for the initial prefunding of the unfunded liability as part of its multi-year financial planning strategy. The difference between the funded amount and the actuarially determined Annual Required Contribution ("ARC") cost. Subsequent years' funding, pursuant to the annual budget approved by the Board, was phased in to gradually reach full funding of the ARC by the eight year in order to limit its immediate impact on groundwater charge increases and the funding of core services within limited available revenues.

The District's annual OPEB cost is calculated based on the ARC of the employer, and the amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for Fiscal Year 2015-16, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan

Annual required contribution		\$10,311,304
Interest on net OPEB obligation		20,229
Adjustment to annual required contribution		(18,991)
Annual OPEB cost (expense)		<u>10,312,542</u>
Contributions made- FY2016 cost	\$(10,312,542)	
Contributions made- Prior years' unfunded ARC	<u>(396,229)</u>	
Total Contributions made in Fiscal Year 2015-16		<u>(10,708,771)</u>
Increase (decrease) in Net OPEB obligations		(396,229)
Net OPEB obligation, June 30, 2015		<u>277,872</u>
Net OPEB obligation, June 30, 2016		(\$118,357)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the Fiscal Year ended June 30, 2014 through 2016 are summarized in the table below.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2014	\$11,174,939	149.30%	\$1,556,814
6/30/2015	11,122,509	111.50%	277,872
6/30/2016	10,312,542	103.84%	(118,357)

As of July 1, 2014, the latest valuation date, the estimated funded status of the OPEB plan, was as follows.

Actuarial accrued liability (AAL)	\$186,660,555
Actuarial value of plan assets	80,783,751
Unfunded actuarial accrued liability (UAAL)	105,876,804
Funded ratio (actuarial value of plan assets/AAL)	43.28%
Covered payroll	86,172,345
UAAL as a percentage of covered payroll	122.87%

The July 1, 2014 actuarial valuation used the Entry Age Normal (EAN) cost method. The actuarial assumptions included a discount rate of 7.65% and a 2.75% inflation rate. Healthcare cost trend rates ranged from an initial rate range of 8% to 4.5%. The unfunded liability is being amortized as a percent of payroll over 30 years on a closed basis. The remaining years in the amortization period at June 30, 2016 was 22 years.

For more information with respect to the District's OPEB, see Note 12 to the District's audited financial statements attached hereto as Appendix A.

Other Benefits. The District provides employer-paid benefits as follows: medical, dental, vision, basic life, and basic long-term disability. Employees may also purchase supplemental life, supplemental long-term disability, and accidental death and dismemberment.

The District has established a deferred compensation plan for employees wishing to defer part of their salaries. Under certain conditions, the District makes matching contributions. In the Fiscal Year ended June 30, 2016, the District contributed \$865,000 to the deferred compensation plan.

Insurance

General Liability Insurance. Since January 1, 1987, the District has maintained a self-insurance program in connection with its general liability risks, including vehicular and non-vehicular loss exposures due to premises, operations, personal injury and product liability.

Under this program, the District is responsible for the first \$2,000,000 per occurrence for all General Liability claims. The District also purchases general liability insurance with limits of not less than \$50,000,000 per occurrence and aggregate in excess of its \$2,000,000 self-insured retention.

The District maintains a risk management information system to track claims, litigation and establish claims reserves which are used to derive self-insurance fund requirements. These funding requirements are reviewed by outside actuaries biannually.

Property Appraisal and Insurance. A property appraisal and valuation of the District's buildings and contents was prepared in April 2006 for the period ending that date. The appraisal was in conformity with generally accepted appraisal practices for purposes of establishing insurable values and property records. The report provides current replacement costs for buildings and equipment in the event of a loss.

The District maintains blanket property insurance coverage for its buildings and equipment, covering all traditional perils, but excluding earth movement and risks that are usually covered by bonds. The current blanket limit for this coverage is \$400,000,000. There are sublimits for particular perils consistent with normal property policies and appropriate to District loss exposures. The District's dams are not insured.

The District does not carry flood or earthquake insurance.

Workers' Compensation. Since January 1, 1994, the District has maintained a self-insurance program in connection with its workers' compensation risks. Under this program, the District is responsible for the first \$1,000,000 per occurrence of any loss. The District also purchases workers' compensation insurance with statutory limits above this self-insured retention and employers' liability limits of \$2,000,000 per employee/accident.

The District contracts with a third party claims administrator to review, investigate, track, pay and set case reserves for workers' compensation claims. As with the general liability self-insurance program, these reserves are used to derive funding requirements. Actuarial study frequency and funding confidence levels are the same as described above for the general liability program.

In addition to the above, the District also purchases crime coverage up to \$1,000,000 per loss, including public employee dishonesty, including public officials who are required by law to give bonds for the faithful performance of their service, forgery or alteration and computer fraud, subject to a \$5,000 deductible for Board members and \$10,000 for non-Board members.

Cyber Liability Insurance. Since June 1, 2015, the District has maintained cyber liability insurance coverage in the amount of \$5,000,000 with a self-insured retention of \$50,000 per claim. The liability associated with cybercrime, unauthorized access and failure to protect sensitive information are mitigated by cyber security insurance.

FLOOD PROTECTION AND STREAM STEWARDSHIP

The following section and the section describes the District's Flood Control System and provides information on the Flood Control Benefit Assessments. Also see "HISTORICAL OPERATING RESULTS" and "PROJECTED OPERATING RESULTS."

General

The District is responsible for overseeing the flood protection and stream stewardship needs of the County. The State legislature added stream stewardship as an objective in an amendment to the District Act in 2002. The Law provides for, among other things, the control of flood and storm waters of the District and the flood waters of streams that have their sources outside the District, but which streams and flood waters flow into the District. To address these matters on a watershed drainage basis, the District is divided into five flood control zones. The five zones are the Northwest, North Central, Central, East and South. These zones approximately conform with the major watersheds affecting the valley floor of the District. The watersheds of the four northern zones drain storm waters from the foothills across the valley floor and into the San Francisco Bay. The South Zone drains into Monterey Bay through the Pajaro River. Each zone has separate programs to provide flood protection and stream stewardship and each operates as a separate fiscal entity with its own revenues and expenditures. The area of the District that is not included in one of these zones is the northeast section of the County. That area is part of a watershed where the streams flow north, out of the District, before flowing across the valley floor. There are two Board advisory committees that assist the Board with policy review and development, provide comment on activities in the implementation of the District's mission for Board consideration, and to identify Board-related issues pertaining to water supply, flood protection and environmental stewardship.

The Environmental and Water Resources Committee is comprised of 21 members. Each Board Director may nominate up to three members to serve on the committee. The Santa Clara Valley Water Commission is comprised of 18 elected representatives: one from each City and Town in Santa Clara County, the County of Santa Clara, the Santa Clara County Open Space Authority, and the Midpeninsula Regional Open Space District. Each elected representative may have at least one alternate who may be another elected official or staff person from the same jurisdiction. All municipal representatives and alternates to the Santa Clara Valley Water Commission shall be appointed by their perspective agency.

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 control methods only as a last alternative. The level of protection that the District provides 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 current damage that would result from a countywide one percent flood is greater than \$2 billion. More than 65,000 homes, 5,000 businesses and 20,000 acres of agricultural land are subject to flooding.

Northwest Zone (Lower Peninsula Watershed) includes the cities of Palo Alto, Los Altos, Los Altos Hills, and Mountain View and portions of Cupertino and Sunnyvale. It covers the tributaries and watersheds of San Francisquito Creek, Matadero Creek, Barron Creek, Adobe Creek, Stevens Creek, and Permanente Creek that are also referred to as the Lower Peninsula Watersheds.

North Central Zone (West Valley Watershed) includes the City of Saratoga and portions of the cities of Sunnyvale, Santa Clara, Campbell, Cupertino, Monte Sereno, San Jose, and Los Gatos. This zone includes the watersheds that flow into Guadalupe Slough, which include Sunnyvale East and West Outfalls, Calabazas Creek, and San Tomas Aquino Creek. They are referred to as the West Valley Watersheds.

Central Zone (Guadalupe Watershed) includes portions of the communities of Santa Clara, San Jose, Campbell, Monte Sereno, and Los Gatos. It includes the tributaries of the Guadalupe River Watershed.

East Zone (Coyote Watershed) includes the City of Milpitas and portions of the cities of San Jose and Morgan Hill. It includes the tributaries of the Coyote Creek Watershed.

South Zone (Uvas/Llagas Watershed) includes the southernmost portions of the County, the City of Gilroy, portions of the Cities of San Jose and Morgan Hill and the Community of San Martin. It includes the Llagas and Uvas Creek watersheds which are tributaries to the Pajaro River.

Flood Management Facilities

The District has jurisdiction over 115 major creeks and tributaries each with drainage areas larger than 320 acres. It manages over 700 miles of levees, channels, floodwalls, pipelines and natural waterways. It provides maintenance for over 6,000 acres of flood protection right of way that it has in either fee title or easement.

Future Capital Project Funding

During the current and next four fiscal years, the District plans to spend approximately \$599 million to complete flood protection capital projects from several funding sources. Such projects include the Permanente Creek, San Francisquito Creek, Calabazas Creek, Sunnyvale East and West Channels, Guadalupe River, Coyote Creek, Berryessa Creek, Upper Penitencia Creek, Lower Silver Creek, and Llagas Creek, among others, in accordance with the District's 2017 Five-Year Capital Improvement Program.

The District is also undertaking additional flood protection capital projects to be completed beyond the next five years to be funded from various sources of funding. The District expects to finance these other watershed capital projects from four primary sources of funding: (i) pay-as-you go funding from current income, accumulations of prior year income, special parcel tax proceeds ("Safe, Clean Water Program") and certain other District moneys, (ii) cost sharing through federal sponsorship and (iii) subventions from the State of California Department of Water Resources; and (iv) pursuing grant funding opportunities.

Over the next five years, the District plans to enter into additional debt for flood protection projects from the 15-year parcel tax approved by the voters under the Safe Clean Water ballot measure in November 2012. See the caption "PLAN OF FINANCE – Flood Control Improvements" herein. The District will submit funding requests from both the federal and State agencies and does expect to receive both federal and State moneys for its watershed capital projects over the next five years although exact amounts cannot be determined at this time.

Flood Control Benefit Assessments

Prior to 1978, flood control services in the District were primarily funded by ad valorem property taxes. The passage of Proposition 13 in 1978 greatly reduced *ad valorem* tax revenues for flood control. See "CERTAIN LIMITATIONS ON TAXES – Article XIII A." The State legislature passed a benefit assessment act, which is now entitled The Benefit Assessment Act of 1982, to provide a source of funds to pay the costs of certain services, including flood control, by authorizing local agencies to levy assessments based on the benefit of services provided rather than on property value for flood control, the basis of benefit is proportionate to storm water runoff of each parcel. The Board first adopted benefit assessments in the District's flood control

zones in 1981, in accordance with the law in effect at that time. The levy of flood control benefit assessments was subsequently endorsed by District voters who periodically renewed the District's authority to levy said benefit assessments that included a sunset provision and long term debt repayment provisions. The Benefit Assessment Act is more fully described herein under "SECURITY AND SOURCES OF PAYMENT — Flood Control System Revenues - Benefit Assessments."

The District's initial goals for the benefit assessment revenues were improved maintenance, increased flood control construction, and continued land use management. Beginning July 1, 2000 when the sunset provision went into effect, benefit assessments were limited to an amount which would be sufficient to pay long term debt obligations in effect at that time until their repayment. The current debt obligation is to meet a maximum of 1.25 times the debt service for outstanding Parity Obligations.

Under the adopted benefit assessment system, the Board established six rate categories of land use for properties within the five flood control zones as follows:

Group A: Commercial and industrial.

Group B: Apartments and other high-density residential uses, schools, churches.

Group C: Single-family residential, small multiples (two to four units), condominiums and townhouses.

Group D: Residential land in excess of ¼ acre, land used for farming, vineyards, irrigated crops, parks, etc.

Group E: (1) Urban: Vacant land—undisturbed, not tilled or planted or irrigated; benefited grazing land; salt ponds—areas close to urban service areas. (2) Rural: Vacant land—undisturbed, not tilled or planted or irrigated; benefited grazing land—remote areas not close to urban services.

District flood control benefit assessments are set annually by the Board and are limited to the long-term debt service plus coverage requirements. The rate ceilings in effect for Fiscal Year 2016-17, and are shown in the following table.

**Flood Control Benefit Assessment Rates &
Minimum Flood Control Benefit Assessments⁽¹⁾⁽³⁾
Applicable To Defined Land Use Categories
Fiscal Year 2016-17**

Land Use Category	Northwest	North Central	Central	East	South
A - Commercial, Industrial					
Assessment rate per acre	\$318.90	\$105.60	\$169.25	\$168.44	\$ 0.00
Minimum assessment per parcel	79.72	26.40	42.32	42.10	0.00
B – Apartments, Schools, Churches					
Assessment rate per acre	\$239.17	\$ 79.20	\$126.94	\$126.33	\$ 0.00
Minimum assessment per parcel	59.80	19.80	31.74	31.58	0.00
C – Residential					
Assessment rate per acre ⁽²⁾	\$ ⁽²⁾	\$ ⁽²⁾	\$ ⁽²⁾	\$ ⁽²⁾	\$ ⁽²⁾
Minimum assessment per parcel	39.86	13.20	21.16	21.06	0.00
D – Utilized Agricultural					
Assessment rate per acre	\$ 1.99	\$ 0.66	\$ 1.06	\$ 1.05	\$ 0.00
Minimum assessment per parcel	19.93	6.60	10.58	10.52	0.00
E – Nonutilized Agricultural, Grazing Land, Well Sites					
Assessment rate per acre:					
Urban	\$ 0.60	\$ 0.20	\$ 0.32	\$ 0.32	\$ 0.00
Rural	0.07	0.02	0.04	0.04	0.00
Minimum assessment per parcel	5.98	1.98	3.18	3.16	0.00

⁽¹⁾ Minimum assessments in Groups A, B and C apply to parcels ¼ acre or less in size. Category C parcels larger than ¼ acre pay the minimum assessments for the first ¼ acre and the remaining acreage is assessed at the Category D rate. For Category D, the minimum assessment applies to parcels less than ten acres. The minimum assessment for Group E parcels is the amount charged for 10 acres of urban undeveloped land; the minimum assessment is the same for both the Urban Category and Rural Category parcels and applies to parcels less than ten acres in the Urban Category and to parcels less than 80 acres in the Rural Category.

⁽²⁾ Residential land in excess of ¼ acre is assessed at the Category D rate.

⁽³⁾ Fiscal Year 2016-17 Benefit Assessments reflect actual rates determined in August 2016 with updated tax roll information from County Assessor’s office.

Source: Santa Clara Valley Water District

The size of each parcel and its land use is available from the County Assessor’s records. Using this information and based on the runoff relationship for the County land use categories, the District developed assessment rates and minimum rates for each flood control zone.

The District has an arrangement with the County whereby the County Tax Collector is responsible for collecting benefit assessments along with other items on the annual property tax bills. The flood control benefit assessments are a lien on secured parcels in the same manner as ad valorem property taxes. The District is on the Teeter Plan and receives the full amount of the benefit assessments, less a maximum of 1% retained by the County as a collection fee. See “THE DISTRICT – Teeter Plan” herein.

The following tables show the Benefit Assessment Billings and Collections for the last five Fiscal Years ending June 30, 2016, the Flood Control Benefit Assessment Revenue By Flood Control Zone for the

last five Fiscal Years ending June 30, 2016, and the Top Ten Santa Clara County Landowners With Largest Benefit Assessments.

**Benefit Assessment Billings And Collections
Fiscal Years Ending June 30
(Dollars in Thousands)**

Fiscal Year	Gross Billings ⁽¹⁾	Ratio of Collections To Billings ⁽²⁾
2012	\$19,324	99.0%
2013	19,372	99.0
2014	16,306	99.0
2015	16,236	99.0
2016	14,830	99.0

⁽¹⁾ Billings amount does not include collection fee charged by the County Director of Finance.

⁽²⁾ The District is covered by the Teeter Plan and receives its full assessments less the collection fee that is kept by the County Tax Collector prior to disbursement of assessments to District. See "THE DISTRICT – Teeter Plan."

Source: Santa Clara Valley Water District

**Flood Control Benefit Assessment Revenue By Flood Control Zone⁽¹⁾
Fiscal Years Ending June 30
(Dollars in Thousands)**

Flood Control Zone (Net Collections)	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual
Northwest	\$4,628	\$4,632	\$4,279	\$4,260	\$3,998
North Central	2,928	2,936	2,485	2,496	2,246
Central	6,186	6,216	5,245	5,166	4,529
East	4,635	4,639	4,140	4,152	3,910
South	754	756	0	0	0
Total	<u>\$19,131</u>	<u>\$19,179</u>	<u>\$16,149</u>	<u>\$16,074</u>	<u>\$14,683</u>

⁽¹⁾ The amount shown is net of the collection fee charged by the County Director of Finance.

Source: Santa Clara Valley Water District.

**Top Ten Santa Clara County
Landowners With Largest Benefit Assessments**

Landowner ⁽¹⁾	Zone	Benefit Assessments Billed in Fiscal Year Ending [August 30, 2016]	Percentage of Total Assessments Billed
Stanford	Northwest	\$510,237	3.41%
Google	Northwest	92,523	0.62
Heidelberg Cement	Northwest	72,495	0.49
	Central, Northwest, North		
Roman Catholic Church	Central, East	43,130	0.29
Cisco	Central, Northwest, East	47,817	0.32
Hitachi Global Storage Technologies	Central	30,381	0.20
Lockheed Martin	North Central	28,943	0.19
United Aircraft	East	19,252	0.13
Campus Holding	North Central	18,310	0.12
AMB Property	Central, North Central, East	17,798	0.12
Subtotal		\$880,886	5.89%

All Others

Total

⁽¹⁾ The information regarding property ownership is based on the District's review of Santa Clara County Assessor's Office records. Owner names and spelling may not be consistent in such records and, therefore, the information shown above may be incomplete.

Source: Santa Clara Valley Water District.

HISTORICAL OPERATING RESULTS

The following table summarizes the District's combined revenues and debt service coverage for flood control funds for the five Fiscal Years ended June 30, 2016. These results have been derived from the District's financial statements but exclude certain non-cash items and include certain other adjustments. The revenues for the Fiscal Years ended June 30, 2012 through 2016 shown are derived from the General Purpose Financial Statements of the District. The General Purpose Financial Statements of the District for the year ended June 30, 2016, included in Appendix A to this Official Statement have been audited by Vavrinek, Trine, Day & Company, independent auditors, as stated in their report upon such General Purpose Financial Statements. The following table should be read in conjunction with such General Purpose Financial Statements, including the notes contained therein. **[The following table is pending audit by the District's independent auditor.]**

**Flood Control System
Historical Operating Results
Combined Statement Of Revenues
And Debt Service Coverage For Fiscal Years Ending June 30
(Dollars in Thousands)**

	2012	2013	2014	2015	2016
Flood Control System Revenues:					
Benefit Assessment, gross ⁽¹⁾	\$19,324	\$19,372	\$16,306	\$16,236	\$14,832
1% property tax allocated to Flood Control Zones and Stream Stewardship	48,457	55,647	57,631	62,887	68,005
Investment income	560	249	985	889	1,303
Rental income	1,210	1,208	1,338	1,403	1,474
Other	798	1,327	687	596	1,210
Total Flood Control System Revenues	<u>\$70,349</u>	<u>\$77,803</u>	<u>\$76,947</u>	<u>\$82,011</u>	<u>\$86,824</u>
Debt Service:					
1994 Installment Payments ⁽²⁾	\$8,303	\$9,964	\$7,509	\$7,450	\$6,403
1995 Installment Payments ⁽³⁾	5,759	5,757	5,761	5,762	5,757
Total Debt Service	14,062	15,721	13,270	13,212	12,160
Coverage:					
Total Flood Control System Revenues over Total Debt Service ⁽⁴⁾	5.00	4.95	5.80	6.21	7.14

⁽¹⁾ In accordance with voter authorizations, Benefit Assessments set at 125% of gross debt service allocable to flood control projects starting in Fiscal Year 2001. Benefit Assessment includes total Benefit Assessments collected before deduction of County collection fee.

⁽²⁾ The 1994 Installment Payments correspond to the 2003A, 2004A and 2012A Certificates.

Debt service for the 2003A Certificates were recorded net of interest earned from the reserve fund. The 2003A Certificates were refunded by the 2012A Certificates in November 2012.

Debt service for the 2004A Certificates excludes the portion of 1994 Installment Payments allocable to the District General Fund which is not payable from Benefit Assessments. The 2015 debt service payment for 2004A Certificates was adjusted down to exclude the portion of the Installment Payments allocable to the District General Fund. This resulted in an increase in the 2015 Coverage calculation to 6.21, compared to 5.93 as reported in the FY 2015 General Purpose Financial Statements. This adjustment has been reflected in the Statistical Section of the FY 2016 General Purpose Financial Statements, Flood Control System Historical Operating Results, Combined Statement of Revenues and Debt Service Coverage Last Ten Fiscal Years.

The 2004A Certificates will be prepaid using a portion of the proceeds of the 2017A Certificates. See "PLAN OF FINANCE."

⁽³⁾ Corresponds to the 2007A Certificates. The 2007A Certificates will be defeased and/or prepaid using a portion of the proceeds of the 2017A Certificates. See "PLAN OF FINANCE."

⁽⁴⁾ Coverage may be higher than coverage included in the supplemental information contained in the District's General Purpose Financial Statements as a result of the inclusion of investment income which constitutes Flood Control System Revenues.

Source: Santa Clara Valley Water District.

PROJECTED OPERATING RESULTS

Projected Operating Results

The table of projected District revenues for the current and next four fiscal years presented below has been prepared by the District and reflects certain significant assumptions concerning future events and circumstances. The financial forecast represents the District's estimate of projected financial results for the period based upon its judgment as of the date of this Official Statement, the time of this forecast, of the most probable occurrence of certain important future events and upon certain information provided to it. The assumptions for operating revenue and debt service are material in the development of the District's financial projections, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material.

Flood Control System Projected Operating Results Combined Statement Of Revenues And Debt Service Coverage For Fiscal Year Ending June 30 (Dollars in Thousands)

	2017	2018	2019	2020	2021
Flood Control System Revenues:					
Benefit Assessment ⁽¹⁾	\$14,934	\$14,927	\$14,927	\$13,583	\$13,593
District's share of County 1% property tax ⁽²⁾	70,568	73,038	75,594	78,240	80,978
Investment income ⁽³⁾	664	638	672	649	873
Rental income ⁽⁴⁾	1,271	1,309	1,348	1,389	1,431
Other	1,458	760	767	503	468
Total Flood Control System Revenues	\$88,895	\$90,672	\$93,308	\$94,364	\$97,621
Debt Service:					
1994 Installment Payments ⁽⁵⁾	\$6,407	\$6,406	\$6,406	\$5,327	\$5,330
1995 Installment Payments ⁽⁶⁾	5,760	5,756	5,756	5,758	5,764
Total Debt Service	12,167	12,162	12,162	11,085	11,094
Coverage:					
Total Flood Control System Revenues over Total Debt Service	7.31	7.46	7.67	8.51	8.80

⁽¹⁾ Equal to 125% of Maximum Annual Debt Service. Amount includes total Benefit Assessments collected before deduction of County collection fee. Benefit Assessments are projected to decrease in accordance with the current amortization schedule for the 1994 Installment Purchase Agreement and the 1995 Installment Purchase Agreement.

⁽²⁾ Projected to increase 3.5% each fiscal year following Fiscal Year 2017.

⁽³⁾ Projected interest earnings rates range from .75% in Fiscal Year 2017 to 1.75% per annum in Fiscal Year 2021.

⁽⁴⁾ Rental income projected to increase at approximately 3% per annum.

⁽⁵⁾ 1994 Installment Payments correspond to the 2004A and the 2012A Certificates. Debt service for the 2004A Certificates excludes the portion of 1994 Installment Payments allocable to the District General Fund which is not payable from Benefit Assessments. The 2004A Certificates will be prepaid using a portion of the proceeds of the 2017A Certificates. See "PLAN OF FINANCE."

⁽⁶⁾ 1995 Installment Payments correspond to the 2007A Certificates. The 2007A Certificates will be prepaid using a portion of the proceeds of the 2017A Certificates. See "PLAN OF FINANCE."

Source: Santa Clara Valley Water District.

THE CORPORATION

The Santa Clara Valley Water District Public Facilities Financing Corporation is a nonprofit public benefit corporation formed December 21, 1987 under the California Nonprofit Public Benefit Corporation Law. The specific and primary purpose of the corporation is to provide assistance to the District in financing the acquisition, design, construction, improvement, and installation of public facilities.

In order to carry out its specific purpose, the Corporation has all powers conferred upon nonprofit public benefit corporations of the State of California. Under its articles of incorporation, the Corporation may never engage in any activity other than those activities incidental to and for the purpose of carrying out the primary purpose for which it was formed.

The board of directors of the Corporation consists of five positions appointed by the District Board. The offices of president, vice president, and chief financial officer are members of the Corporation board and are elected by vote of the Corporation board. The president serves as chief executive officer of the Corporation, and may sign and execute, in the name of the Corporation, deeds, mortgages, leases, bonds, contracts, and other instruments duly authorized by the Corporation board. The vice president may perform the duties of the president in the event of the absence or disability of the President. The chief financial officer is in charge of all funds of the Corporation.

The members of the board of directors of the Corporation are David Vanni, President; Steve M. Mullen, Vice President; Maria Oberg, Chief Financial Officer; Anthony Bennetti; and Dean Chu. The Corporation Board has appointed the Clerk of the Board of Directors of the District to serve as the Secretary of the Corporation.

CERTAIN LIMITATIONS ON TAXES

Article XIII A

The taxing powers of California public agencies are limited by Article XIII A of the California Constitution, added by an initiative amendment approved by the voters on June 6, 1978, and commonly known as "Proposition 13."

Article XIII A limits the maximum ad valorem tax on real property to one percent of "full cash value" which is defined as "the County Assessor's valuation of real property as shown on the Fiscal Year 1975-76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed two percent per year or reduction in the consumer price index, or comparable local data, or declining property value caused by damage, destruction, or other factors.

The tax rate limitation referred to above does not apply to ad valorem taxes to pay the interest and redemption charges on any indebtedness approved by the voters before July 1, 1978, or on any bonded indebtedness for the acquisition or improvement of real property approved by two-thirds of the votes cast by the voters voting on the proposition.

Under the terms of Article XIII A and pursuant to an allocation system created by implementing legislation, each county within the State is required to levy the ad valorem tax permitted by Article XIII A and to distribute the proceeds to local agencies, including special districts such as the District. Allocation of property tax revenue to the District is governed by state law.

Assessed valuation growth allowed under Article XIII A (new construction, change of ownership and two percent annual value growth) is allocated on the basis of situs among the jurisdictions that serve the tax

rate areas within which the growth occurs. Local agencies and schools share the growth of base revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The availability of revenues from tax areas to such entities may be affected by the establishment of redevelopment area by redevelopment agencies which, under certain circumstances, may be entitled to such revenues resulting from the upgrading of certain property values.

In recent years the allocation of Proposition 13 property taxes to local agencies has been revised such that a portion of property tax revenue has been diverted away from special districts, such as the District, to school districts. See the caption "THE DISTRICT – 1% Property Tax Moneys." It cannot be predicted if future legislation will be introduced to further reduce, or entirely eliminate, the percentage of 1 percent Santa Clara County property tax levy paid to the District. In the opinion of District management, any such legislation would not have an adverse effect on its ability to make the 1994 Installment Payments and the 1995 Installment Payments under the 1994 Installment Purchase Agreement and the 1995 Installment Purchase Agreement, respectively.

Article XIII B

Article XIII B of the California Constitution limits the annual appropriations of proceeds of taxes of State and local governmental entities to the amount of appropriations of the entity for the prior Fiscal Year, as adjusted for changes in the cost of living, changes in population, and changes in services rendered by the entity.

Under California law, any fee which exceeds the reasonable cost of providing the service for which the fee is charged is a "special tax," which under Article XIII A must be authorized by a two-thirds vote of the electorate. Accordingly, if a portion of the District's Flood Control Benefit Assessment user rates or fees were determined by a court to exceed the reasonable cost of providing service, the District would not be permitted to continue to collect that portion unless it were authorized to do so by a two-thirds majority of the votes cast in an election to authorize the collection of that portion of the rates or fees. The reasonable cost of providing flood control services has been determined by the State Controller to include depreciation and allowance for the cost of capital improvements. In addition, the California courts have determined that fees will not be special taxes if they approximate the reasonable cost of providing flood control services, including the cost constructing the capital improvements contemplated by the local agency imposing the fee.

Proposition 218

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

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

Article XIII D requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it.

As a result, if and to the extent that a fee or charge imposed by a local government for water service is ultimately determined to be a “fee” or “charge” as defined in Article XIII D, the local government’s ability to increase such fee or charge may be limited by a majority protest.

In addition, Article XIII D includes a number of limitations applicable to existing fees and charges including provisions to the effect that: (i) revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service; (ii) such revenues shall not be used for any purpose other than that for which the fee or charge was imposed; (iii) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel; and (iv) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

Article XIII D established procedural requirements for the imposition of assessments, which are defined as any charge on real property for a special benefit conferred upon the real property. Standby charges are classified as assessments. Procedural requirements include the conducting of a public hearing and an election by mailed ballot, with notice to the record owner of each parcel subject to the assessment. The assessment may not be imposed if a majority of the ballots returned oppose the assessment, with each ballot weighted according to the proportional financial obligation of the affected parcel.

The existing Flood Control Benefit Assessments are not subject to the requirements of Article XIII D as the Flood Control Benefit Assessments were approved by voters prior to the adoption of Article XIII D.

Article XIII D conditions the imposition or increase of any “fee” or “charge” upon there being no written majority protest after a required public hearing and, for fees and charges other than for sewer, water or refuse collection services, voter approval. Article XIII D defines “fee” or “charge” to mean levies (other than ad valorem or special taxes or assessments) imposed by a local government upon a parcel or upon a person as an incident of the ownership or tenancy of real property, including a user fee or charge for a “property-related service.” One of the requirements of Article XIII D is that before a property-related fee or charge may be imposed or increased, a public hearing upon the proposed fee or charge must be held and mailed notice sent to the record owner of each identified parcel of land upon which the fee or charge is proposed for imposition. In the public hearing if written protests of the proposed fee or charge are presented by a majority of the owners of affected identified parcel(s), an agency may not impose the fee or charge.

Based upon the California Court of Appeal decision in *Howard Jarvis Taxpayers Association v. City of Los Angeles*, 85 Cal. App. 4th 79 (2000), which was denied review by the State Supreme Court, it was generally believed that Article XIII D did not apply to charges for water services that are “primarily based on the amount consumed” (i.e., metered water rates), which had been held to be commodity charges related to consumption of the service, not property ownership. The State Supreme Court stated in *Bighorn Desert View Water Agency v. Verjil*, 39 Cal.4th 205 (2006) (the “*Bighorn Case*”), however, that fees for ongoing water service through an existing connection were property-related fees and charges.

The District does not currently expect to impose a new fee or charge or increase any fee or charge relating to the Flood Control System.

Article XIII C. Article XIII C provides that the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments. Article XIII C does not define the terms “local tax,” “assessment,” “fee” or “charge.” The California Court of Appeal for the Fourth Appellate District in the case of *Bighorn-Desert View Water Agency v. Beringson*, 1114 Cal. App.4th 1213 (2004), held that the initiative power described in Article XIII C applies only to the local taxes, assessments, fees and charges governed by Article XIII D. In an opinion rendered in April 2004, the California Supreme Court in *Bighorn Desert View Water Agency v. Beringson* granted review and transferred

the matter to the California Court of Appeal for the Fourth Appellate District with directions to vacate its decision and to reconsider the cause in light of the decision in *Richmond et al. v. Shasta Community Services District*. On reconsideration of the matter, the California Court of Appeal for the Fourth Appellate District reaffirmed its prior holding. On July 24, 2006, the Supreme Court held in *Bighorn-Desert View Water Agency v. Verjil* that the provisions of Article XIII C included rates and fees charged for domestic water use. In the decision, the Court noted that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations. To the District's knowledge, there have been no decisions applying Article XIII C to voter approved assessments such as the Flood Control Benefit Assessments. As a result, there can be no assurance of the availability of particular remedies adequate to protect the beneficial owners of the 2017A Certificates. Remedies available to beneficial owners of the 2017A Certificates in the event of a default by the District are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time-consuming to obtain.

In addition to the specific limitations on remedies contained in the Installment Purchase Agreements, the rights and obligations with respect to the 2017A Certificates, the Installment Purchase Agreements and the Trust Agreement are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California. The various opinions of counsel to be delivered with respect to such documents, including the opinion of Special Counsel, the form of which is attached as Appendix D hereto, will be similarly qualified.

Proposition 26. Proposition 26, which was approved by California voters in November 2010, revises the California Constitution to expand the definition of "taxes." Proposition 26 re-categorizes many State and local fees as taxes.

Proposition 26 amends Article XIII C of the State Constitution to state that a "tax" means a levy, charge or exaction of any kind imposed by a local government, except (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property or the purchase rental or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law; (6) a charge imposed as a condition of property development; or (7) assessments and property-related fees imposed in accordance with the provisions of Proposition 218.

Proposition 26 applies to any levy, charge or exaction imposed, increased, or extended by local government on or after November 3, 2010, unless exempted, as stated above. Accordingly, fees adopted prior to that date are not subject to the measure until they are increased or extended or if it is determined that an exemption applies.

Future Initiatives

Articles XIII A, XIII B, XIII C, XIII D and Proposition 26 were adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiatives could be proposed and adopted affecting the District's revenues or ability to increase revenues.

CERTAIN LIMITATIONS ON RIGHTS AND OBLIGATIONS

In addition to the specific limitations on remedies contained in the applicable documents themselves, the rights and obligations with respect to the 2017A 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, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California. The various opinions of counsel to be delivered with respect to such documents, including the opinion of Special Counsel (the form of which is attached as Appendix D), will be similarly qualified.

CONTINUING DISCLOSURE

The District has covenanted in a Continuing Disclosure Agreement, dated the date of delivery of the 2017A Certificates (the "Continuing Disclosure Agreement") for the benefit of the holders and beneficial owners of the 2017A Certificates to provide certain financial information and operating data relating to the District by not later than April 1 in each year commencing [April 1, 2018], and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the District with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System. The specific nature of the information to be contained in the Annual Report and the notice of enumerated events is set forth in Appendix E – "FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriters in complying with Section (b)(5) of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 ("Rule 15c2-12").

Over the last five years, the District has been subject to obligations under various continuing disclosure certificates (collectively, the "Prior Continuing Disclosure Undertakings"). Pursuant to the Prior Continuing Disclosure Undertakings, the District agreed to file its audited financial reports, certain operating data with respect to the Water Utility System and Flood Control System, and notices of certain enumerated events.

The District believes that it is in compliance in all material respects with the Prior Continuing Disclosure Undertakings.

In order to ensure compliance by the District with its continuing disclosure undertakings in the future, the District's Debt Management Policy was updated to include disclosure procedures effective March 1, 2016 (the "Disclosure Procedures"). Pursuant to the Disclosure Procedures, the Treasury/Debt Officer is required to take steps to ensure that continuing disclosure filings are prepared and filed in a timely manner. A copy of the Disclosure Procedures has been provided to the Underwriters and is available from the Treasury/Debt Officer of the District at 5750 Almaden Expressway, San Jose, California Telephone: (408) 265-2600.

TAX MATTERS

Opinion of Special Counsel

In the opinion of Hawkins Delafield & Wood LLP, Special Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) the portion of each Installment Payment constituting interest is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) the portion of each Installment Payment constituting interest is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Special Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the District in connection with the 2017A Certificates, and Special Counsel has assumed compliance

by the District with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of the portion of each Installment Payment constituting interest from gross income under Section 103 of the Code.

In addition, in the opinion of Special Counsel to the District, under existing statutes, the portion of each Installment Payment constituting interest is exempt from personal income taxes imposed by the State of California.

Special Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the 2017A Certificates. Special Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Special Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of the portion of each Installment Payment constituting interest, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the execution and delivery of the 2017A Certificates in order that the portion of each Installment Payment constituting interest be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the 2017A Certificates, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause the portion of each Installment Payment constituting interest to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The District has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of the portion of each Installment Payment constituting interest from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the 2017A Certificates. It does not purport to address all aspects of Federal taxation that may be relevant to a particular holder of a 2017A Certificate. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the 2017A Certificates.

Prospective holders of the 2017A Certificates should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. The portion of each Installment Payment constituting interest may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a 2017A Certificate (excluding certain “qualified stated interest” that is unconditionally payable at

least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the 2017A Certificate of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Certificates is expected to be the initial public offering price set forth on the cover page of the Official Statement. Special Counsel further is of the opinion that, for any Certificates having OID (a “Discount Certificate”), OID that has accrued and is properly allocable to the owners of the Discount Certificates under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest relating to the 2017A Certificates.

In general, under Section 1288 of the Code, OID on a Discount Certificate accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Certificate. An owner’s adjusted basis in a Discount Certificate is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Certificate. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Certificate even though there will not be a corresponding cash payment.

Owners of Discount Certificates should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Certificates.

Certificate Premium

In general, if an owner acquires a 2017A Certificate for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the 2017A Certificate after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “premium” on that Certificate (a “Premium Certificate”). In general, under Section 171 of the Code, an owner of a Premium Certificate must amortize the premium over the remaining term of the Premium Certificate, based on the owner’s yield over the remaining term of the Premium Certificate determined based on constant yield principles (in certain cases involving a Premium Certificate callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Certificate). An owner of a Premium Certificate must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the premium allocable to that period. In the case of a tax-exempt Premium Certificate, if the premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Certificate may realize a taxable gain upon disposition of the Premium Certificate even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Certificates should consult their own tax advisors regarding the treatment of premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of premium on, sale, exchange, or other disposition of Premium Certificates.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the 2017A Certificates. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity

from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a 2017A Certificate through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the portion of each Installment Payment constituting interest from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of the portion of each Installment Payment constituting interest under Federal or state law or otherwise prevent beneficial owners of the 2017A Certificates from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the 2017A Certificates. For example, budgets proposed by the Obama Administration from time to time have recommended a 28% limitation on certain itemized deductions and other tax benefits, including tax-exempt interest. The net effect of such a proposal, if enacted into law, would be that an owner of a tax-exempt bond with a marginal tax rate in excess of 28% would pay some amount of Federal income tax with respect to the interest on such tax-exempt bond, regardless of issue date.

Prospective purchasers of the 2017A Certificates should consult their own tax advisors regarding the foregoing matters.

RATINGS

The District has received from Fitch Ratings, Inc. ("Fitch") and Moody's Investors Service, Inc. ("Moody's") ratings on the 2017A Certificates of "____" and "____," respectively.

Such ratings reflect only the views of such organizations and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2017A Certificates.

UNDERWRITING

The District has entered into a [Contract of Purchase] with Siebert Cisneros Shank & Co., L.L.C., on behalf of itself and Fidelity Capital Markets Services (together, the "Underwriters"), pursuant to which and subject to certain conditions, the Underwriters have agreed to purchase the 2017A Certificates from the District at a purchase price of \$_____ (being the principal amount of the 2017A Certificates, plus an original issue premium of \$_____, and less an underwriting discount of \$_____). The 2017A Certificates may be offered and sold by the Underwriters to certain dealers and others at prices lower than the public offering prices, and the public offering prices may be changed, from time to time, by the Underwriters.

Siebert Cisneros Shank & Co., L.L.C. ("SCS") has entered into an agreement with Muriel Siebert & Co. for the retail distribution of certain securities offerings, at the original issue prices. Pursuant to said agreement, if applicable to the 2017A Certificates, Muriel Siebert & Co. will purchase 2017A Certificates at

the original issue price less the selling concession with respect to any 2017A Certificates that Muriel Siebert & Co. sells. SCS will share a portion of its underwriting compensation with Muriel Siebert & Co., if applicable.

FINANCIAL ADVISOR

The District has retained Public Resources Advisory Group, Inc. of Los Angeles, California, as financial advisor (the “Financial Advisor”) in connection with the execution and delivery of the 2017A Certificates. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. Public Resources Advisory Group is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. The payment of the fees of the Financial Advisor is contingent upon the execution and delivery of the 2017A Certificates.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Upon the delivery of the 2017A Certificates, Causey Demgen & Moore P.C., independent certified public accountants, will deliver a report stating that it has reviewed and confirmed the mathematical accuracy of certain computations relating to the adequacy of cash and securities deposited with the Escrow Agent, and the interest thereon to defease and pay, when due, the principal of, and interest on, and the prepayment price of the 2004A Certificates and the 2007A Certificates.

LITIGATION

General

No litigation is pending or, to the knowledge of the District, threatened, in any way questioning or affecting the validity or enforceability of the 2017A Certificates, the Installment Purchase Agreements or the Trust Agreement. Neither the creation, organization or existence of the District, nor the title of the present directors or officers of the District to their respective office is being contested. While the District has certain other ongoing litigation with respect to the District’s water utility system (the “Water Utility System”), District Counsel does not believe such litigation is material to the finances or operation of the Flood Control System, including as described below under the caption “– Great Oaks Matter.” As further described below, this case, now pending before the California Supreme Court, is focused on the operation of the Water Utility System.

The District is engaged in routine litigation incidental to the conduct of its business. In the opinion of the District’s District Counsel, the aggregate amounts recoverable against the District, taking into account insurance coverage, are not material.

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. No further interest was booked after the favorable judgement on March 26, 2015 by the Sixth District Court of Appeals, which is discussed further below. 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.

CERTAIN LEGAL MATTERS

Special Counsel will render an opinion substantially in the form set forth in Appendix D hereto. Copies of such opinions will be furnished to the Underwriters at the time of delivery of the 2017A Certificates. Certain legal matters will be passed upon for the District and the Corporation by District Counsel to the District, Stan Yamamoto, Esq., for the Underwriters by Schiff Hardin LLP, San Francisco, California, and for the Trustee by its counsel. The payment of the fees of Special Counsel and Underwriters' Counsel is contingent upon the execution and delivery of the 2017A Certificates.

MISCELLANEOUS

This Official Statement has been duly approved, executed and delivered by the District and the Corporation. Copies of this Official Statement may be obtained from the Chief Financial Officer of the District at the address indicated on the inside cover page of this Official Statement.

Financial Statements of the District, a summary of the principal legal documents to be adopted or executed in connection with the offering of the 2017A Certificates, information relating to the Book-Entry Only System relating to the 2017A Certificates, the Form of Opinion of Special Counsel and certain selected financial information relating to the District are attached hereto as Appendices. The Appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement.

The delivery of this Official Statement, including the Appendices and other information herein, has been duly authorized by the District.

SANTA CLARA VALLEY WATER DISTRICT

By: _____
Norma Camacho
Interim Chief Executive Officer

Attest:

Michelle L. King
Clerk of the Board of Directors

APPENDIX A

**AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

APPENDIX B

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a summary of certain provisions of the Master Resolution, the 1994 Installment Purchase Agreement, as amended, the 1995 Installment Purchase Agreement, as amended, and the Trust Agreement, which are not described elsewhere in this Official Statement. This summary does not purport to be comprehensive and reference should be made to the respective document for a full and complete statement of the provisions thereof.

[To come.]

APPENDIX C

BOOK-ENTRY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the 2017A Certificates, payment of principal, premium, if any, accreted value, if any, and interest on the 2017A Certificates to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the 2017A Certificates and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2017A Certificates. The 2017A 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 2017A Certificate will be issued for each annual maturity of the 2017A Certificates, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC is rated AA+ by Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2017A Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2017A Certificates on DTC's records. The ownership interest of each actual purchaser of each 2017A 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 2017A 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 bonds representing their ownership interests in 2017A Certificates, except in the event that use of the book-entry system for the 2017A Certificates is discontinued.

To facilitate subsequent transfers, all 2017A 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 2017A 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 2017A Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2017A 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 2017A Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2017A Certificates, such as prepayments, tenders, defaults, and proposed amendments to the 2017A Certificates documents. For example, Beneficial Owners of 2017A Certificates may wish to ascertain that the nominee holding the 2017A 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.

Prepayment notices shall be sent to DTC. If less than all of the 2017A Certificates within a maturity are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be prepaid.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2017A 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 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 2017A Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Prepayment proceeds, distributions, and dividend payments on the 2017A 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 Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of prepayment proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A 2017A Certificate Owner shall give notice to elect to have its 2017A Certificates purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such 2017A Certificate by causing the Direct Participant to transfer the Participant's interest in the 2017A Certificates, on DTC's records, to the Trustee. The requirement for physical delivery of 2017A Certificate in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2017A Certificate are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2017A Certificate to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the 2017A Certificates at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical 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, 2017A Certificates will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE 2017A CERTIFICATES, WILL SEND ANY NOTICE OF PREPAYMENT OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE PREPAYMENT OF THE 2017A CERTIFICATES CALLED FOR PREPAYMENT OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX D
FORM OF SPECIAL COUNSEL OPINION

[To come.]

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (the “Disclosure Agreement”) is executed and delivered by the Santa Clara Valley Water District (the “District”) and U.S. Bank National Association, as dissemination agent (the “Dissemination Agent”), in connection with the execution and delivery of \$_____ Refunding and Improvement Certificates of Participation, Series 2017A (the “Certificates”). The 2017A Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of January 1, 2017 (the “Trust Agreement”), by and among the District, the Santa Clara Valley Water District Public Facilities Corporation (the “Corporation”) and U.S. Bank National Association, as trustee (the “Trustee”). The District covenants and agrees as follows:

1. Purpose of this Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the 2017A Certificates and in order to assist the Participating Underwriters in complying with the Rule.

2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

Annual Report. The term “Annual Report” means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

Beneficial Owner. The term “Beneficial Owner” means any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Certificates for federal income tax purposes.

Dissemination Agent. The term “Dissemination Agent” means, initially, U.S. Bank National Association, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the District and which has been filed with the then current Dissemination Agent a written acceptance of such designation.

EMMA. The term “EMMA” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>.

Fiscal Year. The term “Fiscal Year” means the one-year period ending on the last day of June of each year.

Holder. The term “Holder” means a registered owner of the 2017A Certificates.

Installment Purchase Agreements. “Installment Purchase Agreements” means (i) the Installment Purchase Agreement dated as of June 15, 1994, by and between the District and the Corporation, as amended by Amendment No. 1 to the Installment Purchase Agreement, dated as of November 1, 2002, and (ii) the Installment Purchase Agreement dated as of June 27, 1995, as amended by Amendment No. 1 to the Installment Purchase Agreement, dated as of February 15, 2002, and Amendment No. 2 to the Installment Purchase Agreement, dated as of November 1, 2005.

Listed Events. The term “Listed Events” means any of the events listed in Sections 5(a) and (b) of this Disclosure Agreement.

Official Statement. The term “Official Statement” means the Official Statement dated January __, 2017 relating to the 2017A Certificates.

Participating Underwriters. The term “Participating Underwriter” means any of the original underwriters of the 2017A Certificates required to comply with the Rule in connection with offering of the 2017A Certificates.

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

3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than each April 1, commencing April 1, 2018, provide to EMMA an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the District and shall have no duty or obligation to review such Annual Report.

The Annual Report shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months. The District’s fiscal year is currently effective from July 1 to the immediately succeeding June 30 of the following year. The District will promptly notify EMMA, the Trustee and the Dissemination Agent of a change in the fiscal year dates.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to EMMA, the District shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by fifteen (15) Business Days prior to such date the Trustee has not received a copy of the Annual Report, the Trustee shall contact the District and the Dissemination Agent to determine if the District is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to EMMA by the date required in subsection (a), the Dissemination Agent shall send a notice to EMMA a notice in the manner prescribed by the Municipal Securities Rulemaking Board.

(d) The Dissemination Agent shall file a report with the District and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement and stating the date it was provided to EMMA. The Dissemination Agent’s duties under this clause (ii) shall exist only if the District provides the Annual Report to the Dissemination Agent for filing.

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

(a) the audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report

shall contain unaudited financing statements based on the then available trial balance format, and the audited financial statements shall be filed in the same manner as the Annual Report when they come available;

(b) if not included in the Annual Report, the financial information and operating data with respect to the District, for the most recent fiscal year of the District then ended, described in the following tables under the caption entitled “THE DISTRICT” in the Official Statement:

- (i) “Schedule of Long-Term Indebtedness;”
- (ii) “Flood Control Benefit Assessment Rates and Minimum Flood Control Benefit Assessments Applicable to Defined Land Use Categories;”
- (iii) “Benefit Assessment Billings and Collections;”
- (iv) “Flood Control Benefit Assessment Revenue By Flood Control Zone;” and
- (v) “Flood Control System Historical Operating Results Combined Statement of Revenues and Debt Service Coverage.”

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission; provided, that if any document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board; and provided further, that the District shall clearly identify each such document so included by reference.

5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2017A Certificates in a timely manner not more than ten (10) Business Days after the event:

- (i) principal and interest payment delinquencies;
- (ii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iii) unscheduled draws on credit enhancements reflecting financial difficulties;
- (iv) substitution of credit or liquidity providers, or their failure to perform;
- (v) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701 TEB);
- (vi) tender offers;
- (vii) defeasances;
- (viii) ratings changes; and
- (ix) bankruptcy, insolvency, receivership or similar proceedings.

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law

in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2017A Certificates, if material:

(i) unless described in Section 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the 2017A Certificates or other events affecting the tax status of the 2017A Certificates;

(ii) modifications to the rights of Certificate holders;

(iii) optional, unscheduled or contingent Certificate prepayments;

(iv) release, substitution or sale of property securing repayment of the 2017A Certificates;

(v) non-payment related defaults;

(vi) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and

(vii) appointment of a successor or additional trustee or the change of the name of a trustee.

(c) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the District shall file a notice of such occurrence with EMMA in a timely manner not more than ten (10) Business Days after the event.

6. Customarily Prepared and Public Information. Upon request, the District shall provide to any person financial information and operating data regarding the District which is customarily prepared by the District and is publicly available.

7. Termination of Obligation. The District's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the 2017A Certificates. If such termination occurs prior to the final maturity of the 2017A Certificates, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The Dissemination Agent may resign at any time by providing at least 30 days' written notice to the District. The initial Dissemination Agent shall be U.S. Bank National Association.

9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be

waived, provided that, in the opinion of Hawkins Delafield & Wood LLP, or another nationally recognized bond counsel, such amendment or waiver is permitted by the Rule. The District will provide notice of such amendment to the Municipal Securities Rulemaking Board.

10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the District chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the District shall not thereby have any obligation under this Disclosure Agreement to update such information or include it in any future notice of occurrence of a Listed Event.

11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Agreement, any Holders or Beneficial Owners of at least 50% aggregate principal amount of the 2017A Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the District to comply with this Disclosure Agreement shall be an action to compel performance.

No Holder or Beneficial Owner of the 2017A Certificates may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the District satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article V of the Trust Agreement is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Trust Agreement. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2017A Certificates. No person shall have any right to commence any action against the Trustee, as Dissemination Agent, seeking any remedy other than to compel specific performance of this Disclosure Agreement. The Dissemination Agent shall not be liable under any circumstances for monetary damages to any person for any breach under this Disclosure Agreement. The Dissemination Agent and the Trustee shall not be responsible in any manner for the format or content of any notice or Annual Report prepared by the District pursuant to this Disclosure Agreement

12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Participating Underwriters and Holders and Beneficial Owners from time to time of the 2017A Certificates, and shall create no rights in any other person or entity.

13. Notices. Notices should be sent in writing to the following addresses. The following information may be conclusively relied upon until changed in writing.

District: Treasury/Debt Officer
Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, California 95118-3686

Dissemination Agent: U.S. Bank National Association
One California Street, Suite 1000
San Francisco, California 94111

Trustee: U.S. Bank National Association
One California Street, Suite 1000
San Francisco, California 94111

14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SANTA CLARA VALLEY WATER DISTRICT

By: _____
Its: Authorized Officer

U.S. BANK NATIONAL ASSOCIATION,
as Dissemination Agent and Trustee

By: _____
Its: Authorized Officer

APPENDIX F

ECONOMY OF SANTA CLARA COUNTY

General Information

Santa Clara County (“Santa Clara County”) lies immediately south of San Francisco Bay and is the sixth most populous county in the State of California (the “State”). It encompasses an area of approximately 1,316 square miles. Named after Mission Santa Clara, which was established in 1777, and named for Saint Clara of Assisi, Italy, the County of Santa Clara (the “County”) was incorporated in 1850 as one of the original 28 counties of the State and operates under a home rule charter adopted by County voters in 1950 and amended in 1976 (the “County Charter”).

The southern portion of Santa Clara County has retained the agricultural base which once existed throughout the area and has two cities, separated by roughly twenty miles. The northern portion of Santa Clara County is densely populated, extensively urbanized and heavily industrialized. It contains 15 cities, the largest of which is the City of San Jose, the third largest city in the State and the county seat. The uppermost northwestern portion of Santa Clara County, with its concentration of high-technology, electronics-oriented industry, is popularly referred to as the “Silicon Valley.” Large employers include Cisco Systems, Inc., Stanford University, Apple Computer, Inc., Kaiser Permanente, and Google, Inc. See “Major Employers” herein.

Neighboring counties include San Mateo in the northwest, Santa Cruz in the southwest, San Benito in the south, Merced and Stanislaus in the east and Alameda in the northeast. The City of San Jose is approximately 48 miles south of San Francisco and 42 miles south of the City of Oakland. These are the three largest cities of the nine-county San Francisco Bay Area, with the City of San Jose being the largest.

As required under the County Charter and under County ordinances or by State and federal mandate, the County is responsible at the local level for activities involving public welfare and health, certain activities related to courts and jails, and for the maintenance of public records. The County also operates recreational and cultural facilities serving the unincorporated areas of Santa Clara County and the region.

Population

Historical Population Growth. Over the past sixty years, Santa Clara County’s population growth pattern has exhibited three decades of rapid growth followed by three decades of more sustainable growth rates.

According to U.S. Census figures, the number of residents in Santa Clara County grew by 66 percent between 1940 and 1950, with most of the increase concentrated in the unincorporated areas and in the largest cities of San Jose, Palo Alto and Santa Clara. From 1950 to 1960, population grew by 121 percent with every major city as well as the unincorporated areas experiencing huge increases. The County also recorded the incorporation of four new cities during the 1950s, raising the total number of cities to its current level of 15.

Santa Clara County’s population growth subsided somewhat during the 1960s, although the 66 percent growth rate was more than four times the 15.4 percent statewide increase. The population of San Jose doubled for the second decade in a row, while the cities of Mountain View, Santa Clara and Sunnyvale added at least 23,000 residents each. As a result of the incorporation of four cities, the unincorporated area of Santa Clara County posted its first decline in the 1960s, setting the stage for further drops in each of the subsequent three decades.

Santa Clara County’s population growth rate fell to 21.5 percent during the 1970s. San Jose continued to add more residents (183,621) than any other city, while two of the larger cities (Palo Alto and Santa Clara)

recorded small population declines and residents in the unincorporated area fell by 25,160. The slower growth of the 1970s reflected a slowing urbanization, due in part to policies adopted by the County to preserve agricultural areas.

The data from the 2000 U.S. Census indicate that Santa Clara County's population reached 1,682,585, representing a 12.4 percent increase from the population base in 1980. Over the same period, statewide population grew more rapidly at a rate of 13.8 percent. San Jose surpassed San Francisco as the most populous city in the Bay Area, with a population of 894,943. According to the 2010 census data, Santa Clara County's population as of April 2010 was 1,781,642, while total State population was 37,253,956.

The proportion of residents living in cities is currently over 95 percent, in contrast to Santa Clara County's makeup in 1940 when urban residents made up only 6.5 percent of Santa Clara County's population. Since the 1940s, the increasing maturation of Santa Clara County's employment and economic sectors has resulted in the incorporation of new cities as well as the expansion of city boundaries, resulting in a shrinking fraction (currently five percent) of residents living in unincorporated areas.

Recent Annual Population Changes. Approximately 4.5 percent of Santa Clara County's residents live in unincorporated areas. The City of Morgan Hill had the largest percentage increase in population from January 1, 2015 to January 1, 2016, with a 3.0 percent gain. The Cities of Los Altos and Milpitas followed with a gain of 2.8 percent and 1.9 percent, respectively. The following table provides a historical summary of population in Santa Clara County and its incorporated cities as of January 1 of calendar years 2012 through 2016.

**SANTA CLARA COUNTY
POPULATION
AS OF JANUARY 1**

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Campbell	39,852	40,390	41,871	41,857	42,584
Cupertino	58,981	56,603	59,777	59,756	58,185
Gilroy	50,123	51,528	52,264	53,000	55,170
Los Altos	29,439	29,783	29,884	30,036	31,353
Los Altos Hills	8,021	8,262	8,330	8,341	8,658
Los Gatos	29,832	30,237	30,443	30,505	31,376
Milpitas	66,922	67,878	69,903	72,606	75,521
Monte Sereno	3,370	3,418	3,439	3,451	3,475
Morgan Hill	39,100	40,067	41,079	41,779	43,645
Mountain View	75,228	76,250	76,582	77,914	77,925
Palo Alto	65,502	66,355	66,682	66,932	68,207
San Jose	971,938	986,575	1,002,274	1,016,479	1,042,094
Santa Clara	118,746	120,280	120,942	120,973	123,752
Saratoga	30,342	30,697	30,798	30,799	30,219
Sunnyvale	142,820	145,981	146,724	148,028	148,372
Incorporated	<u>1,730,216</u>	<u>1,757,304</u>	<u>1,780,992</u>	<u>1,802,456</u>	<u>1,840,536</u>
Balance Of County	86,303	87,046	87,046	87,182	87,352
County Total	<u>1,816,519</u>	<u>1,844,350</u>	<u>1,868,038</u>	<u>1,889,638</u>	<u>1,927,888</u>

Source: State of California, Department of Finance.

Employment and Industry

Santa Clara County is home to a highly skilled and diverse work force, a situation that has traditionally translated into lower countywide average unemployment rates when compared to State and national average unemployment rates. However, in 2002 and 2003, Santa Clara County's unemployment rate rose sharply as a result of the retraction in the communications and high technology industries that dominate Santa Clara County's employment base. In 2003 alone, annual average employment figures showed a drop in jobs within Santa Clara County of approximately 36,500 in comparison to 2002. In 2003 Santa Clara County's unemployment rate was reported to have reached an average of 8.3 percent, 1.5 percent higher than that of the State's. These estimates are based solely on unemployment benefit claims, which excludes those who have chosen other options as an alternative to unemployment (such as early retirement or relocation) or have exhausted unemployment benefits. Cycles of business growth and retraction are customary in Santa Clara County, particularly in the high-tech industry.

In 2009, the unemployment rate in Santa Clara County jumped by 5.1 percent to 11.1 percent due to the economic recession in California and the United States. As of May 2016, the Employment Development Department reported preliminary numbers (not seasonally adjusted) showing that there were an estimated 1,027,600 people in the labor force in Santa Clara County, with 993,500 employed and 34,100 unemployed. The unemployment rate in Santa Clara County as of May 2016 was 3.3 percent, which is lower than the nationwide unemployment rate of 4.7 percent, and the State unemployment rate of 4.7 percent during the same period (unemployment rates provided are not seasonally adjusted).

Development of high technology has been enhanced by the presence of Stanford University, Santa Clara University, San Jose State University, other institutions of higher education, research and development facilities such as SRI International, the Stanford Linear Accelerator Center, and Ames Research Center

(NASA) within Santa Clara County. In addition, the Rincon de los Esteros Redevelopment Area in northern San Jose has been the site of industrial/research and development submarkets in Silicon Valley.

The following table lists wage and salary employment in Santa Clara County by industry from 2011 to 2015.

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**SANTA CLARA COUNTY
WAGE AND SALARY EMPLOYMENT BY INDUSTRY
ANNUAL AVERAGE⁽¹⁾**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Civilian Labor Force	940,600	961,500	975,000	995,300	1,018,400
Civilian Employment	853,200	885,200	911,400	943,500	976,100
Civilian Unemployment	87,400	76,300	63,700	51,700	42,300
Civilian Unemployment Rate	9.3%	7.9%	6.5%	5.2%	4.2%
Total, All Industries	876,700	911,400	950,400	993,400	1,032,200
Total Farm	3,400	3,300	3,300	3,400	3,600
Total Nonfarm	873,300	908,100	947,100	990,100	1,028,600
Goods Producing	183,700	187,400	189,700	195,000	201,800
Mining and Logging	200	200	300	300	200
Construction	30,900	33,900	36,400	38,300	42,100
Manufacturing	152,600	153,300	153,100	156,300	159,400
Durable Goods	143,200	143,600	143,300	146,200	149,100
Nondurable Goods	9,400	9,700	9,800	10,200	10,300
Service Providing	689,600	720,700	757,400	795,100	826,800
Trade, Transportation & Utilities	125,100	129,200	132,200	134,400	135,800
Wholesale Trade	33,600	34,600	35,900	36,400	36,000
Retail Trade	79,700	81,900	82,500	83,400	84,900
Transportation, Warehousing & Utilities	11,800	12,700	13,700	14,600	15,000
Information	51,200	54,100	58,600	66,300	74,700
Financial Activities	32,100	33,000	33,500	34,800	35,000
Finance & Insurance	19,200	20,200	20,700	21,500	21,800
Real Estate & Rental & Leasing	12,900	12,800	12,800	13,300	13,200
Professional & Business Services	166,000	177,200	190,100	202,600	214,900
Professional, Scientific & Technical Services	109,400	117,200	125,100	133,700	141,600
Management of Companies & Enterprises	9,000	9,800	10,800	11,600	12,700
Administrative & Support & Waste Services	47,700	50,300	54,200	57,300	60,600
Educational & Health Services	124,900	132,700	142,700	149,700	155,400
Educational Services	37,200	38,600	39,800	42,600	44,200
Health Care & Social Assistance	87,700	94,200	102,900	107,100	111,100
Leisure & Hospitality	76,300	81,300	86,300	90,500	94,500
Other Services	24,100	24,400	25,000	26,000	26,700
Government	89,900	88,700	89,000	90,900	89,900
Federal Government	10,000	9,700	9,800	9,800	9,800
State Government	6,200	6,200	6,100	6,200	6,400
Local Government	73,700	72,800	73,100	74,900	73,600

⁽¹⁾ The unemployment rate is calculated using unrounded data. Totals may not add up due to independent rounding.
Source: State of California Information Division, Employment Development Department, Labor Market.

Major Employers

Santa Clara County is home to numerous high technology and computer software and hardware manufacturing companies, which, together with public sector employers, continue to top the list of the largest employers in Santa Clara County. The County ranks as the number one public sector employer, with all departments collectively employing over 16,800 full-time employees in fiscal year 2014-15. Although there have been hiring freezes and cut-backs that have impacted public-sector organizations, such organizations typically tend to remain more stable in a volatile job market.

The table below lists the 10 largest employers in Santa Clara County in fiscal year 2014-15.

**SANTA CLARA COUNTY
TEN LARGEST EMPLOYERS**

Rank	Employer Name	Estimated No. of Full-Time Employees
1	Apple Computer, Inc.	16,000 – 23,400
2	Santa Clara County	16,837
3	Cisco Systems Inc.	15,800
4	Stanford University	15,053
5	Kaiser Permanente	13,500
6	Google Inc.	11,000 – 16,500
7	Stanford Healthcare	7,689
8	Lockheed Martin Space Systems Co.	7,000
9	Intel Corporation	6,277
10	City of San Jose	5,759

Source: County of Santa Clara Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015.

Income

Owing to the presence of relatively high-wage skilled jobs and wealthy residents, Santa Clara County historically achieves high rankings relative to the rest of the State and the nation on a variety of income measurements. According to the U.S. Census Bureau, the median household income in Santa Clara County from 2010-2014 was \$93,854, compared to the State level of \$61,489 and the national level of \$53,482. Per capita income in the County from 2010-2014 (measured by the U.S. Census Bureau in 2014 dollars) was \$42,666, compared to the State level of \$29,906 and the national level of \$28,555.

Commercial Activity

Santa Clara County is an important center of commercial activity. Taxable sales activity at business and personal service outlets, as well as at other non-retail commercial establishments, are a significant component of Santa Clara County’s commercial activity. The following table provides a summary of taxable transactions by sector for the calendar years 2010 through 2014 (the most recent annual data available).

**SANTA CLARA COUNTY
TAXABLE TRANSACTIONS BY SECTOR
CALENDAR YEAR 2010 THROUGH 2014
(In Thousands)**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Retail and Food Services					
Motor Vehicle and Parts Dealers	\$2,538,029	\$2,894,898	\$3,480,485	\$4,039,030	\$3,959,149
Furniture and Home Furnishings	474,002	523,999	573,328	604,982	716,357
Electronics and Appliance Stores	1,355,839	1,459,039	1,487,911	1,362,785	1,411,732
Bldg. Matrl. and Garden Equip. and Supplies	1,245,941	1,316,953	1,406,177	1,574,275	1,757,717
Food and Beverage Stores	984,824	1,022,790	1,066,463	1,110,420	1,169,209
Health and Personal Care Stores	523,221	564,261	591,347	628,733	645,241
Gasoline Stations	2,104,764	2,559,500	2,679,491	2,598,458	2,526,502
Clothing and Clothing Accessories Stores	1,824,590	1,997,291	2,189,462	2,312,465	2,417,856
Sporting Goods, Hobby, Book, Music Stores	644,612	676,571	714,368	711,235	709,433
General Merchandise Stores	2,368,820	2,448,046	2,532,297	2,558,623	2,593,287
Miscellaneous Store Retailers	635,019	675,873	744,431	702,801	746,622
Nonstore Retailers	147,373	182,963	295,853	551,710	587,190
Food Services and Drinking Places	2,848,824	3,097,359	3,355,097	3,669,125	4,031,458
Total Retail and Food Services	\$17,695,858	\$19,419,542	\$21,116,708	\$22,424,642	\$23,271,753
All Other Outlets	12,827,464	14,011,675	15,103,737	15,196,964	16,356,902
Totals All Outlets ⁽¹⁾	\$30,523,322	\$33,431,217	\$36,220,445	\$37,621,606	\$39,628,655

⁽¹⁾ Totals may not add up due to independent rounding.

Source: State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Construction Activity

The following tables provide a summary of residential building permit valuations and the number of new dwelling units authorized in Santa Clara County since 2011.

**SANTA CLARA COUNTY
BUILDING PERMIT VALUATIONS
2011 TO 2015**

Year	Single Family	Multiple Family	Residential Alteration & Addition	Total ⁽¹⁾
2011	\$366,126,366	\$315,852,996	\$323,905,080	\$1,005,884,442
2012	678,168,771	558,544,104	288,105,125	1,524,818,000
2013	694,884,637	941,420,413	423,739,588	2,060,044,638
2014	594,472,707	1,196,127,752	439,747,109	2,230,347,568
2015	640,331,859	713,321,700	501,069,779	1,854,723,338

⁽¹⁾ Totals may not add up due to independent rounding.

Source: Construction Industry Research Board.

**SANTA CLARA COUNTY
NUMBER OF NEW DWELLING UNITS
2011 TO 2015**

Year	Single Family	Multiple Family	Total
2011	978	2,234	3,212
2012	1,432	4,245	5,677
2013	1,859	6,009	7,868
2014	1,602	8,310	9,912
2015	1,675	3,477	5,152

Source: Construction Industry Research Board.

TRUST AGREEMENT

by and among the

SANTA CLARA VALLEY WATER DISTRICT

and the

**SANTA CLARA VALLEY WATER DISTRICT
PUBLIC FACILITIES FINANCING CORPORATION**

and

**U.S. BANK NATIONAL ASSOCIATION,
as Trustee**

Dated as of January 1, 2017

relating to

\$_____

**SANTA CLARA VALLEY WATER DISTRICT
REFUNDING AND IMPROVEMENT CERTIFICATES OF PARTICIPATION
SERIES 2017A**

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TRUST AGREEMENT

This TRUST AGREEMENT, dated as of January 1, 2017, by and among the SANTA CLARA VALLEY WATER DISTRICT, a multi-purpose special district authorized to supply water and provide flood protection services, duly organized and existing under the California Nonprofit Benefit Corporation Law (the “District”), the SANTA CLARA VALLEY WATER DISTRICT PUBLIC FACILITIES FINANCING CORPORATION, a nonprofit public benefit corporation duly organized and existing under and by virtue of the laws of the State of California (the “Corporation”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association existing under and by virtue of the laws of the United States of America, as trustee (the “Trustee”);

WITNESSETH:

WHEREAS, to finance and refinance the costs of certain public facilities (collectively, the “Series 1994A Project”), the District entered into a Trust Agreement, dated as of November 1, 2003, with the Corporation and the Trustee (the “Series 2004A Trust Agreement”), pursuant to which the Refunding and Improvement Certificates of Participation, Series 2004A (the “Series 2004A Certificates”) were delivered, evidencing and representing the interests of the holders thereof in a portion of the installment payments (the “1994 Installment Payments”) made by the District under the Installment Purchase Agreement, dated as of June 15, 1994, by and between the District and the Corporation, as amended by Amendment No. 1 thereto, dated as of November 1, 2002, by and between the District and the Corporation (as amended, the “1994 Installment Purchase Agreement”); and

WHEREAS, to finance and refinance the costs of certain public facilities (collectively, the “Series 1995 Project”), the District entered into a Trust Agreement, dated as of November 1, 2005, with the Corporation and the Trustee (the “Series 2007A Trust Agreement”), pursuant to which the Refunding and Improvement Certificates of Participation (the “Series 2007A Certificates”) were delivered, evidencing and representing the interests of the holders thereof in a portion of the installment payments (the “1995 Installment Payments” and, collectively with the 1994 Installment Payments, the “Installment Payments”) made by the District under the Installment Purchase Agreement, dated as of June 27, 1995, by and between the District and the Corporation, as amended by Amendment No. 1 thereto, dated as of February 15, 2000, by and between the District and the Corporation, and Amendment No. 2 thereto, dated as of November 1, 2005, by and between the District and the Corporation (as amended, the “1995 Installment Purchase Agreement” and, together with the 1994 Installment Purchase Agreement, the “Installment Purchase Agreements”); and

WHEREAS, the Installment Payments under the Installment Purchase Agreements are being made solely from Flood Control System Revenues as provided in the Flood Control System Master Resolution (described herein); and

WHEREAS, to finance and refinance the cost of the Series 1994A Project and the Series 1995 Project, the District will enter into this Trust Agreement (the “Trust Agreement”) with the Corporation and the Trustee, pursuant to which Refunding and Improvement Certificates of Participation, Series 2017A in the aggregate principal amount of \$_____ (the

“Certificates”), will be delivered, evidencing and representing the interests of the holders thereof in a portion of the Installment Payments made by the District under the Installment Purchase Agreements allocable to the 2004A Certificates and the 2007A Certificates; and

WHEREAS, in order to provide for the execution and delivery of the Certificates, to establish and declare the terms and conditions upon which the Certificates are to be executed and delivered, the District and the Corporation have authorized the execution and delivery of this Trust Agreement; and

WHEREAS, all acts and proceedings required by law necessary to make the Certificates, when executed and delivered by the Trustee, the valid, binding and legal limited obligations of the District, and to constitute this Trust Agreement a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Trust Agreement has been in all respects duly authorized;

NOW, THEREFORE, IN CONSIDERATION OF THESE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

ARTICLE I

DEFINITIONS; EQUAL SECURITY

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of the Certificates and of any certificate, opinion, request or other document herein or therein mentioned have the meanings herein specified, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein. Capitalized undefined terms used herein shall, unless the context otherwise requires, have the meanings ascribed thereto in the Flood Control System Master Resolution or the Installment Purchase Agreements.

Acquisition and Construction Fund

The term “Acquisition and Construction Fund” means the fund referred to by that name established pursuant to Section 4.01.

Annual Debt Service

The term “Annual Debt Service” means, for any Certificate Year, the sum of (1) the interest payable with respect to all Outstanding Certificates in such Certificate Year, assuming that all Outstanding serial Certificates are retired and term Certificates are prepaid as scheduled (except to the extent that such interest is to be paid from the proceeds of the sale of any Certificates), and (2) the principal amount of all Outstanding Certificates due in such Certificate Year.

Authorized Denominations

The term “Authorized Denominations,” means \$5,000 and any integral multiple thereof.

Average Annual Debt Service

The term “Average Annual Debt Service” means the amount determined by dividing the sum of all Annual Debt Service amounts due in each of the Certificate Years following the date of such calculation by the number of such Certificate Years.

Beneficial Owners

The term “Beneficial Owners” means those individuals, partnerships, corporations or other entities for whom the Participants have caused the Depository to hold Book-Entry Certificates.

Book-Entry Certificates

The term “Book-Entry Certificates” means the Certificates registered in the name of the nominee of DTC, or any successor securities depository for the Certificates, as the registered owner thereof pursuant to the terms and provisions of Section 2.10 hereof.

Business Day

The term “Business Day” means a day of the year which is not a Saturday or Sunday, or a day on which banking institutions located in California are required or authorized to remain closed, or on which the Federal Reserve system is closed.

Central Zone

The term “Central Zone” means that certain geographical zone of the District which includes portions of the communities of Santa Clara, San Jose, Campbell, Monte Sereno, and Los Gatos, and covers the tributaries of the Guadalupe River Watershed.

Certificate of the Corporation

The term “Certificate of the Corporation” means an instrument in writing signed by the President, Vice President, Chief Financial Officer or the Secretary of the Corporation, or by any other officer of the Corporation duly authorized for that purpose.

Certificate of the District

The term “Certificate of the District” means an instrument in writing signed by the Chief Executive Officer, Chief Operating Officer – Administrative Services, Chief Financial Officer, or the Treasury/Debt Officer of the District (in each case, the interim, acting or permanently appointed such officer, as the case may be), or by any other official of the District duly authorized for that purpose.

Certificate Payment Date

The term “Certificate Payment Date” means, with respect to any Certificate, the Certificate Payment Date designated therein, which is the February 1 on which the principal component of the Installment Payments becomes due and payable.

Certificates

The term “Certificates” means the Santa Clara Valley Water District Refunding and Improvement Certificates of Participation, Series 2017A delivered in the aggregate principal amount of \$_____.

Certificate Rebate Fund

The term “Certificate Rebate Fund” means the Certificate Rebate Fund established pursuant to Section 4.01 hereof.

Certificate Year

The term “Certificate Year” means the period of twelve consecutive months from each February 2 to February 1 in any year during which Certificates are or will be Outstanding; provided, however, that the final Certificate Year shall end on the date on which the Certificates are fully paid or prepaid.

Code

The term “Code” means the Internal Revenue Code of 1986, as amended, and any regulations, rulings, judicial decisions, and notices, announcements, and other releases of the United States Treasury Department or Internal Revenue Service interpreting and construing it, or any applicable regulations adopted under the Internal Revenue Code of 1954, as amended.

Corporate Trust Office of the Trustee

The term “Corporate Trust Office of the Trustee” means the principal corporate trust office of the Trustee in San Francisco, California or such other or additional offices as may be specified to the District by the Trustee in writing.

Corporation

The term “Corporation” means the Santa Clara Valley Water District Public Facilities Financing Corporation, a nonprofit public benefit corporation duly organized and existing under and by virtue of the laws of the State of California.

Costs of Issuance

The term “Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the District or the Corporation relating to the execution, sale and delivery of the Certificates and the execution and delivery of the Installment Purchase Agreements,

including administrative fees, filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee (including legal fees), financing discounts, legal fees and charges, fees and charges, financial and other professional consultant fees and expenses, costs of rating agencies or credit ratings, fees for transportation and safekeeping of the Certificates and charges and fees in connection with the foregoing.

Delivery Date

The term “Delivery Date” means the date on which the Certificates are delivered to the original purchaser thereof.

Depository

The term “Depository” means the securities depository acting as Depository pursuant to Section 2.10 hereof.

District

The term “District” means the Santa Clara Valley Water District, a flood control and water district duly organized and existing under and by virtue of the laws of the State of California.

DTC

The term “DTC” means The Depository Trust Company, New York, New York and its successors.

East Zone

The term “East Zone” means that certain geographical zone of the District which includes the City of Milpitas and portions of the cities of San Jose and Morgan Hill, and covers the tributaries of the Coyote Creek Watershed.

Escrow Agreement

The term “Escrow Agreement” means those certain Escrow Agreements dated as of January 1, 2017, by and between the District and U.S. Bank National Association, as escrow agent thereunder.

Event of Default

The term “Event of Default” shall have the meaning specified in Section 9.01.

Fiscal Year

The term “Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other annual accounting period hereafter selected and designated by the Board of Directors of the District as the Fiscal Year of the District prescribed by law for community services districts in the State of California.

Fitch

The term “Fitch” means Fitch Ratings, its successors and their assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, such terms shall be deemed to refer to any other nationally recognized securities rating agency designated by the District.

Flood Control System Master Resolution

The term “Flood Control System Master Resolution” means Resolution No. 94-60 adopted on June 23, 1994, providing for the allocation of Flood Control System Revenues (as defined therein), as amended or supplemented in accordance therewith.

Flood Control System Revenues

The term “Flood Control System Revenues” shall have the meaning assigned to such term in the Flood Control System Master Resolution.

Information Services

The term “Information Services” means the Electronic Municipal Market Access (“EMMA”) system of the Municipal Securities Rulemaking Board, or such other national information services that disseminate securities redemption notices; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the District may specify in a certificate to the Trustee.

Installment Payments

The term “Installment Payments” has the meaning ascribed thereto in the recitals of this Trust Agreement.

Installment Purchase Agreements

The term “Installment Purchase Agreements” has the meaning ascribed thereto in the recitals of this Trust Agreement, as amended or supplemented in accordance therewith.

Interest Payment Date

The term “Interest Payment Date” means a date on which interest is due with respect to the Certificates, being each February 1 and August 1, commencing [August 1, 2017].

Interest Payment Period

The term “Interest Payment Period” means the period from and including the Delivery Date to and including [July 31, 2017] and each successive six-month period thereafter commencing February 1 to and including the next succeeding July 31 and commencing August 1 to and including the next succeeding January 31.

Letter of Representations or Representation Letter

The term “Letter of Representations” or “Representation Letter” means the letter of the Trustee and the District delivered to and accepted by the Depository on or prior to the Delivery Date as Book-Entry Certificates setting forth the basis on which the Depository serves as depository for such Book-Entry Certificates, as originally executed or as it may be supplemented or revised or replaced by a letter to a substitute Depository.

Maximum Annual Debt Service

The term “Maximum Annual Debt Service” means the maximum annual principal and interest payments under the Installment Purchase Agreements allocable to the Certificates for the current or any future Certificate Year.

Moody’s or Moody’s Investors Service

The term “Moody’s Investors Service” or “Moody’s” means Moody’s Investors Service Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, such terms shall be deemed to refer to any other nationally recognized rating agency designated by the District.

Nominee

The term “Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.10 hereof.

North Central Zone

The term “North Central Zone” means that certain geographical zone of the District which includes the City of Saratoga and portions of the cities of Sunnyvale, Santa Clara, Campbell, Cupertino, Monte Sereno, San Jose, and Los Gatos, and covers the watersheds that flow into Guadalupe Slough, which include Sunnyvale East and West Outfalls, Calabaras Creek, and San Tomas Aquino Creek.

Northwest Zone

The term “Northwest Zone” means that certain geographical zone of the District which includes the cities of Palo Alto, Los Altos, Los Altos Hills and Mountain View and portions of Cupertino and Sunnyvale, and covers the tributaries and watersheds of San Francisquito Creek, Matadero Creek, Barron Creek, Adobe Creek, Stevens Creek, and Permanente Creek.

Opinion of Special Counsel

The term “Opinion of Special Counsel” means a written opinion of Hawkins Delafield & Wood LLP or other counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the Corporation or the District.

Outstanding

The term “Outstanding,” when used as of any particular time with reference to Certificates of each series, means (subject to the provisions of Section 8.02) all Certificates theretofore or thereupon executed by the Trustee pursuant hereto, except –

- (1) Certificates theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (2) Certificates paid or deemed to have been paid within the meaning of Section 10.01 hereof; and
- (3) Certificates in lieu of or in substitution for which other Certificates shall have been executed by the Trustee and delivered pursuant hereto.

Owner

The term “Owner” means any person who shall be the registered owner of any Outstanding Certificate, as shown on the registration books required to be maintained by the Trustee pursuant to Section 2.08 hereof.

Participants

The term “Participants” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Book-Entry Certificates as securities depository.

Permitted Investments

The term “Permitted Investments” means any of the following instruments which at the time of such investment 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 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 Freddie Mac (“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 Fannie Mae (“FNMA’s”); participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of Ginnie Mae (“GNMA’s”); guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; debt obligations and letter of credit-backed issues of Sallie Mae; 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 any one of Fitch, Moody’s or S&P;

(viii) repurchase agreements collateralized by Direct Obligations, GNMA’s, FNMA’s or FHLMA’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 uninsured, 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 or (iii) 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 agreement, or any other form of corporate note representing the unconditional obligations of entities or agencies with the unsecured long-term debt obligations or claims-paying ability rated in one of the top two rating categories by Moody's and S&P;

(x) the Local Agency Investment Fund of the State of California;

(xi) cash;

(xii) municipal obligations issued by a municipality within the State of California including obligations payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency. This may include bonds, notes, warrants, or other evidences of indebtedness of a local agency within the State of California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency. Registered treasury notes or bonds of the State of California or any of the other 49 states, including bonds payable solely out of the revenues from a revenue producing property owned, controlled or operated by the state or by a department, board, agency or authority of the state; and

(xiii) United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB), with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated "AA" or better by two or more national credit rating agencies and shall not exceed 15 percent of the District's total portfolio book value.

Record Date

The term “Record Date” means the fifteenth day of the month preceding an Interest Payment Date, whether or not such day is a Business Day.

Related Document

The term “Related Document” means the Flood Control System Master Resolution and the Installment Purchase Agreements.

S&P or Standard & Poor’s

The term “Standard & Poor’s” or “S&P” means Standard & Poor’s Global Ratings, its successors and their assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, such terms shall be deemed to refer to any other nationally recognized securities rating agency designated by the District.

Securities Depositories

The term “Securities Depositories” shall mean The Depository Trust Company or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other securities depositories, or no such depositories as the Corporation or the District may designate in a Certificate of the Corporation or a Certificate of the District, as the case may be, to the Trustee.

Securities Exchange Act

The term “Securities Exchange Act” means the Securities Exchange Act of 1934, as amended.

Series 2017A Payment Fund

The term “Series 2017A Payment Fund” means the Series 2017A Payment Fund established pursuant to Section 4.01 hereof.

State

The term “State” means the State of California.

Substitute Depository

The term “Substitute Depository” means any substitute depository designated pursuant to clause (ii) of subsection (1) of Section 2.10(e) herein.

Tax Certificate

The term “Tax Certificate” means the Tax Certificate delivered by the District on the Delivery Date, as the same may be amended or supplemented in accordance with its terms.

Trust Agreement

The term “Trust Agreement” means this Trust Agreement, dated as of January 1, 2017, by and among the District, the Corporation and the Trustee, as originally executed and as it may from time to time be amended or supplemented pursuant to the provisions hereof.

Trustee

The term “Trustee” means U.S. Bank National Association, a national banking association existing under and by virtue of the laws of the United States of America, or any other association or corporation which may at any time be substituted in its place as provided in Section 7.02.

Written Request of the Corporation

The term “Written Request of the Corporation” means an instrument in writing signed by the President, Vice President, Chief Financial Officer or the Secretary of the Corporation, or by any other officer of the Corporation duly authorized for that purpose.

Written Request of the District

The term “Written Request of the District” means an instrument in writing signed by the Chief Executive Officer, Chief Operating Officer – Administrative Services, Chief Financial Officer, or the Treasury/Debt Officer (in each case, the interim, acting or permanently appointed such officer, as the case may be), or by any other official of the District duly authorized for that purpose.

Section 1.02. Equal Security. In consideration of the acceptance of the Certificates by the Owners thereof, the Trust Agreement shall be deemed to be and shall constitute a contract between the Trustee and the Owners to secure the full and final payment of the interest and principal and prepayment premiums, if any, evidenced and represented by the Certificates, subject to the agreements, conditions, covenants and provisions contained herein; and all agreements, conditions, covenants and provisions set forth herein to be performed by or on behalf of the Trustee shall be for the equal and proportionate benefit, protection and security of all Owners without distinction, preference or priority as to benefit, protection or security of any Certificates over any other Certificates by reason of the number or date thereof or the time of execution or delivery thereof or for any cause whatsoever, except as expressly provided herein or therein.

ARTICLE II

CONDITIONS AND TERMS OF CERTIFICATES

Section 2.01. Authorization of Certificates. The Trustee is hereby authorized and directed, upon receipt of a Written Request of the District to execute and deliver the Certificates in the aggregate principal amount of \$_____.

Section 2.02. Denominations, Method and Place of Payment and Dating of Certificates. The Certificates shall be dated the Delivery Date and shall be issued only in fully registered Certificates in denominations of five thousand dollars (\$5,000) or any integral multiple thereof, and shall mature on the dates and in the principal amounts and bear interest at the rates as set forth in the schedule set forth in Section 2.03 hereof. The interest, principal and prepayment premiums, if any, evidenced and represented by the Certificates shall be payable in lawful money of the United States of America. The interest evidenced and represented by the Certificates shall be payable on their respective Interest Payment Dates by check mailed by the Trustee to the respective Owners thereof as shown in the books required to be kept by the Trustee pursuant to the provisions of Section 2.08 at the close of business on the Record Date next preceding each Interest Payment Date (except that in the case of an Owner of one million dollars (\$1,000,000) or greater in aggregate principal amount of Outstanding Certificates, such payment may, at such Owner's written request, be made by wire transfer of immediately available funds to an account within the United States in accordance with written instructions provided by such Owner prior to the applicable Record Date), and the principal and prepayment premiums, if any, evidenced and represented by the Certificates shall be payable on their respective Certificate Payment Dates or on prepayment prior thereto, if any, by check delivered by the Trustee upon surrender thereof by the respective Owners thereof at the Corporate Trust Office of the Trustee. The Trustee may treat the Owner of any Certificate as the absolute owner of such Certificate for all purposes, whether or not such Certificate shall be overdue, and the Trustee shall not be affected by any knowledge or notice to the contrary; and payment of the interest and principal and prepayment premiums, if any, evidenced and represented by such Certificate shall be made only to such Owner as above provided, which payments shall be valid and effectual to satisfy and discharge the liability evidenced and represented by such Certificate to the extent of the sum or sums so paid. All Certificates paid pursuant to the provisions of this section shall be cancelled by the Trustee and shall not be redelivered.

Section 2.03. Payment Dates of Certificates. The Certificates evidence and represent interest from the Interest Payment Date next preceding the date of execution thereof by the Trustee, unless such date of execution is after the Record Date, in which case they shall evidence and represent interest from such Interest Payment Date; provided, however, with respect to the first Interest Payment Date, the Certificates shall evidence and represent interest from the Delivery Date; provided, further, that if as of the date of execution of any Certificate interest shall not have been paid when due with respect to any Outstanding Certificates, interest shall be payable from the Interest Payment Date to which interest has been paid or made available for payment with respect to such Outstanding Certificates.

The Certificates shall have Certificate Payment Dates of February 1 in the years and shall evidence and represent principal components of Installment Payments in the amounts, with interest thereon at the rates, as follows:

CERTIFICATES

Certificate Payment Date (February 1)	Principal Amount	Interest Rate
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The interest evidenced and represented by the Certificates shall be computed on the basis of a 360-day year consisting of twelve (12) 30-day months and shall become due and payable on the respective Interest Payment Dates, beginning on the Interest Payment Date following their respective execution dates and continuing to and including their Certificate Payment Dates or on prepayment prior thereto, if any, and shall evidence and represent in sum the portions of the Installment Payments constituting interest components becoming due and payable on the Interest Payment Dates in each year.

The principal and prepayment premiums, if any, evidenced and represented by the Certificates shall become due and payable on their respective Certificate Payment Dates or on prepayment prior thereto, if any, and shall evidence and represent in sum the portions of the Installment Payments constituting principal and prepayment premium components, if any, becoming due and payable on the Certificate Payment Dates or on prepayment prior thereto, if any, in each year.

Section 2.04. Forms of Certificates. The Certificates, together with the assignment to appear thereon, shall be substantially in the forms set forth on Exhibit A hereto, with appropriate or necessary insertions, omissions and variations as permitted or required hereby.

Section 2.05. Execution of Certificates. The Certificates shall be executed by the Trustee by the manual signature of an authorized officer of the Trustee.

Section 2.06. Transfer and Payment of Certificates. Any Certificate may, in accordance with its terms, be transferred in the books required to be kept pursuant to the provisions of Section 2.08 by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender, at the Corporate Trust Office of the Trustee, of such Certificate for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee. Whenever any Certificate or Certificates shall be surrendered for transfer, the Trustee shall execute and deliver a new Certificate or Certificates of authorized denominations of the same Certificate Payment Date evidencing and representing the same

aggregate principal amount. The Trustee shall require the payment by the Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer as a condition precedent to the exercise of such privilege.

The Trustee may deem and treat the Owner of any Certificate as the absolute owner of such Certificates for the purpose of receiving payment thereof and for all other purposes, whether such Certificates shall be overdue or not, and the Trustee shall not be affected by any notice or knowledge to the contrary; and payment of the interest and principal and prepayment premium, if any, evidenced and represented by the Certificates shall be made only to such Owner, which payments shall be valid and effectual to satisfy and discharge liability on such Certificate to the extent of the sum or sums so paid.

The Trustee shall not be required to register the transfer of (i) any Certificates during the period established by the Trustee for selection of Certificates for prepayment, if any, or (ii) any Certificate which has been selected for prepayment, if any, in whole or in part.

Section 2.07. Exchange of Certificates. Certificates may be exchanged at the Corporate Trust Office of the Trustee for a Certificate evidencing and representing a like aggregate principal amount of Certificates of authorized denominations. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange as a condition precedent to the exercise of such privilege.

The Trustee shall not be required to exchange (i) any Certificates during any period established by the Trustee for selection of Certificates for prepayment, if any, or (ii) any Certificates which has been selected for prepayment, if any, in whole or in part.

Section 2.08. Registration Books. The Trustee will keep at the Corporate Trust Office of the Trustee sufficient books for the registration of the ownership, transfer and exchange of the Certificates which shall at all times be open to inspection by the District, the Corporation or any Owner or his agent duly authorized in writing during normal business hours with reasonable prior notice, and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe, register the Ownerships or transfer and exchange of the Certificates in such books as hereinabove provided.

Section 2.09. Mutilated, Destroyed, Stolen or Lost Certificates. If any Certificate shall become mutilated, the Trustee, at the expense of the Owner thereof, shall thereupon execute and deliver a new Certificate of like tenor and Authorized Denominations of the same Certificate Payment Date evidencing and representing the same aggregate principal amount in exchange and substitution for the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee shall be cancelled by the Trustee.

If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Owner, shall thereupon execute and deliver a new Certificate of like tenor and Authorized Denominations of the same Certificate Payment Date evidencing and representing the same

aggregate principal amount in lieu of and in substitution for the Certificate so lost, destroyed or stolen.

The Trustee may require payment of a reasonable sum for each new Certificate executed and delivered under this Section and of the expenses which may be incurred by the District and the Trustee in the premises. Any Certificate executed and delivered under the provisions of this Section in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Trust Agreement with all other Certificates executed and delivered under this Trust Agreement. Neither the District, the Corporation nor the Trustee shall be required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be executed and delivered hereunder or for the purpose of determining any percentage of Certificates Outstanding hereunder, but both the original and replacement Certificate shall be treated as one and the same.

Section 2.10. Special Covenants as to Book-Entry Only System for Certificates.

(a) Election of Book Entry System. Prior to the execution and delivery of the Certificates, the District may provide that such Certificates shall be initially executed and delivered as book entry Certificates. If the District shall elect to deliver any Certificates in book entry form, then the District shall cause the delivery of a separate single fully registered certificate (which may be typewritten) for each maturity date of such Certificates in an authorized denomination corresponding to that total principal amount of the Certificates designated to mature on such date. Upon initial execution and delivery, the ownership of each such Certificate shall be registered in the Certificate registration books in the name of the Nominee, as nominee of the Depository and ownership of the Certificates, or any portion thereof may not thereafter be transferred except as provided in Section 2.10(e).

With respect to book entry Certificates, the District and the Trustee shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in such book entry Certificates. Without limiting the immediately preceding sentence, the District and the Trustee shall have no responsibility or obligation with respect to: (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in book entry Certificates; (ii) the delivery to any Participant or any other person, other than an Owner as shown in the Certificate registration books, of any notice with respect to book entry Certificates, including any notice of prepayment, if any; (iii) the selection by the Depository and its Participants of the beneficial interests in book entry Certificates to be prepaid, if any, in the event the District prepays the Certificates in part; or (iv) the payment by the Depository or any Participant or any other person, of any amount of principal of, premium, if any, or interest with respect to book entry Certificates. The District and the Trustee may treat and consider the person in whose name each book entry Certificate is registered in the Certificate registration books as the absolute Owner of such book entry Certificate for the purpose of payment of principal of, premium and interest with respect to such Certificate, for the purpose of giving notices of prepayment, if any, and other matters with respect to such Certificate, for the purpose of registering transfers with respect to such Certificate, and for all other purposes whatsoever. The Trustee shall pay all principal of, premium, if any, and interest with respect to the Certificates only to or upon the order of the

respective Owner, as shown in the Certificate registration books, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of principal of, premium, if any, and interest with respect to the Certificates to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Certificate registration books, shall receive a Certificate evidencing the obligation to make payments of principal of, premium, if any, and interest with respect to the Certificates. Upon delivery by the Depository to the Owner and the Trustee, of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in the Trust Agreement shall refer to such nominee of the Depository.

(b) Delivery of Letter of Representations. In order to qualify the book entry Certificates for the Depository's book entry system, the District and the Trustee, if required by the Depository, shall execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the District or the Trustee any obligation whatsoever with respect to persons having interests in such book entry Certificates other than the Owners, as shown on the Certificate registration books. By executing a Letter of Representations, the District shall agree to take all action necessary at all times so that the District will be in compliance with all representations of the District in such Letter of Representations. In addition to the execution and delivery of a Letter of Representations, the District and the Trustee shall take such other actions, not inconsistent with the Trust Agreement, as are reasonably necessary to qualify book entry Certificates for the Depository's book entry program.

(c) Selection of Depository. In the event: (i) the Depository determines not to continue to act as securities depository for book entry Certificates; or (ii) the District determines that continuation of the book entry system is not in the best interest of the beneficial owners of the Certificates or the District, then the District will discontinue the book entry system with the Depository. If the District determines to replace the Depository with another qualified securities depository, the District shall prepare or direct the preparation of a new single, separate, fully registered Certificate for each of the maturity dates of such book entry Certificates, registered in the name of such successor or substitute qualified securities depository or its Nominee as provided in subsection (e) hereof. If the District fails to identify another qualified securities depository to replace the Depository, then the Certificates shall no longer be restricted to being registered in such Certificate registration books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging such Certificates shall designate, in accordance with the provisions of Sections 2.06 and 2.07 hereof.

(d) Payments To Depository. Notwithstanding any other provision of the Trust Agreement to the contrary, so long as all Outstanding Certificates are held in book entry form and registered in the name of the Nominee, all payments of principal of, prepayment premium, if any, and interest with respect to such Certificate and all notices with respect to such Certificate shall be made and given, respectively, to the Nominee, as provided in the Letter of Representations or as otherwise instructed by the Depository and agreed to by the Trustee notwithstanding any inconsistent provisions herein.

(e) Transfer of Certificates to Substitute Depository.

(1) The Certificates shall be initially executed and delivered as provided in Section 2.01 hereof. Registered ownership of such Certificates, or any portions thereof, may not thereafter be transferred except:

(i) to any successor of DTC or its nominee, or of any Substitute Depository; provided that any successor of DTC 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, upon: (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository; or (2) a determination by the District that DTC (or its successor) is no longer able to carry out its functions as depository; provided that any such Substitute Depository 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 DTC or its successor (or any Substitute Depository or its successor) from its functions as depository; or (2) a determination by the District that DTC or its successor (or Substitute Depository or its successor) is no longer able to carry out its functions as depository.

(2) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (1) of this Section 2.10(e), upon receipt of all Outstanding Certificates by the Trustee, together with a written request of the District to the Trustee designating the Substitute Depository, a single new Certificate, which the District shall prepare or cause to be prepared, shall be executed and delivered for each maturity of Certificates then Outstanding, registered in the name of such successor or such Substitute Depository or their Nominees, as the case may be, all as specified in such written request of the District. In the case of any transfer pursuant to clause (iii) of subsection (1) of this Section 2.10(e), upon receipt of all Outstanding Certificates by the Trustee, together with a written request of the District to the Trustee, new Certificates, which the District shall prepare or cause to be prepared, shall be executed and delivered in such denominations and registered in the names of such persons as are requested in a written request of the District, subject to the limitations of Section 2.01 hereof, provided that the Trustee shall not be required to deliver such new Certificates within a period of less than sixty (60) days from the date of receipt of such written request from the District.

(3) In the case of a partial prepayment, if any, or an advance refunding of any Certificates evidencing a portion of the principal maturing in a particular year, DTC or its successor (or any Substitute Depository or its successor) shall make an appropriate notation on such Certificates indicating the date and amounts of such reduction in principal, in form acceptable to the Trustee, all in accordance with the Letter of Representations. The Trustee shall not be liable for such Depository's failure to make such notations or errors in making such notations.

(4) The District and the Trustee shall be entitled to treat the person in whose name any Certificate is registered as the Owner thereof for all purposes of the Trust Agreement and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the District; and the District and the Trustee shall not have responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the Certificates. Neither the District nor the Trustee shall have any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including DTC or its successor (or Substitute Depository or its successor), except to the Owner of any Certificates, and the Trustee may rely conclusively on its records as to the identity of the Owners of the Certificates.

ARTICLE III

PREPAYMENT OF CERTIFICATES

Section 3.01. Optional Prepayment Provisions.

(a) Optional Prepayment. The Certificates with Certificate Payment Dates on or after February 1, 20__ are subject to optional prepayment, representing prepaid Installment Payments, by the District on any date on or after February 1, 20__, upon notice as hereinafter provided, as a whole or in part by lot in such order of maturity as the District may determine, in integral multiples of \$5,000, from any source of available funds, at a prepayment price equal to the principal amount or such part thereof evidenced and represented by the Certificates to be prepaid without premium.

(b) Optional Prepayment from Insurance or Condemnation Proceeds. The Certificates are subject to optional prepayment by the District on any date prior to their respective Certificate Payment Dates, upon notice as hereinafter provided, as a whole or in part by lot within each Certificate Payment Date, in such order of prepayment as the District may determine, in integral multiples of Authorized Denominations, from payments made by the District from the net proceeds received by the District due to the damage, destruction or condemnation of all or any portion of the Flood Control System under the circumstances and upon the conditions and terms prescribed herein and in the Installment Purchase Agreement, at a prepayment price equal to the sum of the principal amount or such part thereof evidenced and represented by the Certificates to be prepaid, plus accrued interest evidenced and represented thereby to the date fixed for prepayment, without premium.

Section 3.02. Selection of Certificates for Prepayment. If less than all Outstanding Certificates maturing by their terms on any one date are to be prepaid at any one time, the Trustee shall select the Certificates of such maturity date to be prepaid in any manner that it deems appropriate and fair and shall promptly notify the District in writing of the numbers of the Certificates so selected for prepayment. For purposes of such selection, Certificates shall be deemed to be composed of \$5,000 multiples and any such multiple may be separately prepaid or redeemed. In the event the term Certificates are designated for prepayment, the District may designate which sinking account payments are allocated to such prepayment.

Section 3.03. Notice of Prepayment. Notice of prepayment shall be mailed first class mail by the Trustee, not less than twenty (20) nor more than sixty (60) days prior to the prepayment date to (i) the respective Owners of the Certificates designated for prepayment at their addresses appearing on the registration books of the Trustee, (ii) the Securities Depositories and (iii) the Information Services. Notice of prepayment to the Securities Depositories and the Information Services shall be given by certified or registered mail, overnight delivery or confirmed facsimile transmission. Each notice of prepayment shall state the prepayment date, the prepayment price, if any, the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity is to be prepaid, the distinctive certificate numbers of the Certificates of such maturity to be prepaid and, in the case of Certificates to be prepaid in part only, the respective portions of the principal amount thereof to be prepaid. Each such notice shall also state that on the prepayment date there will become due and payable on the Certificates to be prepaid, all of the principal amount thereof on the prepayment date, and that from and after such prepayment date interest evidenced and represented by the Certificates shall cease to accrue, and shall require that such Certificates be then surrendered at the address of the Trustee specified in the prepayment notice. Failure by the Trustee to give notice pursuant to this Section to any one or more of the Information Services or Securities Depositories, or the insufficiency of any such notice shall not affect the sufficiency of the proceedings for prepayment. Failure by the Trustee to mail notice of prepayment pursuant to this Section to any one or more of the respective Owners of any Certificates designated for prepayment shall not affect the sufficiency of the proceedings for prepayment with respect to the Owners to whom such notice was mailed.

In the event of prepayment of Certificates, the Trustee shall mail a notice of optional prepayment, other than any notice that refers to Certificates that are to be prepaid from proceeds of a refunding bond issue only if sufficient funds have been deposited with the Trustee to pay the applicable prepayment price of the Certificates to be prepaid. The District shall give the Trustee written notice of its intention to optionally prepay Certificates at least 15 days prior to the intended Prepayment Date. In the event the District elects to optionally prepay the Certificates in part, it shall deliver to the Trustee a schedule of revised Installment Payments.

The District may, at its option, prior to the date fixed for prepayment in any notice of prepayment rescind and cancel such notice of prepayment by Written Request of the District and the Trustee shall mail notice of such cancellation to the recipients of the notice of prepayment being cancelled.

ARTICLE IV

ESTABLISHMENT OF FUNDS; DEPOSIT AND APPLICATION OF PROCEEDS

Section 4.01. Establishment of Funds. The Trustee shall establish and maintain the following special trust funds to be held by the Trustee: (i) the Series 2017A Payment Fund, and (ii) the Certificate Rebate Fund. The District shall establish and maintain the Acquisition and Construction Fund.

Section 4.02. Delivery of Certificates. The Trustee is hereby authorized to execute and deliver the Certificates to the purchaser thereof upon receipt of a Written Request of the District, concurred in by the Corporation, and upon receipt of the proceeds of sale thereof.

Section 4.03. Application of Proceeds. Upon the receipt of the proceeds of the Certificates when the same shall have been duly executed and delivered, the Trustee shall deposit and transfer the proceeds as follows:

(i) The Trustee shall transfer to the District the amount of \$_____ for deposit in the Acquisition and Construction Fund;

(ii) The Trustee shall transfer to the escrow agent \$_____ for deposit in the Escrow Fund created pursuant to the Escrow Agreement for the purpose of defeasing and paying or prepaying all of the outstanding Series 2004A Certificates, as described in the Escrow Agreement relating to the 2004A Certificates; and

(iii) The Trustee shall transfer to the escrow agent \$_____ for deposit in the Escrow Fund created pursuant to the Escrow Agreement for the purpose of defeasing and paying or prepaying all of the outstanding Series 2007A Certificates, as described in the Escrow Agreement relating to the 2004A Certificates.

The Trustee may establish a temporary fund or account in its records to facilitate such transfers.

Section 4.04. Use of Moneys in the Acquisition and Construction Fund. Not to exceed \$_____ in the Acquisition and Construction Fund may be used and withdrawn by the District for the payment of Costs of Issuance and the remaining amount on deposit in the Acquisition and Construction Fund may be used and withdrawn by the District for the payment for the costs of the acquisition or construction of such portions of the Series 1994A Project and the Series 1995 Project in the North Central Zone to be constructed and acquired from the proceeds of the Certificates and the expenses incidental thereto (including reimbursement to the District for any such costs or expenses paid by the District), for the payment of the costs of the acquisition or construction of such portions of the Series 1994A Project and the Series 1995 Project in the Central Zone to be constructed and acquired from the proceeds of the Certificates and the expenses incidental thereto (including reimbursement to the District for any such costs or expenses paid by the District), for the payment of the costs of the acquisition or construction of such portions of the Series 1994A Project and the Series 1995 Project in the East Zone to be constructed and acquired from the proceeds of the Certificates and the expenses incidental thereto (including reimbursement to the District for any such costs or expenses paid by the District), and for the payment of the costs of the acquisition or construction of such portions of the Series 1995 Project in the Northwest Zone to be constructed or acquired from the proceeds of the Certificates and the expenses incidental thereto (including reimbursement to the District for any such costs or expenses paid by the District).

Within the Acquisition and Construction Fund the District may establish such accounts therein as it shall determine in order to provide for the accounting of any component or group of components constituting a portion of the Series 1994A Project or the Series 1995 Project, as appropriate, including a Costs of Issuance Account.

When all Costs of Issuance have been paid and the acquisition and construction of the Series 1994A Project and Series 1995 Project has been completed, the District shall transfer any remaining balance of money in the Acquisition and Construction Fund to the Trustee and request that the Trustee deposit in the Certificate Rebate Fund an amount to the extent necessary to pay Rebutable Arbitrage, and any remaining balance shall be deposited by the Trustee in the Series 2017A Payment Fund and applied as provided in Section 5.02.

ARTICLE V

INSTALLMENT PAYMENTS

Section 5.01. Pledge of Installment Payments. All Installment Payments shall be paid directly by the District to the Trustee 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. All Installment Payments received by the Trustee shall be held in trust by the Trustee under the terms hereof. The Installment Payments shall be deposited by the Trustee as and when received in the Series 2017A Payment Fund, which fund the Trustee has established and maintains so long as any Certificates are Outstanding. All money in the Series 2017A Payment Fund shall be held in trust by the Trustee for the benefit of the Owners of the Certificates. The District and the Corporation hereby pledge and grant a lien on the Series 2017A Payment Fund to the Trustee for the benefit of the Owners of the Certificates.

Section 5.02. Receipt and Deposit of Installment Payments in the Series 2017A Payment Fund; Use of Money in the Series 2017A Payment Fund.

(a) In order to carry out and effectuate the pledge contained herein, subject to the provisions of Section 5.01, the Trustee shall deposit the Installment Payments when and as received in trust in the Series 2017A Payment Fund for the benefit of the Owners of the Certificates. All Installment Payments shall be accounted for and held in trust. Notwithstanding anything to the contrary in the Installment Purchase Agreements, Installment Payments shall be deposited by the District on the Business Day prior to the relevant Interest Payment Date with the Trustee. All Installment Payments shall be allocated, applied and disbursed by the Trustee solely to the purposes and uses hereinafter in this Article set forth, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the Trustee.

(b) Money in the Series 2017A Payment Fund shall be used and withdrawn by the Trustee for the purpose of paying (i) the interest evidenced and represented by the Certificates as it shall become due and payable (including accrued interest evidenced and represented by the Certificates purchased or prepaid prior to maturity, if any), and (ii) the principal evidenced and represented by the Certificates as it shall become due and payable.

Section 5.03. [Reserved].

Section 5.04. Investment of Moneys in Funds. Moneys in the funds established with the Trustee hereunder shall, in accordance with a Written Request of the District, be invested by the Trustee in Permitted Investments. The Trustee may conclusively rely on any direction contained in a Written Request of the District to invest in investments that such investments are Permitted Investments. In the absence of a Written Request of the District, the Trustee shall promptly invest moneys in clause (vii) of the definition of Permitted Investments. The obligations in which moneys in the said funds are invested shall mature on or prior to the date on which such moneys are estimated to be required to be paid out hereunder. The Trustee shall sell at the best price obtainable or present for redemption any obligations so purchased whenever it may be necessary to do so in order to provide moneys to meet any payment required under this Trust Agreement. Notwithstanding anything herein to the contrary, the Trustee shall not be responsible for any loss from investments, sales or transfers undertaken in accordance with this Trust Agreement. For purposes of determining the amount of deposit in any fund held hereunder, all Permitted Investments credited to such fund shall be valued at the face or par value thereof. Except as otherwise provided in this Section, Permitted Investments representing an investment of moneys attributable to any fund and all investment profits or losses thereon shall be deemed at all times to be a part of said fund. To the extent that Permitted Investments are registrable securities, such Permitted Investments shall be registered in the name of the Trustee.

The Trustee may act as principal or agent in the acquisition or disposition of investments and may commingle moneys in funds and accounts for the purpose of investment.

The Trustee is hereby authorized, in making or disposing of any investment permitted by this Section, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or dealing as principal for its own account.

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

The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder.

Section 5.05. Application of the Certificate Rebate Fund.

(a) Absent an Opinion of Special Counsel that the exclusion from gross income for federal income tax purposes of interest evidenced and represented by the Certificates will not be adversely affected, the District shall cause to be deposited in the Certificate Rebate Fund such amounts as are required to be deposited therein pursuant to this Section and the Tax Certificate. Within the Certificate Rebate Fund, there shall be established two separate accounts designated the "Rebate Account" and the "Alternative Penalty Account". All moneys at any time deposited in the Rebate Account or the Alternative Penalty Account shall be held by the Trustee in trust for payment to the United States Treasury. All amounts on deposit in the

Certificate Rebate Fund shall be governed by this Section and the Tax Certificate, unless and to the extent that the District delivers to the Trustee an Opinion of Special Counsel that the exclusion from gross income for federal income tax purposes of interest evidenced and represented by the Certificates will not be adversely affected if such requirements are not satisfied.

(b) The following provisions relate to the Rebate Accounts and the Alternative Penalty Account of the Certificate Rebate Fund:

(1) Rebate Account. The following requirements shall be satisfied with respect to the Rebate Account:

(i) Computation. Within 55 days of the end of each Certificate Year, the District 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, 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 not be required to calculate the Rebate Amount, and the Trustee shall not be required to deposit any amount to the Rebate Account in accordance with this Subsection (b), with respect to all or a portion of the proceeds of the Certificates (including amounts treated as proceeds of the Certificates) (i) to the extent such proceeds satisfy the expenditure requirements of Section 148(f)(4)(B) or Section 148(f)(4)(C) of the Code or Section 1.148-7(d) of the Regulations, whichever is applicable, and otherwise qualify for the exception to the Rebate Requirement pursuant to whichever of said Sections is applicable, (ii) to the extent such proceeds are subject to an election by the District under Section 148(f)(4)(C)(vii) of the Code to pay a 1½% penalty in lieu of arbitrage rebate in the event any of the percentage expenditure requirements of Section 148(f)(4)(C) are not satisfied, or (iii) to the extent such proceeds qualify for the exception to arbitrage rebate under Section 148(f)(4)(A)(ii) of the Code for amounts in a “bona fide debt service fund.” In such event, and with respect to such amounts, the District shall provide written direction to the Trustee that the Trustee shall not be required to deposit any amount to the Rebate Account in accordance with this Subsection (b). 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 each applicable fifth Certificate Year, upon the written direction of a representative of the District, an amount shall be deposited to the Rebate Account by the Trustee from any funds legally available for such purpose (as specified by the District in the aforesaid written direction), if and to the extent required so that the balance in the Rebate Account shall equal the amount of Rebatable Arbitrage so calculated in accordance with (i) of this Subsection (b)(1).

(iii) Payment to the Treasury. The Trustee shall pay, as directed in writing by a representative of the District, to the United States Treasury, out of amounts in the Rebate Account,

(X) Not later than 60 days after the end of (A) the fifth Certificate Year, and (B) each applicable fifth Certificate Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Certificate Year; and

(Y) Not later than 60 days after the payment of all the Certificates, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Certificate Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code and Section 1.148-3 of the Treasury Regulations.

(2) Alternative Penalty Account.

(i) Six-Month Computation. If the 1½% Penalty has been elected, within 85 days of each particular Six-Month Period, the District shall determine or cause to be determined whether the 1½% Penalty is payable (and the amount of such penalty) as of the close of the applicable Six-Month Period. The District shall obtain expert advice in making such determinations.

(ii) Six-Month Transfer. Within 85 days of the close of each Six-Month Period, upon the written direction of a representative of the District, the Trustee shall deposit in the Alternative Penalty Account from any legally available source of funds (as specified by the District in the aforesaid written direction), if and to the extent required, so that the balance in the Alternative Penalty Account equals the amount of 1½% Penalty due and payable to the United States Treasury determined as provided in Subsection (b)(2)(i) above. In the event that immediately following the transfer provided in the previous sentence, the amount then on deposit to the credit of the Alternative Penalty Account exceeds the amount required to be on deposit therein to make the payments required by Subsection (b)(2)(iii) below, the Trustee, at the written direction of a representative of the District, shall withdraw the excess from the Alternative Penalty Account and credit the excess to the Series 2017A Payment Fund.

(iii) Payment to the Treasury. The Trustee shall pay, as directed in writing by a representative of the District, to the United States Treasury, out of amounts in the Alternative Penalty Account, not later than 90 days after the close of each Six-Month Period the 1½% Penalty, if applicable and payable, computed in accordance with Section 148(f)(4) of the Code. In the event that, prior to the time of any payment required to be made from the Alternative Penalty Account, the amount in such account is not sufficient to make such payment when such payment is due, the District shall calculate the amount of such deficiency and

direct the Trustee to deposit an amount received from any legally available source of funds equal to such deficiency into the Alternative Penalty Account prior to the time such payment is due. Each payment required to be made pursuant to this Subsection (b)(2) shall be made to the Internal Revenue Service 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.

(c) Deficiencies. In the event that, prior to the time of any payment required to be made from the Rebate Fund, the amount in the 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.

(d) Withdrawals of Excess Amounts. In the event that immediately following the calculation required by Subsection (b) of this Section, but prior to any deposit made under said Subsection, the amount on deposit in the Rebate Fund exceeds the Rebate Amount calculated in accordance with said Subsection, upon written instructions from the District, the Trustee shall withdraw the excess from the Rebate Fund and credit such excess to the Series 2017A Payment Fund.

(e) Disposition of Unexpended Funds. Any funds remaining in the Certificate Rebate Fund after payment of the principal and interest evidenced and represented by the Certificates, the payments described in Subsection (b)(1)(iii) or (b)(2)(iii) (whichever is applicable), may be withdrawn by the District and utilized in any manner by the District.

(f) Payments. Each payment required to be made pursuant to this Subsection (b) shall be made to the Internal Revenue Service Center, Ogden, Utah, 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.

(g) Survival of Defeasance. Notwithstanding anything in this Section or this Trust Agreement to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance of the Certificates.

(h) Recordkeeping. The District shall retain records of all determinations made hereunder until three (3) years after the complete retirement of the Certificates.

(i) Duty of Trustee. The Trustee shall be fully protected and shall be deemed to have complied with the provisions of this Section 5.05 if it complies with the written directions of the District delivered pursuant to this Section 5.05 and the Trustee shall have no responsibility to enforce compliance by the District with the Tax Certificate. The Trustee shall have no responsibility to make any independent calculations or determinations or to review the District's calculations hereunder.

ARTICLE VI
COVENANTS

Section 6.01. Compliance with Trust Agreement; Compliance of Laws and Regulations. The Trustee will not execute or deliver any Certificates in any manner other than in accordance with the provisions hereof; and neither the Corporation nor the District will suffer or permit any default by them to occur hereunder, but each will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by them.

The Corporation and the District will faithfully observe and perform all lawful and valid obligations or regulations now hereafter imposed on them by contract, or prescribed by any state or national law, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise right or privilege now owned or hereafter acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not be abandoned, forfeited or in any manner impaired.

Section 6.02. Tax Covenants. The District covenants and agrees to contest by court action or otherwise any assertion by the United States of America or any department or agency thereof that the interest evidenced and represented by the Certificates is includable in gross income of the recipient under federal income tax laws. Notwithstanding any other provision of this Trust Agreement, absent an Opinion of Special Counsel that the exclusion from gross income of interest evidenced and represented by the Certificates will not be adversely affected for federal income tax purposes, the District covenants 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 will take no action or refrain from taking any action or make any use of the proceeds of the Certificates or of any other moneys or property which would cause the Certificates to be “private activity bonds” within the meaning of Section 141 of the Code;

(b) Arbitrage. The District will make no use of the proceeds of the 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 Certificates to be “arbitrage bonds” within the meaning of Section 148 of the Code;

(c) Federal Guarantee. The District will make no use of the proceeds of the Certificates or take or omit to take any action that would cause the Certificates to be “federally guaranteed” within the meaning of Section 149(b) of the Code;

(d) Information Reporting. The District 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 will make no use of the proceeds of the 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 Certificates to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the District 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 evidenced and represented by the Certificates for federal income tax purposes; and

(f) Miscellaneous. The District will take no action or refrain from taking any action inconsistent with its expectations stated in that certain Tax Certificate executed by the District in connection with the execution and delivery of the Certificates and will comply with the covenants and requirements stated therein and incorporated by reference herein. In furtherance of the foregoing tax covenants of this Section 6.02, the District will comply with the provisions of the Tax Certificate, which is incorporated herein as if fully set forth herein. These covenants shall survive payment in full or defeasance of the Certificates.

Section 6.03. Accounting Records and Statements. The Trustee shall keep proper books of record and account in accordance with industry standards in which complete and correct entries shall be made of all transactions relating to the receipt, investment, disbursement, allocation and application of the Installment Payments and the proceeds of the Certificates or the obligation which they evidence and represent. Such records shall specify the account or fund to which each investment (or portion thereof) held by the Trustee is to be allocated and shall set forth, in the case of each investment, (a) its purchase price, (b) identifying information, including par amount, coupon rate, and payment dates, (c) the amount received at maturity or its sale price, as the case may be, and (d) the amounts and dates of any payments made with respect thereto. Such records shall be open to inspection by any Owner or his agent duly authorized in writing at reasonable hours and under reasonable conditions and upon reasonable written request during the regular business hours of the Trustee on any Business Day. As soon as available after June 30, 2017, and continuing after each June 30th so long as any Certificates are Outstanding, the Trustee will furnish to the Corporation and to any Owner who may so request (at the expense of such Owner) a complete statement covering the receipts, deposits and disbursements of the money held hereunder for the preceding fiscal year. In addition, the Trustee shall provide the District with a monthly accounting of the funds and accounts held hereunder; provided, that the Trustee shall not be obligated to provide an accounting for any fund or account that (a) has a balance of \$0.00 and (b) has not had any activity since the last reporting date.

Section 6.04. Installment Purchase Agreements and Other Documents. The Corporation will at all times maintain and vigorously enforce all of its rights under the Installment Purchase Agreements, and will promptly collect or cause to be collected all Installment Payments as the same become due under the Installment Purchase Agreements, and will promptly and vigorously enforce its rights against any person who does not pay such Installment Payments as they become due under the Installment Purchase Agreements. The Corporation and the District will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of the Installment Purchase Agreements by the purchaser thereunder.

Section 6.05. Other Liens. The District will keep the Series 1994A Project and the Series 1995 Project free from judgments, mechanics, and materialmen's liens (except those arising from the acquisition, construction and installation of the Series 1994A Project and the Series 1995 Project) and free from all liens, claims, demands and encumbrances of whatsoever prior nature or character to the end that the security for the Certificates provided herein will at all times be maintained and preserved free from any claim or liability which might hamper the District in conducting its business or interfere with the District's operation of the Series 1994A Project and the Series 1995 Project, and the Trustee at its option (after first giving the District thirty (30) days written notice to comply therewith and failure of the District to so comply within such period) may (but shall not be obligated to) defend against any and all actions or proceedings in which the validity hereof is or might be questioned, or may pay or compromise any claim or demand asserted in any such action or proceeding; provided, however, that in defending such actions or proceedings or in paying or compromising such claims or demands the Trustee shall not in any event be deemed to have waived or released the District from liability for or on account of any of its agreements and covenants contained herein, or from its liability hereunder to defend the validity hereof and the pledge of the Installment Payments made herein and to perform such agreements and covenants.

Section 6.06. Prosecution and Defense of Suits. The District will promptly from time to time take or cause to be taken such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Series 1994A Project and the Series 1995 Project, whether now existing or hereafter developing, and shall prosecute or cause to be prosecuted all such suits, actions and other proceedings as may be appropriate for such purpose and shall indemnify and hold the Trustee harmless from all loss, cost, damage and expense, including attorney's fees, which it may incur by reason of any such defect, cloud, suit, action or proceeding.

The District will defend against every suit, action or proceeding at any time brought against the Trustee upon any claim arising out of the receipt, application or disbursement of any of the Installment Payments or involving the rights of the Trustee hereunder; provided that the Trustee at its election may appear in and defend any such suit, action or proceeding.

Section 6.07. Further Assurances. Whenever and so often as requested to do so by the Trustee, the District will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the owners all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them hereby.

Section 6.08. Acquisition of the Series 1994A Project and the Series 1995 Project, and Sale of the Series 1994A Project and the Series 1995 Project. The Corporation shall acquire the Series 1994A Project and the Series 1995 Project, or cause the Series 1994A Project and the Series 1995 Project to be acquired, with the proceeds of the Certificates and shall sell the Series 1994A Project and the Series 1995 Project to the District pursuant to the Installment Purchase Agreements. Improvements financed with amounts from the Acquisition and Construction Fund shall be incorporated into the Series 1994A Project and the Series 1995 Project.

Section 6.09. Recordation and Filing. The District will file, record, register, renew, refile and rerecord all such documents, including financing statements (or continuation statements in connection therewith), as may be required by law in order to maintain at all times a security interest in the money in the Series 2017A Payment Fund hereunder in such manner, at such times and in such places as may be required in order to fully perfect, preserve and protect the benefit, protection and security of the Owners and the rights of the Trustee hereunder (with copies of each such document being forwarded to the Trustee), and the District will do whatever else may be necessary or be reasonably required in order to perfect and continue the pledge of and lien on the money in the funds herebefore described.

Section 6.10. Continuing Disclosure. The District will comply with and carry out all of its obligations under the Continuing Disclosure Agreement to be executed and delivered by the District in connection with the delivery of the Certificates. Notwithstanding any other provision of this Agreement, failure of the District to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Section 6.10. For purposes of this Section, “Beneficial Owner” means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries).

ARTICLE VII

THE TRUSTEE

Section 7.01. Employment and Duties of the Trustee. The Corporation and the District hereby appoint and employ U.S. Bank National Association, in San Francisco, California, as Trustee to receive, deposit and disburse the Installment Payments as provided herein, to prepare, execute, deliver, transfer, exchange and cancel the Certificates as provided herein, to pay the interest and principal and prepayment premiums, if any, evidenced and represented by the Certificates to the Owners thereof as provided herein and to perform the other obligations contained herein; all in the manner provided herein and subject to the conditions and terms hereof. By executing and delivering the Trust Agreement, the Trustee undertakes to perform such obligations (and only such obligations) as are specifically set forth herein, and no implied covenants or obligations shall be read herein against the Trustee.

Prior to any resignation by the Trustee pursuant to Section 7.02, the Trustee will faithfully observe and perform all lawful and valid obligations or regulations now or hereafter imposed on it by contract, or prescribed by any state or federal law, or by any officer, board or commission having jurisdiction or control over the Trustee, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by it, including its right to exist and carry on its business, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not be abandoned, forfeited or in any manner impaired.

Whenever provision is made herein for the cancellation by the Trustee of any Certificates, the Trustee shall destroy such Certificates and deliver a certificate of such destruction to the District.

Section 7.02. Duties, Immunities and Liabilities of Trustee.

(a) The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Trust Agreement and no implied duties or obligations shall be read into this Trust Agreement against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by this Trust Agreement, and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(b) So long as no Event of Default has occurred and is continuing, upon thirty (30) days' written notice to the Trustee, the District may remove the Trustee at any time and shall remove the Trustee at any time requested to do so by an instrument or concurrent instruments in writing, or in the case of the Certificates, the Owners of the Certificates of not less than a majority in aggregate amount of Certificates then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section or shall become incapable of acting, or shall commence a case under any bankruptcy, insolvency or similar law, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take control or charge of the Trustee or its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee, and thereupon shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee may resign by giving written notice of such resignation to the District and by giving notice of such resignation by mail, first class postage prepaid, to the Owners at the addresses listed in the bond register. Upon receiving such notice of resignation, the District shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and shall have accepted appointment within thirty (30) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee, at the expense of the District, or any Owner (on behalf of himself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Trust Agreement shall signify its acceptance of such appointment by executing and delivering to the District and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless, at the written request of the District or of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of

conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Trust Agreement and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the District shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, such successor Trustee shall mail a notice of the succession of such Trustee to the trusts hereunder by first class mail, postage prepaid, to the Owners at their addresses listed in the bond register.

(e) Any Trustee appointed under the provisions of this Trust Agreement shall be a trust company or bank having trust powers, having a corporate trust office in California, the combined capital, surplus and undivided profits of such trust company or bank (or in the event that such trust company or bank is a member of a bank holding company system, of its bank holding company) of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

(f) No provision in this Trust Agreement shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder.

(g) The Trustee shall not be responsible for the sufficiency, timeliness or payment of the Installment Payments, the maintenance of insurance as required by the Installment Purchase Agreements or reviewing any report or certificate required to be provided hereunder or under the Installment Purchase Agreements.

(h) The Trustee shall not be accountable for the use or application by the District, the Corporation or any other party of any funds which the Trustee has released under this Trust Agreement.

(i) The Trustee may employ attorneys, agents or receivers in the performance of any of its duties hereunder and shall not be answerable for the misconduct of any such attorney, agent or receiver selected by it with reasonable care.

Section 7.03. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under subsection (e) of Section 7.02, shall succeed to the rights and

obligations of such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 7.04. Compensation and Indemnification. The District shall pay the Trustee, or cause the Trustee to be paid, reasonable compensation for its services rendered hereunder and shall reimburse the Trustee for reasonable expenses (including reasonable fees and expenses of its attorneys) incurred by the Trustee in the performance of its obligations hereunder.

The District agrees, to the extent permitted by law, to indemnify the Trustee and its respective officers, directors, members, employees, attorneys and agents for, and to hold them harmless from and against, any loss, liability or expense incurred without negligence or willful misconduct on their part arising out of or in connection with the acceptance or administration of the trusts imposed by this Trust Agreement, including performance of their duties hereunder, including the costs and expenses of defending themselves against any claims or liability in connection with the exercise or performance of any of their powers or duties hereunder. Such indemnity shall survive the termination or discharge of the Trust Agreement and resignation or removal of the Trustee.

Section 7.05. Liability of Trustee.

(a) The recitals of facts herein and in the Certificates contained shall be taken as statements of the District, and the Trustee assumes no responsibility for the correctness of the same, and makes no representations as to the validity or sufficiency of this Trust Agreement, the Installment Purchase Agreements or of the Certificates, and shall incur no responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Certificates assigned to or imposed upon it. The Trustee shall, however be responsible for its representations contained in its certificate of execution on the Certificates. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee may become the Owner of Certificates with the same rights it would have if it were not Trustee or and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners, whether or not such committee shall represent the Owners of a majority in aggregate amount of Certificates then Outstanding.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless the Trustee shall have been negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of the Certificates, of not less than 25% in aggregate amount of Certificates, at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Trust Agreement.

(d) The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by

this Trust Agreement, except for actions arising from the negligence or willful misconduct of the Trustee. The permissive right of the Trustee to do things enumerated hereunder shall not be construed as a mandatory duty.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default hereunder unless and until it shall have actual knowledge thereof, or shall have received written notice thereof at the Corporate Trust Office of the Trustee. Except as otherwise expressly provided herein, and subject to Section 7.02, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Certificates, or as to the existence of an Event of Default hereunder or thereunder. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it.

(f) The Trustee makes no representations with respect to any information, statement, or recital in, and shall have no liability with respect to, any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Certificates.

(g) The immunities extended to the Trustee also extend to its directors, officers, employees and agents.

(h) The permissive right of the Trustee to do things enumerated in this Trust Agreement shall not be construed as a duty.

Section 7.06. Right to Rely on Documents. The Trustee shall be protected in acting, and may conclusively rely, upon any notice, resolution, request, requisition, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties and need not conduct any independent investigation of the matters covered therein. The Trustee may consult with counsel, who may be counsel but need not of or to the District, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

Whenever in the administration of the trusts imposed upon it by this Trust Agreement the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the District, and such Certificate of the District shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Trust Agreement in reliance upon such Certificate of the District, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Section 7.07. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Trust Agreement shall be retained in its possession and shall be subject at all reasonable times to the inspection of the District and any Owner, and their

agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

ARTICLE VIII

AMENDMENT OF THE TRUST AGREEMENT

Section 8.01. Amendment of the Trust Agreement. The Trust Agreement and the rights and obligations of the District, the Corporation and of the Owners may be amended at any time by a supplemental trust agreement which shall become binding with the written consent of the Owners of a majority in aggregate amount of Certificates then outstanding, exclusive of Certificates disqualified as provided in Section 8.02. No such amendment shall (1) extend the maturity of or reduce the interest rate on or otherwise alter or impair the obligation of the District to pay the interest or principal or prepayment premium, if any, evidenced and represented by the Certificates at the time and place and at the rate and in the currency provided herein without the express written consent of the Owner of such Certificates, or (2) permit the creation by the District of any pledge of the Installment Payments as provided herein superior to or on a parity with the pledge created hereby for the benefit of the Certificates except as provided in the Installment Purchase Agreements, or (3) modify any rights or obligations of the Trustee without its prior written assent thereto.

The Trust Agreement and the rights and obligations of the District and of the Owners may also be amended at any time by a supplemental trust agreement which shall become binding upon adoption without the consent of any Owners, but only to the extent permitted by law and after receipt of an approving Opinion of Special Counsel and only for any one or more of the following purposes –

(a) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the District may deem desirable or necessary and not inconsistent herewith and which shall not materially adversely affect the interests of the Owners; or

(b) to make any other change or addition hereto which shall not materially adversely affect the interests of the Owners, or to surrender any right or power reserved herein to or conferred herein on the District.

Section 8.02. Disqualified Certificates. Certificates owned or held by or for the account of the Corporation or the District shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Certificates provided in this article, and shall not be entitled to consent to or take any other action provided in this article.

Section 8.03. Endorsement or Replacement of Certificates After Amendment. After the effective date of any action taken as hereinabove provided, the Corporation may determine that the Certificates may bear a notation by endorsement in form approved by the Corporation as to such action, and in that case upon demand of the Owner of any Outstanding Certificates and presentation of his Certificate for such purpose at the Corporate Trust Office of the Trustee a

suitable notation as to such action shall be made on such Certificate. If the Corporation or the District shall so determine, new Certificates so modified as, in the opinion of the Corporation or the District, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Owner of any Outstanding Certificate such new Certificates shall be exchanged at the Corporate Trust Office of the Trustee without cost to each Owner for Certificates then Outstanding upon surrender of such Outstanding Certificates.

Section 8.04. Amendment by Mutual Consent. The provisions of this article shall not prevent any Owner from accepting any amendment as to the particular Certificates owned by him, provided that due notation thereof is made on such Certificates.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES OF OWNERS

Section 9.01. Events of Default. The following provisions relate to the Certificates. If one or more of the following events (herein called "Events of Default") shall happen:

(a) if default shall be made in the District's payment of the Installment Payments when and as the same shall become due and payable as specified in the Installment Purchase Agreements or shall have failed to make any other payment required to be paid thereunder at the time specified therein; or

(b) if default shall be made by the District in the performance of any of the other agreements or covenants required herein or in the Installment Purchase Agreements to be performed by the District, and such default shall have continued for a period of sixty (60) days after the District shall have been given notice in writing of such default by the Trustee; provided, however, that if the failure stated in the notice cannot be corrected within such period, then no event of default shall be deemed to have occurred hereunder so long as the District has instituted corrective actions within such period and is diligently pursuing to correct such default.

Section 9.02. Proceedings by Trustee. Upon the happening and continuance of any Event of Default the Trustee shall immediately at the written request of the Owners of not less than a majority in aggregate amount of Certificates Outstanding shall (but only to the extent indemnified to its satisfaction from fees and expenses, including attorneys' fees), do the following:

(a) by mandamus, or other suit, action or proceeding at law or in equity, to enforce its rights against the Corporation or the District or any director, officer or employee of the District, and to compel the Corporation or the District or any such director, officer or employee of the District to observe or perform its or his duties under applicable law and the agreements, conditions, covenants and terms contained herein required to be observed or performed by it or him;

(b) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners; and

(c) by suit in equity upon the happening of an Event of Default hereunder to require the Corporation and the District and the directors, officers and employees of the District to account as the trustee of an express trust.

Section 9.03. Non-Waiver. A waiver of any default hereunder or breach of any obligation by the Trustee hereunder or by the Corporation or the District under the Installment Purchase Agreements shall not affect any subsequent default hereunder or any subsequent breach of an obligation by the Trustee hereunder or impair any rights or remedies on any such subsequent default hereunder or on any such subsequent breach of an obligation by the Trustee hereunder. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default hereunder shall impair any such right or remedy or shall be construed to be a waiver of any such default hereunder or an acquiescence therein, and every right or remedy conferred upon the Trustee by applicable law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee, the Corporation or the District, the Trustee, the Corporation and the District shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Section 9.04. Application of Funds. All moneys on deposit in the funds and accounts held hereunder (other than the Certificate Rebate Fund) and all moneys received by the Trustee pursuant to any right given or action taken under the provisions of this article or of Article IV of the Installment Purchase Agreements shall be deposited in a segregated account in the Series 2017A Payment Fund, and shall be applied by the Trustee in the following order and upon presentation of the several Certificates and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid.

First, Costs and Expenses: ratably to the payment of the costs and expenses of the Trustee and then of the Owners in declaring such Event of Default, including reasonable compensation to its or their agents, accountants and counsel;

Second, Interest: to the payment to the persons entitled thereto of all payments of interest evidenced and represented by the Certificates then due, and, if the amount available shall not be sufficient to pay in full any payment or payments of interest coming due on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Third, Principal: to the payment to the persons entitled thereto of the unpaid principal evidenced and represented by any Certificates which shall have become due, whether on the Certificate Payment Date or by call for prepayment, if any, in the order of their due dates, with interest on the overdue principal and interest evidenced and represented by the Certificates to be paid at a rate equal to the rate or rates of interest then applicable to the Certificates if paid in accordance with their terms, and, if the amount available shall not be sufficient to pay in full all the amounts due with respect to the Certificates on any date, together with such interest, then to the payment thereof ratably,

according to the amounts of interest, principal and prepayment premiums, if any, due on such date to the persons entitled thereto, without any discrimination or preference.

Section 9.05. Remedies Not Exclusive. No remedy conferred herein upon or reserved herein to the Trustee is intended to be exclusive and all remedies shall be cumulative and each remedy shall be in addition to every other remedy given hereunder or now or hereafter existing under applicable law or equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any other applicable law.

Section 9.06. No Liability by the Corporation to the Owners. Except as expressly provided herein, the Corporation shall not have any obligation or liability to the Owners with respect to the payment when due of the Installment Payments by the District, or with respect to the observance or performance by the District of the other agreements, conditions, covenants and terms contained in the Installment Purchase Agreements or herein required to be observed or performed by it, or with respect to the performance by the Trustee of any obligation contained herein required to be performed by it.

Section 9.07. No Liability by the District to the Owners. Except for the payment when due of the Installment Payments and the observance and performance of the other agreements, conditions, covenants and terms contained in the Installment Purchase Agreements or herein required to be observed or performed by it, the District shall not have any obligation or liability to the Owners with respect hereto or the preparation, execution, delivery, transfer, exchange or cancellation of the Certificates or the receipt, deposit or disbursement of the Installment Payments by the Trustee, or with respect to the performance by the Trustee of any obligation contained herein required to be performed by it.

Section 9.08. No Liability by the Trustee to the Owners. Except as expressly provided herein, the Trustee shall not have any obligation or liability to the Owners with respect to the payment when due of the Installment Payments by the District, or with respect to the observance or performance by the District of the other agreements, conditions, covenants and terms contained in the Installment Purchase Agreements or herein required to be observed and performed by the District. The recitals of facts, covenants and agreements contained herein and in the Certificates shall be taken as statements, covenants and agreements of the District and the Corporation, and the Trustee neither assumes any responsibility for the accuracy of the same, nor makes any representations as to the validity or sufficiency of the Trust Agreement or of the certificates nor shall incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Certificates assigned to or imposed upon the Trustee.

Section 9.09. Actions by the Trustee as Attorney-in-Fact. Any suit, action or proceeding which any Owner shall have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners similarly situated, and the Trustee is hereby appointed (and the successive respective Owners, by taking and holding the same, shall be conclusively deemed so to have appointed the Trustee) the true and lawful attorney-in-fact of the respective Owners for the purpose of bringing any suit, action, or proceeding and to do perform any and all acts and things for and on behalf of the respective Owners, as a class or classes, as may be necessary or advisable in the opinion of the

Trustee as such attorney-in-fact; provided, that the Trustee need not institute any such suit, action or proceeding until it shall have been first provided with indemnity adequate to it.

Section 9.10. Power of the Trustee to Control Proceedings. In the event that the Trustee, upon the occurrence of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder whether upon its own discretion or upon the request of the Owners of the Certificates, of at least ten percent (10%) in aggregate principal amount of the Certificates then outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Certificates with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, that the Trustee shall not, unless there no longer continues an Event of Default hereunder, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with the Trustee a written request signed by the Owners of the Certificates of at least a majority in aggregate principal amount of the Certificates then outstanding, together with indemnification satisfactory to the Trustee, opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

ARTICLE X

DEFEASANCE

Section 10.01. Discharge of Certificates and Trust Agreement.

(a) If the Trustee shall pay or cause to be paid or there shall otherwise be paid to the Owners of any Outstanding Certificates the interest and principal and prepayment premiums, if any, evidenced and represented thereby at the times and in the manner stipulated herein and therein, then such Owners evidenced and represented thereby shall cease to be entitled to the pledge of and lien on the moneys in the Series 2017A Payment Fund as provided herein, and all agreements, covenants and other obligations of the Corporation and the District to said Owners hereunder shall thereupon cease, terminate and become void and be discharged and satisfied.

(b) Any Outstanding Certificates shall, prior to the maturity or prepayment date thereof, be deemed to have been paid within the meaning and with the effect expressed in this Section 10.01 if (i) in case said Certificates are to be prepaid on any date prior to their maturity, the County shall have given to the Trustee in form satisfactory to the Trustee irrevocable instructions to mail, in accordance with the provisions of Article III of this Trust Agreement, notice of prepayment of such Certificates on said prepayment date, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities which are not callable or subject to redemption prior to their respective maturity dates, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held by the Trustee at the same time, shall be sufficient (as verified by a report of an independent certified public accountant or other independent financial consultant), to pay when due the principal or prepayment price (if applicable) of, and interest due and to become due on, said Certificates on and prior to the prepayment date or maturity date thereof, as the case may be,

and (iii) in the event any of said Certificates are not to be prepaid within the next succeeding 60 days, the County shall have given the Trustee in form satisfactory to the Trustee irrevocable instructions to mail, as soon as practicable in the same manner as a notice of prepayment is mailed pursuant to Article III of this Trust Agreement, that the deposit required by (ii) above has been made with the Trustee and that said Certificates are deemed to have been paid in accordance with this Section 10.01(b) and stating such maturity or prepayment dates upon which moneys are to be available for the payment of the principal or prepayment price (if applicable) of said Certificates. Neither the securities nor moneys deposited with the Trustee pursuant to this Section 10.01(b) nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or prepayment price (if applicable) of, and interest on said Certificates; provided that Defeasance Securities deposited with the Trustee pursuant to this Section 10.01(b) may be sold upon the written request of the County and the proceeds concurrently reinvested in other Defeasance Securities which satisfy the conditions of (ii) above provided that the Trustee receives an Opinion of Special Counsel to the effect that such sale and reinvestment does not adversely affect the exclusion of interest relating to the Certificates from federal income taxes, and provided further that any cash received from such principal or interest payments on such obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, and at the direction of the County, be reinvested in Defeasance Securities maturing at times and in amounts, together with the other moneys and payments with respect to securities then held by the Trustee pursuant to this Section, sufficient (as verified by a report of an independent certified public accountant or other independent financial consultant), to pay when due the principal or prepayment price (if applicable) of, and interest to become due with respect to said Certificates on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall, upon receipt by the Trustee of a Written Request of the County, be paid over to the County, as received by the Trustee, free and clear of any trust, lien or pledge.

Any release under this Section 10.01(b) shall be without prejudice to the right of the Trustee to be paid reasonable compensation for all services rendered by it under this Trust Agreement and all its reasonable expenses, charges and other disbursements and those of its attorneys, agents and employees, incurred on and about the administration of trusts by this Trust Agreement created and the performance of its powers and duties under this Trust Agreement; provided however, that the Trustee shall have no right, title or interest in, or lien on, any moneys or securities deposited pursuant to this Article X.

(c) After the payment or deemed payment of all the interest and principal relating to all Outstanding Certificates as provided in this Section, the Trustee shall execute and deliver to the Authority and the County all such instruments as may be necessary or desirable to evidence the discharge and satisfaction of the Trust Agreement, and the Trustee shall pay over or deliver to the County all moneys or securities held by it pursuant hereto which are not required for the payment of the principal of, premium, if any, and interest relating to, such Certificates. Notwithstanding the discharge and satisfaction of this Trust Agreement, Owners of Certificates shall thereafter be entitled to payments due under the Certificates pursuant to the Facility Lease, but only from amounts deposited pursuant to Section 10.01(a) hereof and from no other source.

(d) Any Outstanding Certificates shall on their Certificate Payment Dates be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if there shall be on deposit with the Trustee money held in trust for the benefit of the Owners of such Certificates which is sufficient to pay the interest and principal and prepayment premiums, if any, evidenced and represented by such Certificates payable on and prior to their Certificate Payment Dates.

Section 10.02. Unclaimed Money. Anything contained herein to the contrary notwithstanding, the Trustee shall notify the District and the Corporation of any money held by the Trustee in trust for the payment and discharge of any of the Certificates which has remained unclaimed for two (2) years after the date when such Certificates have become due and payable, either at their stated maturity dates or by call for prepayment prior to maturity, if any, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee. The Trustee shall at the Written Request of the District repay such money to the District as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the District for the payment of such Certificates.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Liability of District Limited to Installment Payments. Notwithstanding anything contained herein to the contrary, the District shall not be required to advance any money derived from any source of income other than the Installment Payments as provided herein for the payment of the interest or principal or prepayment premiums, if any, evidenced and represented by the Certificates or for the performance of any agreements or covenants herein contained. The District may, however, advance funds for any such purpose so long as such funds are derived from a source legally available for such purpose.

The Certificates shall be payable solely from the Installment Payments and amounts on deposit in the funds established hereunder (other than amounts on deposit in the Certificate Rebate Fund created pursuant to Section 4.01). The Certificates do not constitute a debt or liability of the District or of the State of California and neither the faith and credit of the District nor of the State are pledged to the payment of the principal, or interest evidenced and represented by the Certificates.

Section 11.02. Benefits of the Trust Agreement Limited to Parties. Nothing contained herein, expressed or implied, is intended or shall be construed to confer upon, or to give or grant to, any person or entity other than the Corporation, the District, the Trustee and the Owners any right, remedy or claim under or by reason hereof. Any agreement or covenant required herein to be performed by or on behalf of the Corporation, the District or any member, officer or employee thereof shall be for the sole and exclusive benefit of the Trustee and the Owners.

Section 11.03. Successor is Deemed Included in All References to Predecessor. Whenever herein either the Corporation, the District or any member, officer or employee thereof is named or referred to, such reference shall be deemed to include the respective successor to the

powers, duties and functions with respect to the administration, control and management of the Series 1994A Project that are presently vested in the Corporation, the District or such member, officer or employee, and all agreements and covenants required hereby to be performed by or on behalf of the Corporation, the District or any member, officer or employee thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 11.04. 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 his 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 make acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn before such notary public or other officer. The ownership of any Certificates and the amount, maturity, number and date of holding the same may be proved by the registration books relating to the Certificates at the Corporate Trust Office of the Trustee.

Any declaration, request or other instrument or 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 District in good faith and in accordance therewith.

Section 11.05. Waiver of Personal Liability. No member, officer or employee of the District shall be individually or personally liable for the payment of the interest or principal or prepayment premiums, if any, evidenced and represented by the Certificates by reason of their delivery, but nothing herein contained shall relieve any member, officer or employee of the District from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 11.06. Destruction of Cancelled Certificates. Whenever provision is made for the return to the District of any Certificates which have been cancelled pursuant to the provisions hereof, Trustee shall destroy such Certificates and furnish to the District a certificate of such destruction.

Section 11.07. Funds. Any fund required herein to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes 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 accounts and 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 and the rights of the Owners. The Trustee may establish such funds and accounts hereunder as it deems necessary or appropriate to perform its obligations under this Trust Agreement.

Section 11.08. Article and Section Readings and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely

for convenience of reference and shall not affect the meaning, construction or effect hereof. All references herein to “Articles,” “Sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words “hereby,” “herein,” “hereof,” “hereto,” “herewith,” “hereunder” and other words of similar import refer to the Trust Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

Section 11.09. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the District, the Corporation or the Trustee shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof 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 or any applicable provisions of law. The District, the Corporation and the Trustee hereby declare that they would have executed and delivered the Trust Agreement and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the delivery of the Certificates pursuant hereto irrespective of the fact that any one or more 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 11.10. Execution in Several Counterparts. This Trust Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the District, the Corporation and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 11.11. Law Governing. This Trust Agreement shall be governed exclusively by the provisions hereof and by the laws of the State as the same from time to time exist.

Section 11.12. Notices. All approvals, authorizations, consents, demands, designations, notices, offers, requests, statements or other communications hereunder by either party to the other shall be in writing and shall be sufficiently given and served upon the other party if delivered personally or if mailed by United States first-class postage prepaid, namely:

If to the Trustee:

U.S. Bank National Association
One California Street, Suite 1000
San Francisco, California 94111
Attention: Global Corporate Trust Services

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
Attention: Clerk of the Board

If to the District:

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

IN WITNESS WHEREOF, the parties hereto have caused this Trust Agreement to be signed by one of their officers thereunder duly authorized, all as of the day and year first above written.

SANTA CLARA VALLEY WATER DISTRICT

(SEAL)

By: _____
[authorized officer]

ATTEST:

Clerk of the Board of Directors

SANTA CLARA VALLEY WATER DISTRICT PUBLIC FACILITIES FINANCING CORPORATION

(SEAL)

By: _____
[authorized officer]

ATTEST:

Secretary

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Officer

EXHIBIT A

[FORM OF SERIES 2017A CERTIFICATE OF PARTICIPATION]

No. R-__

\$_____

Refunding and Improvement Certificate of Participation,
Series 2017A
Evidencing and Representing a Proportionate,
Undivided Interest of the Owner Hereof
in Installment Payments to Be Made
by the
SANTA CLARA VALLEY WATER DISTRICT
to the
Santa Clara Valley Water District Public Facilities Financing Corporation
under and pursuant to the
Installment Purchase Agreement

CERTIFICATE

Interest Rate	Maturity Date	Dated Date	CUSIP
____%	February 1, ____	January __, 2017	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: _____ DOLLARS

The SANTA CLARA VALLEY WATER DISTRICT, a multi-purpose special district authorized to supply water and provide flood protection services, duly organized and validly existing under and pursuant to the laws of the State of California (the "District"), for value received, hereby promises to pay (but only out of the Installment Payments (as defined below) and such other money as described in the Trust Agreement hereinafter referred to) to the registered owner specified above or registered assigns on the maturity date specified above (subject to any right of prior prepayment provided for) the principal sum specified above, together with interest evidenced and represented hereby at the interest rate per annum specified above on each February 1 and August 1, commencing August 1, 2017 (the "Interest Payment Dates") from the Interest Payment Date next preceding the date of execution hereof, unless such date of execution is during the period commencing after the fifteenth day of the month preceding an Interest Payment Date (the "Record Date") through and including the next succeeding Interest Payment Date, in which event this Certificate shall bear interest from such interest payment date and with respect to the first Interest Payment Date, this Certificate shall bear interest from the Dated Date until the principal evidenced and represented hereby shall have been paid; provided, however, that if on the date of execution of this Certificate, interest is then in default on the Certificates, this Certificate shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the outstanding Certificate.

The principal evidenced and represented by this Certificate shall be payable (without notice of payment to the registered owner hereof) in lawful money of the United States of America at the Corporate Trust Office (as defined in the Trust Agreement) of U.S. Bank National Association, (herein, together with any successor as trustee under the hereinafter defined Trust Agreement, called the “Trustee”) upon presentation and surrender of this Certificate.

Payment of interest evidenced and represented by this Certificate due on or before the maturity or prior prepayment hereof shall be made to the person in whose name this Certificate is registered, as of the Record Date preceding the applicable Interest Payment Date, on the registration books kept by the Trustee at its Corporate Trust Office such interest to be paid by check mailed by first class mail on such Interest Payment Date to the registered owner at his address as it appears on such books; provided that upon the written request of an Owner of \$1,000,000 or more in aggregate principal amount of Certificates received by the Trustee prior to the applicable Record Date, interest shall be paid by wire transfer in immediately available funds to an account within the United States of America. Interest evidenced and represented by this Certificate shall be payable in lawful money of the United States of America and shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

This Certificate is one of a duly authorized issue of Certificates of Participation of the District designated as the “Refunding and Improvement Certificates of Participation, Series 2017A” (the “Certificates”) in the aggregate principal amount of \$_____, all of like tenor and date (except for variations relating to Certificates as may be required to designate varying numbers, maturities and interest rates), and is issued under and pursuant to the provisions of a trust agreement, dated as of January 1, 2017 (the “Trust Agreement”), by and among the District, the Santa Clara Valley Water District Public Facilities Financing Corporation (the “Corporation”) and the Trustee (copies of which are on file at the Corporate Trust Office of the Trustee). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Trust Agreement.

The Certificates are subject to extraordinary prepayment prior to their stated maturities, as described in the Trust Agreement.

This Certificate is transferable only on the books required to be kept for that purpose at the Corporate Trust Office of the Trustee by the registered owner hereof in person or by his duly authorized attorney, upon surrender of this Certificate together with a written instrument of transfer in a form approved by the Trustee duly executed by the registered owner or his duly authorized attorney, and thereupon a new fully registered Certificate or Certificates of a like aggregate principal amount evidenced and represented by a Certificate will be issued to the transferee in exchange therefor. This Certificate may be exchanged at the Corporate Trust Office of the Trustee for a like aggregate principal amount evidenced and represented by a Certificate of authorized denominations. The Trustee shall not be required to register the transfer of or exchange (i) any Certificates during the period established by the Trustee for the selection of Certificates for prepayment, or (ii) any Certificate which has been selected for prepayment in whole or in part.

The District and the Trustee may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment hereof and for all other purposes, whether or not this Certificate shall be overdue or not, and neither the District nor the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest and principal evidenced and represented by the Certificate shall be made only to such registered owner, which payments shall be valid and effectual to satisfy and discharge liability on this Certificate to the extent of the sum or sums so paid.

The Trust Agreement and the rights and obligations of the District, the Corporation and of the registered owners of the Certificates may be amended at any time in the manner, to the extent and upon the terms provided in the Trust Agreement.

If the District shall pay or cause to be paid or there shall otherwise be paid to the registered owners of any outstanding Certificates the interest and the principal and the prepayment premiums, if any, evidenced and represented by this Certificate at the times and in the manner stipulated herein and in the Trust Agreement, then the registered owners of such Certificates shall cease to be entitled to the pledge of the Installment Payments as provided in the Trust Agreement, and all agreements, covenants and other obligations of the District to the registered owners of such Certificates under the Trust Agreement shall thereupon cease, terminate and become void and be discharged and satisfied.

This Certificate shall not be entitled to any benefit, protection or security under the Trust Agreement or become valid or obligatory for any purpose until executed and dated by the Trustee.

The District certified that all acts and proceedings required by law necessary to make this Certificate, when executed by the Trustee and duly issued, the valid, binding and legal special obligation of the District have been done and taken, and have been in all respects duly authorized.

The Trustee has executed this Certificate solely in its capacity as Trustee under the Trust Agreement and not in its individual or personal capacity. The Trustee is not liable for the obligations evidenced by the Certificates except from amounts held by it in its capacity as Trustee under the Trust Agreement.

IN WITNESS WHEREOF, this Certificate has been executed by the manual signature of an authorized officer of the Trustee as of the date set forth below.

Date of Execution: _____, 2017

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By: _____
Authorized Officer

[FORM OF ASSIGNMENT TO CERTIFICATES]

For value received the undersigned hereby sells, assigns and transfers unto _____

(name, address and social security number or other identifying number)

the within certificate and all rights thereunder, and hereby irrevocably constitutes and appoints _____, attorney, to transfer the within Certificate on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

NOTE: The signature(s) to this Assignment must correspond with the name(s) as written upon the face of the within Certificate in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed:

NOTE: Signature(s) must be guaranteed by an eligible guarantor institution

ESCROW AGREEMENT (SERIES _____)

THIS ESCROW AGREEMENT (SERIES _____), dated as of January 1, 2017 (the “Agreement”), by and between the Santa Clara Valley Water District (the “District”) and U.S. Bank National Association, San Francisco, California, as escrow agent (the “Escrow Agent”), is entered into in accordance with Resolution No. _____ of the District adopted on _____, 2016 and a Trust Agreement, dated as of [November 1, 2003 (the “2004A Trust Agreement”) / November 1, 2005 (the “2007A Trust Agreement”)], by and among the Santa Clara Valley Water District Public Facilities Financing Corporation (the “Corporation”), U.S. Bank National Association (the “Prior Trustee”), and the District to refund [all / a portion] of the outstanding Santa Clara Valley Water District Refunding and Improvement Certificates of Participation, Series _____ (the “Refunded Certificates”).

WITNESSETH:

WHEREAS, the District previously authorized the execution and delivery of the Refunded Certificates pursuant to the [2004A Trust Agreement / 2007A Trust Agreement];

WHEREAS, the District has determined that a portion of the proceeds of the \$_____ aggregate principal amount of the Santa Clara Valley Water District Refunding and Improvement Certificates of Participation, Series 2017A (the “2017A Certificates”) executed and delivered pursuant to a Trust Agreement, dated as of January 1, 2017, by and among the District, the Corporation and U.S. Bank National Association, as trustee (the “Trustee”) together with certain other moneys, will be used to provide the funds to defease and pay or prepay the Refunded Certificates as described in Section 5 herein; and

WHEREAS, by irrevocably depositing with the Escrow Agent moneys (as permitted by, in the manner prescribed by, and all in accordance with the [2004A Trust Agreement / 2007A Trust Agreement]), which moneys will be used to purchase securities as described on Schedule A hereto (the “Federal Securities”), which Federal Securities satisfy the criteria set forth in Section 10.01(c) of the [2004A Trust Agreement / 2007A Trust Agreement], provided the principal of and the interest on which when paid will provide money which, together with the moneys deposited with the Escrow Agent at the same time pursuant to this Agreement, will be fully sufficient to pay or prepay and discharge the Refunded Certificates;

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, the District and the Escrow Agent agree as follows:

SECTION 1. Deposit of Moneys. The District hereby instructs the Escrow Agent to deposit \$_____ received from the Trustee from the net proceeds of the sale of the 2017A Certificates in the Escrow Fund established hereunder. The District hereby further instructs the Prior Trustee to transfer to the Escrow Agent the amount of \$_____ constituting moneys on deposit in the funds and accounts established under the [2004A Trust Agreement / 2007A Trust Agreement], and instructs the Escrow Agent to deposit such amount in the Escrow Fund established hereunder. The District hereby further instructs the Escrow Agent to deposit the

amount of \$ _____ constituting moneys received by the District from _____ [*describe other sources of funds here*], with respect to the Refunded Certificates in the Escrow Fund established hereunder. The Escrow Agent shall hold all such amounts in irrevocable escrow separate and apart from other funds of the District and the Escrow Agent in a fund hereby created and established to be known as the “Escrow Fund” and to be applied solely as provided in Section 5 of this Agreement. The District represents that the moneys set forth above are at least equal to an amount sufficient to purchase the Federal Securities listed in Schedule A hereto, and to hold \$ _____ uninvested as cash.

SECTION 2. Investment of Moneys. The Escrow Agent acknowledges receipt of the moneys described in Section 1 and agrees immediately to invest such moneys in the Federal Securities listed on Schedule A hereto and to deposit such Federal Securities in the Escrow Fund. The Escrow Agent shall be entitled to rely upon the conclusion of Causey Demgen & Moore P.C. (the “Verification Agent”), that the Federal Securities listed on Schedule hereto mature and bear interest payable in such amounts and at such times as, together with cash on deposit in the Escrow Fund, will be sufficient to pay or prepay when due the amounts set forth in Section 5 herein. [Any amounts in excess of the amount needed to pay and prepay the 2004A Certificates / 2007A Certificates as described herein shall be paid to the District after the prepayment date.]

SECTION 3. Investment of Any Remaining Moneys. At the written direction of the District, the Escrow Agent shall reinvest any other amount of principal and interest, or any portion thereof, received from the Federal Securities prior to the date on which such payment is required for the purposes set forth herein, in noncallable Federal Securities maturing not later than the date on which such payment or portion thereof is required for the purposes set forth in Section 5, at the written direction of the District, as verified in a report prepared by an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of obligations of political subdivisions to the effect that the reinvestment described in said report will not adversely affect the sufficiency of the amounts of securities, investments and money in the Escrow Fund to pay when due the amounts set forth in Section 5 herein, and provided that the District has obtained and delivered to the Escrow Agent an unqualified opinion of Hawkins Delafield & Wood LLP, that such reinvestment will not adversely affect the exclusion from gross income for federal income tax purposes of the interest portion of the Installment Payments (as such term is defined in the [2004A Trust Agreement / 2007A Trust Agreement]) or interest on the 2017A Certificates. Any interest income resulting from investment or reinvestment of moneys pursuant to this Section 3 which are not required for the purposes set forth in Section 5, as verified in the letter of the Verification Agent originally obtained by the District with respect to the refunding of the Refunded Certificates or in any other report prepared by an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of tax-exempt obligations of political subdivisions, shall be paid to the District promptly upon the receipt of such interest income by the Escrow Agent. The determination of the District as to whether an accountant qualifies under this Escrow Agreement shall be conclusive.

SECTION 4. Substitution of Securities. Upon the written request of the District, and subject to the conditions and limitations herein set forth and applicable governmental rules and

regulations, the Escrow Agent shall sell, redeem or otherwise dispose of the Federal Securities, provided that there are substituted therefor from the proceeds of the Federal Securities other Federal Securities, but only after the District has obtained and delivered to the Escrow Agent: (i) an unqualified opinion of Hawkins Delafield & Wood LLP, to the effect that the prepayment of the Refunded Certificates will not cause the interest paid with respect to the Prior Certificates to be includable in gross income for federal income tax purposes; and (ii) a report by a firm of independent certified public accountants to the effect that the reinvestment described in said report will not adversely affect the sufficiency of the amounts of securities, investments and money in the Escrow Fund to pay when due the amounts set forth in Section 5 herein. The Escrow Agent shall not be liable or responsible for any loss resulting from any reinvestment made pursuant to this Agreement and in full compliance with the provisions hereof.

SECTION 5. Payment and Prepayment of Refunded Certificates.

(a) Payment and Prepayment. From the maturing principal of the Federal Securities and the investment income and other earnings thereon and other moneys on deposit in the Escrow Fund, the Escrow Agent shall, (i) on February 1, 2017, pay all principal and interest represented and evidenced by the [2004A Certificates / 2007A Certificates] due on February 1, 2017, and (ii) on February __, 2017, prepay the principal and interest represented and evidenced by the [2004A Certificates / 2007A Certificates] maturing on and after February 1, 2018, without premium (the "Prepayment Price").

(b) Irrevocable Instructions to Provide Notice. The forms of the notice required to be mailed pursuant to Sections 3.03 and 10.01 of the [2004A Trust Agreement / 2007A Trust Agreement] are substantially in the forms attached hereto as Exhibits A and B. The District hereby irrevocably instructs the Escrow Agent to mail a notice of prepayment and a notice of defeasance of the affected Refunded Certificates in accordance with Sections 3.03 and 10.01, respectively, of the [2004A Trust Agreement / 2007A Trust Agreement], as required to provide for the prepayment of the affected Refunded Certificates in accordance with this Section 5.

(c) Unclaimed Moneys. Any moneys which remain unclaimed for two years after _____, 2017 shall be escheated to the State of California by the Escrow Agent.

(d) Priority of Payments. The owners of the Refunded Certificates shall have a first and exclusive lien on all moneys and securities in the Escrow Fund until such moneys and such securities are used and applied as provided in this Agreement.

(e) Termination of Obligation. As provided in the [2004A Trust Agreement / 2007A Trust Agreement], upon deposit of moneys with the Escrow Agent in the Escrow Fund as set forth in Section 1 hereof and the purchase of the various Federal Securities as provided in Section 2 hereof, all obligations of the District under the [2004A Trust Agreement / 2007A Trust Agreement] with respect to the Refunded Certificates shall cease, terminate and become void except as set forth in the [2004A Trust Agreement / 2007A Trust Agreement]. As provided in Section 9.01 of the Installment Purchase Agreement, dated as of [June 15, 1994 / June 27, 1995] (the "Installment Purchase Agreement"), by and between the District and the Corporation, as amended, the obligations of the District under the Installment Purchase Agreement with respect

to the portion of the Installment Payments (as such term is defined in the [2004A Trust Agreement / 2007A Trust Agreement]) relating to the Refunded Certificates (but solely with respect to the Refunded Certificates) shall cease, terminate, become void and be completely discharged and satisfied (except for the rights of the Prior Trustee and the obligation of the District to have the Federal Securities and moneys on deposit in the Escrow Fund applied to Installment Payments).

SECTION 6. Application of Certain Terms of the [2004A Trust Agreement / 2007A Trust Agreement]. All of the terms of the [2004A Trust Agreement / 2007A Trust Agreement] relating to the making of payments of principal and interest with respect to the Refunded Certificates and relating to the exchange or transfer of the Refunded Certificates are incorporated in this Agreement as if set forth in full herein. The procedures set forth in Article VIII of the [2004A Trust Agreement / 2007A Trust Agreement] relating to the resignation and removal and merger of the Prior Trustee under the [2004A Trust Agreement / 2007A Trust Agreement] are also incorporated in this Agreement as if set forth in full herein and shall be the procedures to be followed with respect to any resignation or removal of the Escrow Agent hereunder.

SECTION 7. Performance of Duties. The Escrow Agent agrees to perform only the duties set forth herein and shall have no responsibility to take any action or omit to take any action not set forth herein.

SECTION 8. Escrow Agent's Authority to Make Investments. Except as provided in Sections 2, 3 and 4 hereof, the Escrow Agent shall have no power or duty to invest any funds held under this Agreement or to sell, transfer or otherwise dispose of the moneys or Federal Securities held hereunder.

SECTION 9. Indemnity. To the extent permitted by law, the District hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Agent and its respective successors, assigns, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Agent at any time (whether or not also indemnified against the same by the District or any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Agreement, the establishment hereunder of the Escrow Fund, the acceptance of the funds and securities deposited therein, the retention of the proceeds thereof and any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this Agreement; provided, however, that the District shall not be required to indemnify the Escrow Agent against the Escrow Agent's own negligence or willful misconduct or the negligence or willful misconduct of the Escrow Agent's respective employees or the willful breach by the Escrow Agent of the terms of this Agreement. In no event shall the District or the Escrow Agent be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this Section. The indemnities contained in this Section shall survive the termination of this Agreement.

SECTION 10. Responsibilities of Escrow Agent. The Escrow Agent and its agents and servants shall not be held to any personal liability whatsoever, in tort, contract, or otherwise, in connection with the execution and delivery of this Agreement, the establishment of the Escrow Fund, the acceptance of the moneys or securities deposited therein, the retention of the Federal Securities or the proceeds thereof, the sufficiency of the Federal Securities to pay or prepay the Refunded Certificates, as the case may be, or any payment, transfer or other application of moneys or obligations by the Escrow Agent in accordance with the provisions of this Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Agent made in good faith in the conduct of its duties. The recitals of fact contained in the “Whereas” clauses herein shall be taken as the statements of the District, and the Escrow Agent assumes no responsibility for the correctness thereof. The Escrow Agent makes no representation as to the sufficiency of the proceeds to accomplish the refunding of the Refunded Certificates or to the validity of this Agreement as to the District and, except as otherwise provided herein, the Escrow Agent shall incur no liability in respect thereof. The Escrow Agent shall not be liable in connection with the performance of its duties under this Agreement except for its own negligence, willful misconduct or default, and the duties and obligations of the Escrow Agent shall be determined by the express provisions of this Agreement. The Escrow Agent may consult with counsel, who may or may not be counsel to the District, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an officer of the District.

SECTION 11. Amendments. This Agreement is made for the benefit of the District and the owners from time to time of the Refunded Certificates and it shall not be repealed, revoked, altered or amended without the written consent of all such owners, the Escrow Agent and the District; provided, however, that the District and the Escrow Agent may, without the consent of, or notice to, such owners, amend this Agreement or enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such owners and as shall not be inconsistent with the terms and provisions of this Agreement, the Law (as defined in the Installment Purchase Agreement), or the [2004A Trust Agreement / 2007A Trust Agreement], for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Agreement; (ii) to grant to, or confer upon, the Escrow Agent for the benefit of the owners of the Refunded Certificates, any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such owners or the Escrow Agent; and (iii) to include under this Agreement additional funds. The Escrow Agent shall be entitled to rely conclusively upon an unqualified opinion of Hawkins Delafield & Wood LLP, with respect to compliance with this Section, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the owners of the various Refunded Certificates or that any instrument executed hereunder complies with the conditions and provisions of this Section.

SECTION 12. [Reserved].

SECTION 13. Term. This Agreement shall commence upon its execution and delivery and shall terminate on the later to occur of either: (i) the date upon which the Refunded Certificates have been paid in accordance with this Agreement; or (ii) the date upon which no unclaimed moneys remain on deposit with the Escrow Agent pursuant to Section 5(c) of this Agreement.

SECTION 14. Compensation. The Escrow Agent shall receive its reasonable fees and expenses as previously agreed to by the Escrow Agent and the District and any other reasonable fees and expenses of the Escrow Agent approved by the District; provided, however, that under no circumstances shall the Escrow Agent be entitled to any lien or assert any lien whatsoever on any moneys or obligations in the Escrow Fund for the payment of fees and expenses for services rendered or expenses incurred by the Escrow Agent under this Agreement.

SECTION 15. Severability. If any one or more of the covenants or agreements provided in this Agreement on the part of the District or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void and shall be deemed separate from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

SECTION 16. Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as an original but all of which shall constitute and be but one and the same instrument.

SECTION 17. Governing Law. THIS AGREEMENT SHALL BE CONSTRUED UNDER THE LAWS OF THE STATE OF CALIFORNIA.

SECTION 18. Insufficient Funds. If at any time the Escrow Agent has actual knowledge that the moneys and investments in the Escrow Fund, including the anticipated proceeds of and earnings thereon, will not be sufficient to make all payments required by this Agreement, the Escrow Agent shall notify the District in writing, of the amount thereof and the reason therefor to the extent known to it. The Escrow Agent shall have no responsibility regarding any such deficiency.

SECTION 19. Notice to District and Escrow Agent. Any notice to or demand upon the Escrow Agent may be served or presented, and such demand may be made, at the principal corporate trust office of the Escrow Agent at One California Street, Suite 1000, San Francisco, California 94111, Attention: Corporate Trust Department. Any notice to or demand upon the District shall be deemed to have been sufficiently given or served for all purposes by being mailed by registered or certified mail, and deposited, postage prepaid, in a post office letter box, addressed to the District at 5750 Almaden Expressway, San Jose, California 95118, Attention: Treasury and Debt Officer (or such other address as may have been filed in writing by the District with the Escrow Agent).

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers and attested as of the date first above written.

SANTA CLARA VALLEY WATER DISTRICT

By: _____
Authorized Officer

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent

By: _____
Authorized Officer

SCHEDULE A

Federal Securities

Security	Maturity	Principal Amount	Interest Rate
-----------------	-----------------	-----------------------------	--------------------------

EXHIBIT A

NOTICE OF PREPAYMENT

**SANTA CLARA VALLEY WATER DISTRICT
REFUNDING AND IMPROVEMENT CERTIFICATES OF PARTICIPATION
SERIES _____**

BASE CUSIP NO. 80168F

NOTICE IS HEREBY GIVEN to the owners of the above-captioned Certificates (the “Certificates”) of the Santa Clara Valley District (the “District”) pursuant to the Trust Agreement, dated as of [November 1, 2003 (the “2004A Trust Agreement”) / November 1, 2005 (the “2007A Trust Agreement”)], by and among the District, the Santa Clara Valley Water District Public Facilities Financing Corporation and U.S. Bank National Association, as trustee (the “Prior Trustee”), that the Certificates in the amount of \$_____ have been called for prepayment on _____, 2017 (the “Prepayment Date”).

CUSIP	Maturity (February 1)	Rate	Amount	Price
				100%
				100
				100
				100
				100
				100
				100
				100
				100
				100
				100
				100

The Certificates will be payable on the Prepayment Date at a prepayment price of 100% of the principal amount plus accrued interest to such date (the “Prepayment Price”). The Prepayment Price of the Certificates will become due and payable on the Prepayment Date. Interest with respect to the Certificates to be prepaid will cease to accrue on and after the Prepayment Date, and such Certificates will be surrendered to the Prior Trustee.

All Certificates are required to be surrendered to the principal corporate office of the Prior Trustee, on the Prepayment Date at the following location. If the Certificates are mailed, the use of registered, insured mail is recommended:

If By Mail:

U.S. Bank
Corporate Trust Services
P.O. Box 64111
St. Paul, Minnesota 55164-0111

If By Hand or Overnight Mail:

U.S. Bank
Corporate Trust Services
60 Livingston Avenue
1st Floor, Bond Drop Window
St. Paul, Minnesota 55107

If the Owner of any Certificate subject to optional prepayment fails to deliver such Certificate to the Prior Trustee on the Prepayment Date, such Certificate shall nevertheless be deemed prepaid on the Prepayment Date and the Owner of such Certificate shall have no rights in respect thereof except to receive payment of the Prepayment Price from funds held by the Prior Trustee for such payment.

A form W-9 must be submitted with the Certificates. Failure to provide a completed form W-9 will result in 31% backup withholding pursuant to the Interest and Dividend Tax Compliance Act of 1983. Under the Jobs and Growth Tax Relief Reconciliation Act of 2003, 28% will be withheld if the tax identification number is not properly certified.

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

DATED: _____, 2017.

EXHIBIT B

NOTICE OF DEFEASANCE

**SANTA CLARA VALLEY WATER DISTRICT
REFUNDING AND IMPROVEMENT CERTIFICATES OF PARTICIPATION
SERIES _____**

BASE CUSIP NO. 80168F

NOTICE IS HEREBY GIVEN to the owners of the above-captioned certificates of participation (as further defined below, the “Refunded Certificates”), of the Santa Clara Valley Water District (the “District”), [*For 2004A Certificates:* and Financial Guaranty Insurance Company, as insurer of the Refunded Certificates,] that the District has deposited with U.S. Bank National Association, as trustee (the “Prior Trustee”) under the Trust Agreement, dated as of [November 1, 2003 (the “2004A Trust Agreement”) / November 1, 2005 (the “2007A Trust Agreement”)], by and among the District, the Santa Clara Valley Water District Public Facilities Financing Corporation (the “Corporation”) and the Prior Trustee, cash and federal securities, the principal of and interest on which when paid will provide moneys sufficient to pay on and prior to _____, 2017 the regularly scheduled payments of principal and interest with respect to the Refunded Certificates, and to prepay on _____, 2017, the principal with respect to the Refunded Certificates [*For the 2007A Certificates:* maturing after February 1, 2018].

The Refunded Certificates to be defeased are as follows:

CUSIP	Maturity (February 1)	Rate	Amount
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In accordance with the [2004A Trust Agreement / 2007A Trust Agreement], the Refunded Certificates are deemed to have been paid in accordance with Section 10.01 thereof and the obligations of the District and the Corporation under the [2004A Trust Agreement / 2007A Trust Agreement] shall thereupon cease, terminate and become void and be discharged and satisfied.

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

DATED: _____, 2017.

CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (the “Disclosure Agreement”) is executed and delivered by the Santa Clara Valley Water District (the “District”) and U.S. Bank National Association, as dissemination agent (the “Dissemination Agent”), in connection with the execution and delivery of \$_____ Refunding and Improvement Certificates of Participation, Series 2017A (the “Certificates”). The 2017A Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of January 1, 2017 (the “Trust Agreement”), by and among the District, the Santa Clara Valley Water District Public Facilities Corporation (the “Corporation”) and U.S. Bank National Association, as trustee (the “Trustee”). The District covenants and agrees as follows:

1. Purpose of this Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the 2017A Certificates and in order to assist the Participating Underwriters in complying with the Rule.

2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

Annual Report. The term “Annual Report” means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

Beneficial Owner. The term “Beneficial Owner” means any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Certificates for federal income tax purposes.

Dissemination Agent. The term “Dissemination Agent” means, initially, U.S. Bank National Association, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the District and which has been filed with the then current Dissemination Agent a written acceptance of such designation.

EMMA. The term “EMMA” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>.

Fiscal Year. The term “Fiscal Year” means the one-year period ending on the last day of June of each year.

Holder. The term “Holder” means a registered owner of the 2017A Certificates.

Installment Purchase Agreements. “Installment Purchase Agreements” means (i) the Installment Purchase Agreement dated as of June 15, 1994, by and between the District and the Corporation, as amended by Amendment No. 1 to the Installment Purchase Agreement, dated as of November 1, 2002, and (ii) the Installment Purchase Agreement dated as of June 27, 1995, as amended by Amendment No. 1 to the Installment Purchase Agreement, dated as of February 15, 2002, and Amendment No. 2 to the Installment Purchase Agreement, dated as of November 1, 2005.

Listed Events. The term “Listed Events” means any of the events listed in Sections 5(a) and (b) of this Disclosure Agreement.

Official Statement. The term “Official Statement” means the Official Statement dated January __, 2017 relating to the 2017A Certificates.

Participating Underwriters. The term “Participating Underwriter” means any of the original underwriters of the 2017A Certificates required to comply with the Rule in connection with offering of the 2017A Certificates.

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

3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than each April 1, commencing April 1, 2018, provide to EMMA an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the District and shall have no duty or obligation to review such Annual Report.

The Annual Report shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months. The District’s fiscal year is currently effective from July 1 to the immediately succeeding June 30 of the following year. The District will promptly notify EMMA, the Trustee and the Dissemination Agent of a change in the fiscal year dates.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to EMMA, the District shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by fifteen (15) Business Days prior to such date the Trustee has not received a copy of the Annual Report, the Trustee shall contact the District and the Dissemination Agent to determine if the District is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to EMMA by the date required in subsection (a), the Dissemination Agent shall send a notice to EMMA a notice in the manner prescribed by the Municipal Securities Rulemaking Board.

(d) The Dissemination Agent shall file a report with the District and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement and stating the date it was provided to EMMA. The Dissemination Agent’s duties under this clause (ii) shall exist only if the District provides the Annual Report to the Dissemination Agent for filing.

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

(a) the audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financing statements based on the then available trial balance format, and the audited financial statements shall be filed in the same manner as the Annual Report when they come available;

(b) if not included in the Annual Report, the financial information and operating data with respect to the District, for the most recent fiscal year of the District then ended, described in the following tables under the caption entitled “THE DISTRICT” in the Official Statement:

- (i) “Schedule of Long-Term Indebtedness;”
- (ii) “Flood Control Benefit Assessment Rates and Minimum Flood Control Benefit Assessments Applicable to Defined Land Use Categories;”
- (iii) “Benefit Assessment Billings and Collections;”
- (iv) “Flood Control Benefit Assessment Revenue By Flood Control Zone;” and
- (v) “Flood Control System Historical Operating Results Combined Statement of Revenues and Debt Service Coverage.”

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission; provided, that if any document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board; and provided further, that the District shall clearly identify each such document so included by reference.

5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2017A Certificates in a timely manner not more than ten (10) Business Days after the event:

- (i) principal and interest payment delinquencies;
- (ii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iii) unscheduled draws on credit enhancements reflecting financial difficulties;
- (iv) substitution of credit or liquidity providers, or their failure to perform;
- (v) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701 TEB);
- (vi) tender offers;
- (vii) defeasances;
- (viii) ratings changes; and
- (ix) bankruptcy, insolvency, receivership or similar proceedings.

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental

authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2017A Certificates, if material:

(i) unless described in Section 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the 2017A Certificates or other events affecting the tax status of the 2017A Certificates;

(ii) modifications to the rights of Certificate holders;

(iii) optional, unscheduled or contingent Certificate prepayments;

(iv) release, substitution or sale of property securing repayment of the 2017A Certificates;

(v) non-payment related defaults;

(vi) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and

(vii) appointment of a successor or additional trustee or the change of the name of a trustee.

(c) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the District shall file a notice of such occurrence with EMMA in a timely manner not more than ten (10) Business Days after the event.

6. Customarily Prepared and Public Information. Upon request, the District shall provide to any person financial information and operating data regarding the District which is customarily prepared by the District and is publicly available.

7. Termination of Obligation. The District's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the 2017A Certificates. If such termination occurs prior to the final maturity of the 2017A Certificates, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The Dissemination Agent may resign at any time by providing at least 30 days' written notice to the District. The initial Dissemination Agent shall be U.S. Bank National Association.

9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that, in the opinion of Hawkins Delafield & Wood LLP, or another nationally recognized bond counsel, such amendment or waiver is permitted by the Rule. The District will provide notice of such amendment to the Municipal Securities Rulemaking Board.

10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the District chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the District shall not thereby have any obligation under this Disclosure Agreement to update such information or include it in any future notice of occurrence of a Listed Event.

11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Agreement, any Holders or Beneficial Owners of at least 50% aggregate principal amount of the 2017A Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the District to comply with this Disclosure Agreement shall be an action to compel performance.

No Holder or Beneficial Owner of the 2017A Certificates may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the District satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article V of the Trust Agreement is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Trust Agreement. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2017A Certificates. No person shall have any right to commence any action against the Trustee, as Dissemination Agent, seeking any remedy other than to compel specific performance of this Disclosure Agreement. The Dissemination Agent shall not be liable under any circumstances for monetary damages to any person for any breach under this Disclosure Agreement. The Dissemination Agent and the Trustee shall not be responsible in any manner for the format or content of any notice or Annual Report prepared by the District pursuant to this Disclosure Agreement

12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Participating Underwriters and Holders and Beneficial Owners from time to time of the 2017A Certificates, and shall create no rights in any other person or entity.

13. Notices. Notices should be sent in writing to the following addresses. The following information may be conclusively relied upon until changed in writing.

District: Treasury/Debt Officer
Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, California 95118-3686

Dissemination Agent: U.S. Bank National Association
One California Street, Suite 1000
San Francisco, California 94111

Trustee: U.S. Bank National Association
One California Street, Suite 1000
San Francisco, California 94111

14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SANTA CLARA VALLEY WATER DISTRICT

By: _____
Its: Authorized Officer

U.S. BANK NATIONAL ASSOCIATION,
as Dissemination Agent and Trustee

By: _____
Its: Authorized Officer

\$ __, __, 000
**SANTA CLARA VALLEY WATER DISTRICT
REFUNDING AND IMPROVEMENT CERTIFICATES OF PARTICIPATION
SERIES 2017A**

CERTIFICATE PURCHASE AGREEMENT

January __, 2017

Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, California 95118-3614

Ladies and Gentlemen:

The undersigned, Siebert Cisneros Shank & Co., L.L.C. (the “*Representative*”) on its own behalf and on behalf of Fidelity Capital Markets Services (together, the “*Underwriters*”), offers to enter into this Certificate Purchase Agreement (this “*Certificate Purchase Agreement*”) with the Santa Clara Valley Water District (the “*District*”), which will be binding upon the District and the Underwriters upon the acceptance hereof by the District. This offer is made subject to its acceptance by the District by execution of this Certificate Purchase Agreement and its delivery to the Representative on or before 5:00 p.m., California time, on the date hereof. Capitalized terms used in this Certificate Purchase Agreement and not otherwise defined shall have the respective meanings given to such terms in the Trust Agreement and the Installment Purchase Agreements (as those terms are hereafter defined).

Any authority, discretion, or other power conferred upon the Underwriters by this Certificate Purchase Agreement shall be exercised by the Representative alone.

Section 1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements hereinafter set forth, the Underwriters hereby agree to purchase from the District for reoffering to the public, and the District hereby agrees to sell to the Underwriters for such purpose, all (but not less than all) of the \$ __, __, 000 aggregate principal amount of the above-captioned certificates (the “*Certificates*”). The Certificates shall be dated the date of delivery thereof and shall be payable on each February 1 in the years and in the amounts, and bear interest at the rates [and be subject to prepayment] as, set forth in Schedule I hereto. Interest with respect to the Certificates shall be payable on February 1 and August 1 of each year, commencing [August 1,] 2017. The purchase price for the Certificates shall be \$ _____, equal to the principal amount of the Certificates, plus an original issue premium in the amount of \$ _____, and less an underwriters’ discount of \$ _____.

Section 2. Description of the Certificates. The Certificates are being delivered pursuant to a Trust Agreement, dated as of January 1, 2017 (the “*Trust Agreement*”) by and among the District, the Santa Clara Valley Water District Public Facilities Financing Corporation (the “*Corporation*”), and U.S. Bank National Association, as trustee (the “*Trustee*”), and Chapter 1405 of Statutes of 1951 of the State of California (the “*District Act*”). The Certificates shall be as described in the Trust Agreement and the Official Statement relating to the Certificates (which, together with all exhibits and appendices

included therein or attached thereto and such amendments or supplements thereto which shall be approved by the Representative, is hereinafter called the “*Official Statement*”).

The proceeds of the Certificates will be used to: (i) defease and prepay \$ __, __, 000 principal amount of Santa Clara Valley Water District Refunding and Improvement Certificates of Participation, Series 2004A (the “*2004 Certificates*”) and to defease and/or prepay \$ __, __, 000 principal amount of Santa Clara Valley Water District Refunding and Improvement Certificates of Participation, Series 2007A (the “*2007 Certificates*”); (ii) finance the cost of certain flood control improvements within the District; and (iii) pay the costs associated with the delivery of the Certificates.

The Certificates evidence and represent the interests of the holders thereof in a portion of the installment payments (the “*1994 Installment Payments*”) made by the District under the Installment Purchase Agreement, dated as of June 15, 1994, by and between the District and the Corporation, as amended by Amendment No. 1 thereto, dated as of November 1, 2002, by and between the District and the Corporation (as amended, the “*1994 Installment Purchase Agreement*”) with respect to the 2004 Certificates, and in a portion of the installment payments (the “*1995 Installment Payments*” and together with the 1994 Installment Payments, the “*Installment Payments*”) made by the District under the Installment Purchase Agreement, dated as of June 27, 1995, by and between the District and the Corporation, as amended by Amendment No. 1 thereto, dated as of February 15, 2000, by and between the District and the Corporation, and Amendment No. 2 thereto, dated as of November 1, 2005, by and between the District and the Corporation (as amended, the “*1995 Installment Purchase Agreement*” and, together with the 1994 Installment Purchase Agreement, the “*Installment Purchase Agreements*”) with respect to the 2007 Certificates. The Installment Payments under the Installment Purchase Agreements are made solely from Flood Control System Revenues as provided in the Flood Control System Master Resolution (each as defined in the Trust Agreement).

A portion of the proceeds from the sale of the Certificates will be deposited by the District in separate escrow funds, one with respect to the 2004A Certificates and one with respect to the 2007A Certificates (each an “*Escrow Fund*” and together, the “*Escrow Funds*”). Each Escrow Fund is established pursuant to the terms and conditions of a separate Escrow Agreement each dated as of January 1, 2017 (each an “*Escrow Agreement*” and together, the “*Escrow Agreements*”), each by and between the District and U.S. Bank National Association (“*U.S. Bank*”), as prior trustee (the “*Prior Trustee*”).

In order to enable the Underwriters to comply with Rule 15c2-12 under the Securities Exchange Act of 1934 (“*Rule 15c2-12*”), the District and with U.S. Bank, as Dissemination Agent, will execute and deliver a Continuing Disclosure Agreement (the “*Continuing Disclosure Agreement*”) concurrently with delivery of the Certificates.

Section 3. Public Offering. The Underwriters agree to make a bona fide public offering of all the Certificates initially at the public offering prices (or yields) set forth on Schedule I attached hereto and incorporated herein by reference. Subsequent to the initial public offering, the Underwriters reserve the right to change the public offering prices (or yields) as the Underwriters deem necessary in connection with the marketing of the Certificates, provided that the Underwriters shall not change the interest rates set forth on Schedule I. The Certificates may be offered and sold to certain dealers at prices lower than such initial public offering prices.

Section 4. Delivery of Official Statement. The District has delivered or caused to be delivered to the Underwriters prior to the execution of this Certificate Purchase Agreement, copies of the Preliminary Official Statement relating to the Certificates dated January __, 2017, including the cover pages, the appendices thereto and all information incorporated therein by reference in electronic form (the

“*Preliminary Official Statement*”). Such Preliminary Official Statement is deemed final by the District for purposes of Rule 15c2-12 and was approved for distribution by a resolution of the board of directors of the District. The District has executed and delivered to the Underwriters a certification to such effect in the form attached hereto as Appendix A.

Within seven (7) business days from the date hereof, or such earlier date identified by the Underwriters to be necessary to allow the Underwriters to meet their obligations under Rule 15c2-12 and Rule G-32 of the Municipal Securities Rulemaking Board (the “*MSRB*”), the District shall deliver to the Underwriters a final Official Statement, executed on behalf of the District by its authorized representative and dated the date hereof, with such other amendments or supplements as shall have been approved by the District and the Representative (the “*Official Statement*”) and such additional conformed copies thereof as the Underwriters may reasonably request in sufficient quantities to comply with Rule 15c2-12 and to meet potential customer requests for copies of the Official Statement.

The Underwriters agree to file the Official Statement in compliance with MSRB Rule G-32. The Underwriters agree that they will not confirm the sale of any Certificates unless the confirmation of sale is accompanied or preceded by the delivery of a copy of the Official Statement.

Section 5. The Closing. At 8:00 a.m., California time, on January __, 2017, or at such other time or on such earlier or later business day as shall have been mutually agreed upon by the District and the Representative (the “*Closing Date*”), the Representative will accept delivery of the Certificates through the facilities of The Depository Trust Company, New York, New York (“*DTC*”), by initial deposit with the Trustee (in care of DTC) through DTC’s Fast Automated Securities Transfer System procedures, and the other documents described herein, duly executed, at the offices of Hawkins Delafield & Wood LLP (“*Special Counsel*”), in San Francisco, California or another place to be mutually agreed upon by the District and the Representative. The Underwriters will accept such delivery and pay the purchase price of the Certificates as set forth in Section 1 in immediately available funds to the order of the Trustee on behalf of the District. This payment and delivery, together with the delivery of the aforementioned documents, is herein called the “*Closing*.” The Certificates will be delivered in such denominations and deposited in the account or accounts specified by the Underwriters pursuant to written notice given by the Underwriters not later than five business days prior to Closing. The Certificates will be made available to the Underwriters for inspection and packaging not less than 48 hours prior to the Closing.

It is anticipated that CUSIP identification numbers will be inserted on the Certificates, but neither the failure to provide such numbers nor any error with respect thereto shall constitute a cause for failure or refusal by the Underwriter to accept delivery of the Certificates in accordance with the terms of this Certificate Purchase Agreement.

Section 6. Representations, Warranties and Covenants of the District. The District represents, warrants and covenants to the Underwriters that:

(a) Due Organization, Existence and District. The District is a multi-purpose special district authorized to supply water and provide flood protection services, duly organized and existing under the laws of the State of California (the “*State*”), including the District Act, with full right, power and authority to deliver the Certificates and to execute, deliver and perform its obligations under the Trust Agreement, the Certificates, this Certificate Purchase Agreement, the Installment Sale Agreements, and Continuing Disclosure Agreement (collectively, the “*District Documents*”), and to carry out and consummate the transactions contemplated by the District Documents and as described in the Official Statement.

(b) Due Authorization and Approval. By Resolution No. _____ adopted on December 13, 2016 by a majority of the members of the Board of Directors of the District at a meeting duly called, noticed and conducted, at which a quorum was present and acting throughout (“*District Resolution*”), the District has duly authorized and approved the execution and delivery of, and the performance by the District of the obligations contained in, the Certificates, the Preliminary Official Statement, the Official Statement, and the District Documents and as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, the Certificates and the District Documents will constitute the legally valid and binding obligations of the District enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors’ rights generally. The District has complied, and will at the Closing be in compliance in all respects, with the terms of the Certificates and the District Documents.

(c) Preliminary Official Statement. For purposes of Rule 15c2-12, the District has deemed final the Preliminary Official Statement prior to its use and distribution by the Underwriters, except for the information specifically permitted to be omitted by paragraph (b)(1) of Rule 15c2-12.

(d) Official Statement Accurate and Complete. The Official Statement is, and at all times subsequent to the date of the Official Statement up to and including the Closing will be, true and correct in all material respects, and the Official Statement contains and up to and including the Closing will not contain any misstatement of a material fact and does not, and up to and including the Closing will not, omit any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading.

(e) Underwriters’ Consent to Amendments and Supplements to Official Statement. The District will advise the Underwriters promptly of any proposal to amend or supplement the Official Statement and will not affect or consent to any such amendment or supplement without the consent of the Underwriters, which consent will not be unreasonably withheld. The District will advise the Underwriters promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale or distribution of the Certificates.

(f) No Breach or Default. As of the time of acceptance hereof and as of the time of the Closing, except as otherwise disclosed in the Official Statement, the District is not and will not be in breach of or in default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment or decree or any trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the District is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or event of default under any such instrument which breach or default would materially adversely affect the security of the Certificates or the District’s performance under the District Documents; and, as of such times, except as disclosed in the Official Statement, the authorization, execution and delivery of the District Documents and the Certificates and compliance with the provisions of each of such agreements or instruments do not and will not conflict with or constitute a breach of or default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States or any applicable judgment, decree, license, permit, trust agreement, loan agreement, bond, note, resolution, ordinance agreement or other instrument to which the District (or any of its officers in their respective capacities as such) is subject, or by which it or any of its properties is bound; nor will any such authorization, execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or

encumbrance of any nature whatsoever upon any of its assets or properties or under the terms of any such law, regulation or instrument, except as may be provided by the Certificates and the District Documents.

(g) No Litigation. As of the time of acceptance hereof and the Closing, except as disclosed in the Official Statement, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending and served or, to the best of the District's knowledge, threatened: (i) in any way questioning the existence of the District or the titles of the officers of the District to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the delivery of the Certificates, or the payment or collection of the Installment Payments and any other amounts pledged or to be pledged to pay the principal of and interest on the Certificates, or in any way contesting or affecting the validity of the Certificates, the District Documents or the consummation of the transactions contemplated thereby or hereby, or contesting the exclusion of the interest evidenced and represented by the Certificates from taxation or contesting the powers of the District or its authority to deliver the Certificates to the Trustee; (iii) which may result in any material adverse change relating to the District; or (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of this sentence.

(h) Official Statement. Except as disclosed in the Official Statement or otherwise disclosed in writing to the Underwriter, there has not been any materially adverse change in the financial condition or operating results of the District since June 30, 2016 and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change. The financial statements of, and other financial information, regarding the District contained in the Official Statement fairly present the financial position and results of the operations of the District as of the dates and for the periods therein set forth and (i) the audited financial statements have been prepared in accordance with the generally accepted accounting principles consistently applied, and (ii) the other financial information in the Official Statement has been determined on a basis substantially consistent with that of the audited financial statements for the District included in the Official Statement;

(i) Continuing Disclosure Undertakings. The District is currently in material compliance with all of its prior continuing disclosure undertakings entered into pursuant to Rule 15c2-12 and at or prior to the Closing Date, the District shall have duly authorized, executed and delivered the Continuing Disclosure Agreement. A description of the continuing disclosure undertaking by the District in connection with the Certificates is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement;

(j) Blue Sky Laws. The District shall cooperate with the Underwriters to qualify the Certificates for offer and sale under the securities or Blue Sky laws of as many jurisdictions within the United States as the Underwriters may request; *provided, however,* that the District will not be required to expend any of its own funds in connection with such qualifications and will not be required to consent to service of process in any such jurisdiction in which it is not now subject to service of process or to qualify as a broker or a foreign corporation in connection with any such qualification in any jurisdiction;

(k) Relationship between the Underwriters and the District. The District acknowledges and agrees that: (i) neither Underwriter is acting as a fiduciary or as a "municipal advisor" within the meaning of Section 15B of the Securities Exchange Act of 1934; (ii) the purchase and sale of the Certificates pursuant to this Certificate Purchase Agreement is an arm's length commercial transaction among the District and the Underwriters, (iii) in connection with such transaction, each Underwriter is acting solely

as a principal and not as an agent or fiduciary of the District; (iv) with respect to the offering of the Certificates or the process leading thereto (whether or not either Underwriter or any affiliate of either Underwriter, has advised or is currently advising the District on other matters), the Underwriters have not assumed (individually or together) fiduciary responsibilities in favor of the District or any other obligation to the District except as expressly set forth in this Certificate Purchase Agreement; (v) the District has consulted its own legal and financial advisors to the extent it deemed appropriate in connection with the offering of the Certificates; and (vi) the Underwriters have financial interests that differ from those of the District.

Section 7. Closing Conditions. The Underwriters have entered into this Certificate Purchase Agreement in reliance upon the representations and warranties of the District contained herein, and in reliance upon the representations and warranties to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the District of its obligations hereunder, both as of the date hereof and as of the Closing. The Underwriters' obligations under this Certificate Purchase Agreement to purchase, accept delivery of and to pay for the Certificates shall also be subject to the following additional conditions:

(a) **Bring-Down Representation.** The representations, warranties and covenants of the District contained herein shall be true, complete and correct in all material respects as of the date hereof and at the time of the Closing, as if made on the date of the Closing.

(b) **Executed Agreements and Performance Thereunder.** At the time of the Closing (i) the District Documents shall be in full force and effect, and shall not have been amended, modified or supplemented except with the written consent of the Underwriters and (ii) there shall be in full force and effect the District Resolution and such District Resolution shall not have been amended, modified or supplemented in any material respect.

(c) **Termination Events.** The Underwriters shall have the right to terminate this Certificate Purchase Agreement, without liability therefor, by notification to the District upon the occurrence of any of the following events if at any time at or prior to the Closing:

(i) any event occurs on or after the date hereof which either (A) in the reasonable judgement of the Representative, materially adversely affects the market price or marketability or ability to enforce contracts for the sale of any portion of the Certificates; or (B) makes untrue or incorrect in any material respect, as of the time of such event, any statement or information contained in the Official Statement or which is not reflected in the Official Statement but should be reflected therein in order to make the statements and information contained in the Official Statement not misleading in any material respect, notwithstanding the approval by the Underwriters of any amendment or supplement prior to its distribution.

(ii) the marketability of the Certificates or the market price thereof, in the reasonable opinion of the Underwriters, has been materially adversely affected by an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State, or the amendment of legislation pending as of the date of this Certificate Purchase Agreement in the Congress of the United States, or the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation for consideration as an option by either

such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any Federal or State court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other federal or State authority materially adversely affecting the federal or State tax status of the District, or the interest on bonds or notes or obligations of the general character of the Certificates; or

(iii) any new restriction in securities materially affecting the market for securities (including the imposition of any limitation on interest rates) or the extension of credit by, or a change to the net capital requirements of, underwriters shall have been established by the New York Stock Exchange, the SEC, or any other federal or State agency or the Congress of the United States, or by Executive Order; or

(iv) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency of the State, or a decision by any court of competent jurisdiction within the State or any court of the United States shall be rendered which, in the reasonable opinion of the Underwriters, materially adversely affects the market price of the Certificates; or

(v) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, delivery, offering or sale of obligations of the general character of the Certificates, or the delivery, offering or sale of the Certificates, including all underlying obligations, as contemplated hereby or by the Official Statement, is in violation or would be in violation of, or that obligations of the general character of the Certificates, or the Certificates, are not exempt from registration under, any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, or that the Trust Agreement needs to be qualified under the Trust Indenture Act of 1939, as amended and as then in effect; or

(vi) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange which restrictions materially adversely affect the Underwriters' ability to trade the Certificates; or

(vii) a general banking moratorium shall have been established by federal or State authorities; or

(viii) any outbreak or escalation of hostilities involving the United States, the declaration by the United States of a national emergency or war, the occurrence of any other local, national or international calamity or crisis or any change in the financial, political or economic conditions of the United States or elsewhere, or a default with respect to the debt obligations of, or the institution of proceedings under the federal bankruptcy laws by or against, any state of the United States or agency thereof, if the effect of which, in the judgement of the Underwriters, makes it impracticable or inadvisable for the Underwriters to proceed with the offering of the Certificate on the terms and in the manner contemplated in the Official Statement; or

(ix) there shall have occurred or any notice shall have been given of any intended downgrading, suspension, withdrawal or negative change in credit watch status by any national rating service with respect to the Certificates; or

(x) the commencement of any action, suit or proceeding described in Section 6(f) hereof which, in the judgment of the Underwriters, materially adversely affects the market price of the Certificates; or

(xi) there shall be in force a general suspension of trading on the New York Stock Exchange; or

(xii) there shall have been any materially adverse change in the affairs of the District which in the Underwriters' reasonable judgment materially adversely affects the ability of the Underwriters to market the Certificates.

(d) Closing Documents. At or prior to the Closing, the Underwriters shall receive with respect to the Certificates (unless the context otherwise indicates) the following documents:

(i) District Resolution and District Agreements. A certified copy of the District Resolution, and executed copies of the District Agreements.

(ii) Corporation Resolution and Corporation Documents. A certified copy of the Corporation Resolution and executed copies of the Corporation Documents (as defined herein).

(iii) Preliminary and Final Official Statements. The Preliminary Official Statement and the Official Statement, with the Official Statement executed by duly authorized officers of the District.

(iv) Continuing Disclosure Agreement. The Continuing Disclosure Agreement executed on behalf of the District and U.S. Bank duly authorized officers.

(v) Opinion of Special Counsel. An approving opinion of Special Counsel dated the date of the Closing and substantially in the form appended to the Official Statement, together with a letter from such counsel, dated the date of the Closing and addressed to the Underwriters and the Trustee, to the effect that the foregoing opinion addressed to the District may be relied upon by the Underwriters and the Trustee to the same extent as if such opinion were addressed to them.

(vi) Supplemental Opinion. A supplemental opinion or opinions of Special Counsel addressed to the Underwriters, in form and substance acceptable to the Underwriters, and dated the date of the Closing substantially to the following effect:

(A) The District has duly and validly executed the Certificate Purchase Agreement, and the Certificate Purchase Agreement constitutes the legal, valid and binding agreement of the District, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion in appropriate cases;

(B) The statements contained in the Official Statement on the cover page and under the captions "INTRODUCTION," "THE 2017A CERTIFICATES," "SECURITY AND SOURCES OF PAYMENT," "TAX MATTERS," and in Appendices B and D thereto, insofar as such statements expressly summarize certain provisions of the Certificates, the Trust

Agreement, the Installment Sale Agreement and our final approving opinion relating to the Certificates, are accurate in all material respects; and

(C) The Certificates are exempt from registration under the Securities Act of 1933, as amended, and the Trust Agreement is exempt from qualification under the Trust Indenture Act of 1939, as amended.

(vii) *Defeasance Opinion of Special Counsel.* An opinion of Special Counsel, dated the Closing Date, and addressed to the District and the Underwriters, in form and substance satisfactory to the District and the Underwriter, to the effect that the 2004 Certificates and the 2007 Certificates have been prepaid and/or defeased and such certificates are no longer deemed outstanding pursuant to trust agreements pursuant to which the 2004 Certificates and the 2007 Certificates were delivered, respectively.

(viii) *Opinion of District Counsel.* An opinion of District Counsel, dated the date of the Closing and addressed to the Underwriters and the Trustee, in form and substance acceptable to Special Counsel and Underwriters' Counsel, substantially to the following effect:

(A) The District is a multi-purpose special district, duly created and lawfully existing under the laws of the State of California;

(B) The District Resolution approving and authorizing the execution and delivery of the District Documents, approving the Official Statement, and the execution and delivery of the Certificates and the District Documents, was duly adopted at a meeting of the board of directors of the District called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and the District Resolution is in full force and effect and has not been modified, amended or rescinded;

(C) The authorization, execution and delivery of the District Documents by the District and compliance by the District with the provisions thereof, will not conflict with, or constitute a breach or default under, any law, administrative regulation, court decree, resolution, ordinance or other agreement to which the District is subject or by which it is bound; and

(D) Except as otherwise disclosed in the Official Statement and to the best knowledge of such counsel, there is no litigation, action, suit, proceeding or investigation at law or in equity before or by any court, governmental agency or body, pending and served or, to the best of such counsel's knowledge, threatened against the District, challenging the creation, organization or existence of the District, or the validity of the Certificates, the District Documents or contesting the authority of the District to enter into or perform its obligations under any of the District Documents, or which, in any manner, questions the right of the District to deliver the Certificates or to use the Flood Control System Revenues for repayment of the Certificates.

(ix) *Opinion as Counsel to the Corporation.* An opinion of District Counsel as Counsel to the Corporation, dated the date of the Closing and addressed to the Underwriters and the Trustee, in form and substance acceptable to Special Counsel, substantially to the following effect:

(A) The Corporation is nonprofit public benefit corporation duly organized and validly existing under the laws of the State of California;

(B) The Corporation Resolution approving and authorizing the execution and delivery of the Trust Agreement and the Installment Sale Agreements (together, the “*Corporation Documents*”, was duly adopted at a meeting of the board of directors of the Corporation called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout and the Corporation Resolution is in full force and effect and has not been modified, amended or rescinded;

(C) The execution and delivery of the Corporation Documents and compliance with the provisions thereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with, or constitute on the part of the Corporation a breach of or default under, any agreement or other instrument to which the Corporation is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the Corporation is subject;

(D) No additional authorization, approval, consent, waiver or any other action by any person, board or body, public or private, not previously obtained is required as of the date of the Closing for the Corporation to enter into the Corporation Documents, or to perform its obligations thereunder;

(x) Letter of Disclosure Counsel. A letter of Hawkins Delafield & Wood LLP (“*Disclosure Counsel*”), dated the date of the Closing, addressed to the District and the Underwriters substantially to the effect that on the basis of the information made available to such firm in the course of its participation in the preparation of the Official Statement (but without having undertaken to determine or verify independently, or assuming any responsibility for the accuracy, completeness or fairness of any of the statements contained in the Official Statement), no facts have come to the attention of the personnel in such firm directly involved in rendering legal advice and assistance to the District in connection with the preparation of the Official Statement which cause such firm to believe that the Official Statement as of its date (excluding therefrom financial, engineering and statistical data; forecasts, projections, estimates, assumptions and expressions of opinions, including without limitation, the descriptions of the finances and operations of the District; information relating to the Depository Trust Company and the book-entry only system; and Appendices A and C, as to all of which such firm expresses no view as Disclosure Counsel) contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(xi) Opinion of Counsel to the Underwriters. An opinion of Schiff Hardin LLP, (“*Underwriters’ Counsel*”), dated the date of Closing and addressed to the Underwriters to the effect that, based upon the information made available to them in the course of their participation in the preparation of the Official Statement and without passing on and without assuming any responsibility for the accuracy, completeness and fairness of the statements in the Official Statement, and having made no independent investigation or verification thereof, no information has come to the attention of the attorneys rendering legal services in connection with such representation that leads them to believe that, as of the date of Closing, the Official Statement (except for any financial or statistical data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, the appendices (excluding APPENDIX E– “FORM OF CONTINUING DISCLOSURE AGREEMENT”) or any information concerning the DTC or the book-entry only system, included therein, as to which no opinion or view need be expressed)

contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; that the Certificates are exempt from registration under the Securities Act of 1933, as amended; the Trust Agreement is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended; and the Continuing Disclosure Agreement provides a suitable basis for the Underwriters, in connection with the Offering (as defined in Rule 15c2-12) of the Certificates to make a reasonable determination as required by section (b)(5) of such Rule.

(xii) *Opinion of Counsel to U.S. Bank.* The opinion of Counsel to U.S. Bank in its capacities as Trustee, Prior Trustee and Dissemination Agent, dated the Closing Date, addressed to the District and the Underwriter, to the effect that:

(A) U.S. Bank is a national banking association duly organized and validly existing and in good standing under the laws of the United States of America and has full power and authority to execute and deliver the Trust Agreement, the Certificates, the Escrow Agreements, and the Continuing Disclosure Agreement and to perform its respective obligations thereunder; and

(B) The Trust Agreement, the Certificates, the Escrow Agreements, and the Disclosure Agreement have each executed and delivered by U.S. Bank, constitute a valid and binding obligations of U.S. Bank enforceable against U.S. Bank in accordance with their respective terms, except insofar as the validity, binding nature and enforceability of the obligations of U.S. Bank under such agreements may be limited by the effect of (a) insolvency, reorganization, arrangement, moratorium, fraudulent transfer and other similar laws, (b) the discretion of any court of competent jurisdiction in awarding equitable remedies, including, without limitation, specific performance or injunctive relief, and (b) the effect of general principles of equity embodied in California statutes and common law;

(C) No consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over U.S. Bank that has not been obtained is or will be required for the consummation by the Trustee of the transactions contemplated by the Trust Agreement, the Certificates, the Escrow Agreements, or the Continuing Disclosure Agreement to be undertaken by U.S. Bank;

(D) Compliance with the terms of the Trust Agreement, the Certificates, the Escrow Agreements, or the Disclosure Agreement will not conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, indenture, bond, note, resolution or any other agreement or instrument to which U.S. Bank is a party or by which it is bound, or, to the best knowledge of U.S. Bank, after reasonable investigation, any law, rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Trustee or any of its activities or properties (except that no representation, warranty or agreement is made by U.S. Bank with respect to any federal or State securities or Blue Sky laws or regulations); and

(E) To the best knowledge of such counsel, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or governmental agency, public board or body served on or threatened against or affecting the existence of the Trustee, or in any way contesting or affecting the validity or enforceability of the Trust Agreement, the Certificates, the Escrow Agreements, or the

Disclosure Agreement, or contesting the powers of U.S. Bank or its authority to enter into and perform its obligations under the Trust Agreement, the Certificates, the Escrow Agreements, or the Disclosure Agreement, wherein an unfavorable decision, ruling or finding would adversely affect the validity of the Trust Agreement, the Certificates, the Escrow Agreements, or the Disclosure Agreement.

(xiii) Certificate of the District. A certificate of the District, dated the date of the Closing, signed on behalf of the District by the Executive Director or other duly authorized officer of the District to the effect that:

(A) The representation, warranties and covenants of the District contained herein are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing and the District has complied with all of the terms and conditions of this Certificate Purchase Agreement required to be complied with by the District at or prior to the date of Closing; and

(B) No event affecting the District has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(xiv) Certificate of the Corporation. A certificate of the Corporation, dated the date of the Closing, signed on behalf of the Corporation by an authorized officer of the Corporation to the effect that:

(A) The Corporation is a nonprofit public benefit corporation, duly formed on December 21, 1987 and organized and existing under the laws of the State, with full right, power and authority to adopt Resolution No. _____ (the "*Corporation Resolution*"), to execute, deliver and perform its obligations under the Corporation Documents, and to carry out and consummate the transactions contemplated by the Corporation Resolution, the Corporation Documents and described in the Official Statement;

(B) By all necessary official action, the Corporation duly adopted the Corporation Resolution on November 10, 2016 by a majority of the members of the Board of Directors of the Corporation at a meeting duly called, noticed and conducted, at which and has duly authorized and approved the execution and delivery of, and the performance by the Corporation of the obligations contained in, the Official Statement and the Corporation Documents and as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, the Corporation Documents will constitute the legally valid and binding obligations of the Corporation enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and similar laws affecting creditors' rights, to the application of equitable principles if equitable principles are sought, and to the exercise of judicial discretion in appropriate cases;

(C) The Corporation is not, in any manner that would materially adversely affect the transactions contemplated by the Corporation Resolution and the Corporation Documents, in breach of or in default under any applicable constitutional provision, law

or administrative rule or regulation of the State or the United States, or any applicable judgment or decree or any trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the Corporation is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute, a default or event of default under any such instrument which breach or default would materially adversely affect the security of the Certificates or the Corporation's performance under the Corporation Documents; and, as of such times, except as disclosed in the Official Statement, the authorization, execution and delivery of the Corporation Documents and compliance with the provisions of each of such agreements or instruments do not and will not conflict with or constitute a breach of or default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment, decree, license, permit, trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the Corporation (or any of its officers in their respective capacities as such) is subject, or by which it or any of its properties is bound; nor will any such authorization, execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its assets or properties or under the terms of any such law, regulation or instrument, except as may be provided by the Corporation Documents.

(D) As of the time of acceptance hereof, except as disclosed in the Official Statement, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or threatened (i) in any way questioning the corporate existence of the Corporation or the titles of the officers of the Corporation to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the delivery of the Certificates, the payment of the Installment Payments, in any way contesting or affecting the validity of the Certificates, the Corporation Resolution, or the Corporation Documents or the consummation of the transactions contemplated thereby, or contesting the exclusion of the interest component of the Installment Payments from gross income for federal income tax purposes or contesting the power of the Corporation to pay the Installment Payments, adopt the Corporation Resolution, or enter into the Corporation Documents; (iii) which may result in any material adverse change relating to the Corporation or relating to the financial condition of the Corporation or the Corporation's ability to make the Installment Payments;

(E) The Corporation will furnish such information, execute such instruments and take such other action in cooperation with the Underwriters as the Underwriters may reasonably request to qualify the Certificates for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriters may designate, and to determine the eligibility of the Certificates for investment under the laws of such states and other jurisdictions and will use efforts to continue such qualifications in effect so long as required for distribution for the Certificates; *provided, however*, that the Corporation shall not be required to execute a general or special consent to service of process or qualify to do business in connection with such qualification in any jurisdiction;

(F) No event affecting the Corporation has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute an event of default under the Corporation Documents;

(G) All authorizations, approvals, licenses, permits, consents and orders of or filings with any governmental authority, legislative body, board, agency or commission having jurisdiction in the matters which are required for the due authorization of, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the Corporation of its obligations in connection with, the Corporation Resolution or the Corporation Documents of the acquisition of the Project have been duly obtained or made, except as may be required under the Blue Sky laws of any state in connection with the offering of the Certificates; and

(H) Any certificate signed by any official of the Corporation and delivered to the Underwriters shall be deemed to be a representation and warranty of the Corporation to the Underwriters as to the statements made therein.

(xv) Certificate of the Trustee. A certificate of U.S. Bank National Association, dated the date of Closing, in form and substance acceptable to the Underwriters, to the following effect:

(A) The Trustee is duly organized and existing as a national banking association in good standing under the laws of the United States of America, having the full power and authority to enter into and perform its duties under the Trust Agreement;

(B) The Trustee is duly authorized to enter into the Trust Agreement; and

(C) To the Trustee's knowledge, there is no action, suit, proceeding or investigation, at law or in equity, before or by any court or governmental agency, public board or body served on the Trustee or threatened against the Trustee which in the reasonable judgment of the Trustee would affect the existence of the Trustee or in any way contesting or affecting the validity or enforceability of the Trust Agreement or contesting the powers of the Trustee or its authority to enter into, accept and perform its obligations under the Trust Agreement.

(xvi) Certificate of the Prior Trustee. A certificate of U.S. Bank National Association, dated the Closing Date, to the effect that:

(A) The Prior Trustee is a national banking association duly organized and validly existing under the laws of the United States of America, and has full power and is qualified to accept and comply with the terms of each Escrow Agreement and to perform its respective obligations stated therein;

(B) The Prior Trustee has accepted the respective duties and obligations imposed on it by each Escrow Agreement;

(C) No consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Prior Trustee that has not been obtained is or will be required for the consummation by the Prior Trustee of the transactions contemplated by the Trust Agreement or each Escrow Agreement to be undertaken by the Prior Trustee;

(D) Compliance with the terms of each Escrow Agreement will not conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, indenture, bond, note, resolution or any other agreement or instrument to

which the Prior Trustee is a party or by which it is bound, or, to the best knowledge of the Prior Trustee, after reasonable investigation, any law, rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Prior Trustee or any of its activities or properties (except that no representation, warranty or agreement is made by the Prior Trustee with respect to any federal or State securities or Blue Sky laws or regulations); and

(E) To the best knowledge of the Prior Trustee, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or governmental agency, public board or body served on or threatened against or affecting the existence of the Prior Trustee, or in any way contesting or affecting the validity or enforceability of the Escrow Agreements or contesting the powers of the Prior Trustee or its authority to enter into and perform its obligations under each Escrow Agreement, wherein an unfavorable decision, ruling or finding would adversely affect the validity of the Escrow Agreements.

(xvii) Verification Report. A verification report of Causey Demgen & Moore P.C. (the “*Verification Agent*”) as to the sufficiency of the moneys, investment earnings and maturing escrow securities in each Escrow Fund to provide for the defeasance and prepayment of the 2004 Certificate and the 2007 Certificates, respectively.

(xviii) Form 8038-G. Evidence that the federal tax information form 8038-G has been prepared for filing.

(xix) Nonarbitrage Certificate. A tax and nonarbitrage certificate in form satisfactory to Special Counsel.

(xx) CDIAC Notice and Report. A copy of the Notice of Proposed Sale and Report of Final Sale required to be delivered to the California Debt and Investment Advisory Commission (“*CDIAC*”) pursuant to Section 8855(g) of the California Government Code.

(xxi) Ratings. Evidence that the Certificates have been rated “___” by Fitch Ratings, Inc. and “___” by Moody’s Investors Service, Inc.

(xxii) Additional Documents. Such additional legal opinions, certificates, instruments and documents as the Representative may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the representations and warranties of the District contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the District on or prior to the Closing Date of all agreements then to be performed and all conditions then to be satisfied by the District, respectively.

If the District shall be unable to satisfy the conditions contained in this Certificate Purchase Agreement, or if the obligations of the Underwriters shall be terminated for any reason permitted by this Certificate Purchase Agreement, this Certificate Purchase Agreement shall terminate and neither the Underwriters nor the District shall be under further obligation hereunder, except as further set forth in Section 9 hereof.

Section 9. Expenses.

(a) The Underwriters shall be under no obligation to pay and the District shall pay or cause to be paid the expenses incident to the performance of the obligations of the District hereunder including but not limited to (a) the costs of the preparation and printing, or other reproduction (for distribution on or prior to the date hereof) of the District Documents and the Corporation Documents and the cost of preparing, printing, issuing and delivering the definitive Certificates, (b) the fees and disbursements of District Counsel and Counsel to the Corporation, of Public Resources Advisory Group, Inc., as financial advisor, and of accountants or other experts or consultants retained by the District, (c) the fees and disbursements of Special Counsel, (d) the fees and disbursements of Disclosure Counsel, (e) the cost of preparation and printing of the Preliminary Official Statement and any supplements and amendments thereto and the cost of preparation and printing of the Official Statement, including the requisite number of copies thereof for distribution by the Underwriters, (f) charges of rating agencies for the rating of the Certificates, and (g) the fees and costs of the Verification Agent.

(b) The Underwriter shall pay all expenses incurred by them in connection with the public offering and distribution of the Certificates including, but not limited to: (i) all advertising expenses in connection with the offering of the Certificates; (ii) the fees and expenses of Underwriters' Counsel, (iii) the costs of preparing and printing the Blue Sky memorandum, and (iv) all out-of-pocket disbursements and expenses incurred by the Underwriter in connection with the offering and distribution of the Certificates (including other expenses, CUSIP Service Bureau fees, fees of the CDIAC and any other fees and expenses), except as provided in Section 9(a) or as otherwise agreed to by the Representative and the District.

Section 10. Covenants of the District. The District covenants with the Underwriters that:

(a) If, at any time prior to the date twenty-five (25) days following the later of the Closing or the date the Underwriters no longer retain, directly or as a member of an underwriting syndicate, an unsold balance of the Certificates for sale to the public, which date, if other than the date of the Closing, shall be provided to the District by written notice of the Underwriters (the "*End of the Underwriting Period*"), any event of which the District has knowledge shall occur which might or would cause the Official Statement to contain an untrue statement of a material fact or to omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the District will promptly notify the Representative in writing of the circumstances and details of such event. If, as a result of such event or any other event, it is necessary, in the opinion of the Representative, the District, or their respective counsel, to amend or supplement the Official Statement in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, the District will forthwith cooperate with the Representative in the prompt preparation and furnishing to the Underwriters of a reasonable number of copies of an amendment of or a supplement to the Official Statement, in form and substance reasonably satisfactory to the Underwriters, which will so amend or supplement the Official Statement so that, as amended or supplemented, it will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(b) The District will furnish such information, execute such instruments and take such other action in cooperation with the Underwriters as the Underwriters may reasonably request to qualify the Certificates for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriters may designate; provided, however, that the District shall not be required to register as a dealer or broker or foreign corporation in any such state or jurisdiction or consent to service of process therein; and

(c) The District will comply, and perform all actions as may be requested by the Underwriters (including delivering of an appropriate certificate with respect to the Preliminary Official Statement) in order for the Underwriters to comply, with the applicable provisions of Rule 15c2-12 under the Securities Exchange Act of 1934.

Section 11. Notices. Any notice or other communication to be given to the District under this Certificate Purchase Agreement may be given by delivering the same in writing to such entity at the address set forth above. Any notice or other communication to be given to the Underwriters under this Certificate Purchase Agreement may be given by delivering the same in writing to the Representative, Siebert Cisneros Shank & Co., L.L.C., 523 West 6th Street, Suite 703, Los Angeles, California 90014, Attention: Lisa Smith, Managing Director.

Section 12. Entire Agreement. This Certificate Purchase Agreement, when accepted by the District, shall constitute the entire agreement among the District and the Underwriters and is made solely for the benefit of the District and the Underwriters (including the successors or assigns of either Underwriter). No other person shall acquire or have any right hereunder by virtue hereof, except as provided herein. All the representations, warranties and agreements of the District contained in this Certificate Purchase Agreement shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of the Underwriters, until the earlier of (a) delivery of and payment for the Certificates hereunder, and (b) any termination of this Certificate Purchase Agreement.

Section 13. Counterparts. This Certificate Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 14. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

Section 15. Governing Law; Venue. This Certificate Purchase Agreement shall be governed and interpreted exclusively by and construed in accordance with the laws of the State applicable to contracts made and to be performed in the State. Any and all disputes or legal actions or proceedings arising out of this Purchase Agreement or any document related hereto shall be filed and maintained in a court of competent jurisdiction in the County of Santa Clara; provided that the District may waive the requirement of venue. By execution of and delivery of this Purchase Contract, the parties hereto accept and consent to the aforesaid jurisdiction.

Section 16. Prior Agreements. The parties agree that the terms and conditions of this Purchase Agreement supersede those of all previous agreements between the parties, and that this Purchase Agreement contains the entire agreement between the parties hereto. In the event of a dispute between the parties under this Purchase Agreement, the losing party in such dispute shall pay all reasonable costs and expenses incurred by the prevailing party in connection therewith, including but not limited to attorneys' fees.

Section 17. Headings. The headings of the Sections of this Certificate Purchase Agreement are inserted for convenience only and shall not be deemed to be a part hereof.

Section 18. Entire Agreement. The parties agree that the terms and conditions of this Purchase Agreement supersede those of all previous agreements between the parties, and that this Purchase Agreement contains the entire agreement between the parties hereto. In the event of a dispute between the parties under this Certificate Purchase Agreement, the losing party in such dispute shall pay all reasonable costs and expenses incurred by the prevailing party in connection therewith, including but not limited to attorneys' fees.

Section 19. No Assignment. The rights and obligations created by this Certificate Purchase Agreement shall not be subject to assignment by the Underwriters or the District without the prior written consent of the other parties hereto.

SIEBERT CISNEROS SHANK & CO., L.L.C.
FIDELITY CAPITAL MARKETS SERVICES

By: SIEBERT CISNEROS SHANK & CO., L.L.C.,
as Representative

By: _____
Authorized Representative

Agreed to and Accepted by:

SANTA CLARA VALLEY WATER DISTRICT

By: _____
Authorized Representative

Time: _____

Date: January __, 2017

SCHEDULE I

MATURITIES, AMOUNTS, RATES, YIELDS AND PRICES

<u>Maturity Date</u> <u>(February 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>
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PREPAYMENT PROVISIONS

Optional Prepayment

The Certificates with Certificate Payment Dates on or after February 1, 20__ are subject to optional prepayment, representing prepaid Installment Payments, by the District on any date on or after February 1, 20__, upon notice as hereinafter provided, as a whole or in part by lot in such order of maturity as the District may determine, in integral multiples of \$5,000, from any source of available funds, at a prepayment price equal to the principal amount or such part thereof evidenced and represented by the Certificates to be prepaid without premium.

APPENDIX A

**SANTA CLARA VALLEY WATER DISTRICT
REFUNDING AND IMPROVEMENT CERTIFICATES OF PARTICIPATION
SERIES 2017A**

FORM OF THE CERTIFICATE REGARDING THE PRELIMINARY OFFICIAL STATEMENT

The undersigned hereby certifies to Siebert Cisneros Shank & Co., L.L.C. and Fidelity Capital Markets Services (the "Underwriters") that I am an authorized representative of the Santa Clara Valley Water District (the "District") and as such, I am authorized to execute and deliver this certificate and further hereby certify and reconfirm on behalf of the District and the Corporation to the Underwriters as follows:

(1) This certificate is delivered to enable the Underwriters to comply with Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule") in connection with the offering and sale of the above-captioned certificates (the "Certificates").

(2) That there has been delivered to the Underwriters a Preliminary Official Statement, relating to the Certificates, dated January __, 2017 (including the cover page and all appendices thereto, in electronic form, the "Preliminary Official Statement"), which the District deems final as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), except for the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings, and other terms of the Certificates depending on such matters permitted to be omitted therefrom by Rule 15c2-12 (collectively, the Permitted Omissions").

(3) The Preliminary Official Statement is, except for the Permitted Omissions, deemed final within the meaning of the Rule.

(4) The District hereby approves the use and distribution by the Underwriters of the Preliminary Official Statement.

Dated: January __, 2017

SANTA CLARA VALLEY WATER DISTRICT

By: _____
Authorized Representative

§ _____
**SANTA CLARA VALLEY WATER DISTRICT
REFUNDING AND IMPROVEMENT CERTIFICATES OF PARTICIPATION,
SERIES 2017A**

CERTIFICATE OF THE DISTRICT REGARDING PROJECT SUBSTITUTION

Santa Clara Valley Water District
Public Facilities Financing Corporation
5750 Almaden Expressway
San Jose, California 95118
Attention: President

U.S. Bank National Association
One California Street, Suite 1000
San Francisco, California 94111
Attention: Global Corporate Trust Services
Reference: Santa Clara Valley Water District, Series 2017A

The undersigned Authorized Officer of the Santa Clara Valley Water District (the "District"), hereby certifies on behalf of the District that:

1. Pursuant to (i) Section 3.01 of the Installment Purchase Agreement, dated as of June 15, 1994, as amended by Amendment No. 1 to the Installment Purchase Agreement, dated as of November 1, 2002 (collectively, the "1994 Installment Purchase Agreement"), and (ii) Section 3.01 of the Installment Purchase Agreement, dated as of June 27, 1995, as amended by Amendment No. 1 to the Installment Purchase Agreement, dated as of February 15, 2000, and as further amended by Amendment No. 2 to the Installment Purchase Agreement, dated as of November 1, 2005 (collectively, the "1995 Installment Purchase Agreement," and, with the 1994 Installment Purchase Agreement, the "Installment Purchase Agreements"), all by and between the District and the Santa Clara Valley Water District Public Facilities Financing Corporation (the "Corporation"), Exhibit A of each Installment Purchase Agreement is hereby amended to add the improvements listed in Exhibit A hereto to the Project set forth in the Installment Purchase Agreements.

2. The Corporation has additional Certificate proceeds to construct and acquire the additional improvements.

Capitalized terms used herein and not defined herein shall have the meanings ascribed thereto in the Installment Purchase Agreements.

Dated: _____

SANTA CLARA VALLEY WATER DISTRICT

By: _____
Authorized Officer

EXHIBIT A

ADDITION TO THE PROJECT

[To be reviewed and updated by the District.]

The following improvements shall be added to the Project:

East Zone / Coyote Watershed Project. The project includes flood protection improvements to Coyote Creek, such as barrier removal, creek restoration and replacement of a pedestrian bridge; and flood protection improvements to Lower Calera Creek, such as extension and construction of flood walls.

Central Zone Project. The project includes flood protection improvements to Almaden Lake, including the construction of a new 1,700-foot long earthen levee, capping the existing mercury in the lake, and the construction of a new creek corridor.

Northwest Zone / Lower Peninsula Watershed Project. The project includes flood protection improvements to Permanente Creek, including the construction of the Rancho San Antonio Detention Basis and the McKelvey Park Detention Basin, and improvements to Permanente Creek Channel.

North Central Zone / West Valley Watershed Project. The project includes flood protection improvements to Sunnyvale East and West Channels, consisting of flood walls, levee and maintenance road improvements, bridge/culvert modifications and sediment removal, and repairing and stabilizing channel banks.



Public Facilities Financing Corporation
Meeting Date: 11/10/2016
Agenda Item No.: 6
Unclassified Manger: Najon Chu
Email: NChu@valleywater.org

PUBLIC FACILITIES FINANCING CORPORATION AGENDA MEMO

SUBJECT: Adopt a Resolution of the Board of Directors of the Santa Clara Valley Water District Public Facilities Financing Corporation Authorizing the Execution and Delivery of Certain Agreements In Connection With the Expansion of the Santa Clara Valley Water District Commercial Paper Program and the Execution and Delivery of Santa Clara Valley Water District Commercial Paper Certificates and Revolving Certificates Thereunder and Certain Related Actions and Adopt a Resolution of the Board of Directors of the Santa Clara Valley Water District Public Facilities Financing Corporation Amending and Restating Resolution No. PFFC-12-001, as Amended, Providing for the Execution and Delivery of Santa Clara Valley Water District Commercial Paper Certificates and Revolving Certificates and the Entering into of Various Agreements in Connection Therewith

RECOMMENDED ACTION:

- A. Adopt a Resolution of the Board of Directors of the Santa Clara Valley Water District Public Facilities Financing Corporation Authorizing the Execution and Delivery of Certain Agreements In Connection With the Expansion of the Santa Clara Valley Water District Commercial Paper Program and the Execution and Delivery of Santa Clara Valley Water District Commercial Paper Certificates and Revolving Certificates Thereunder and Certain Related Actions
- B. Adopt a Resolution of the Board of Directors of the Santa Clara Valley Water District Public Facilities Financing Corporation Amending and Restating Resolution No. PFFC 12-001, as Amended, Providing for the Execution and Delivery of Santa Clara Valley Water District Commercial Paper Certificates and Revolving Certificates and the Entering Into of Various Agreements in Connection Therewith

SUMMARY:

Staff is requesting that the Board approve the recommended actions to expand the District's existing Commercial Paper (CP) program by providing for the execution and delivery of up to \$75 million of short-term revolving certificates and authorizing the entering into by the District of a Certificate Purchase and Reimbursement Agreement with Wells Fargo Bank, National Association (WFB). Approval of the recommended actions would increase the District's

	PFFC Board Agenda Memo	Meeting Date: 11/10/2016 Agenda Item No.: 6 Unclassified Manger: Najon Chu Email: NChu@valleywater.org Page 2 of 2
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authorized existing short-term borrowing capacity for the CP Program by \$75 million, from the existing capacity of \$150 million to an expanded capacity of \$225 million. The expanded short-term borrowing capacity would be sufficient to meet the financing needs of the FY 2017 Capital Improvement Plan (CIP), which includes \$151 million capital project budget for Water Utility and \$142 million for Safe, Clean Water Program (including carried forward capital projects from prior years), and the financing needs of future District CIPs.

BACKGROUND:

The full details of the financing are provided in Attachment 3 – Draft District Board Memo.

ATTACHMENT(S):

1. Resolution of the Board of Directors of the Santa Clara Valley Water District Public Facilities Financing Corporation Authorizing the Execution and Delivery of Certain Agreements In Connection With the Expansion of the Santa Clara Valley Water District Commercial Paper Program and the Execution and Delivery of Santa Clara Valley Water District Commercial Paper Certificates and Revolving Certificates Thereunder and Certain Related Actions
2. Resolution of the Board of Directors of the Santa Clara Valley Water District Public Facilities Financing Corporation Amending and Restating Resolution No. PFFC 12-001, as Amended, Providing for the Execution and Delivery of Santa Clara Valley Water District Commercial Paper Certificates and Revolving Certificates and the Entering Into of Various Agreements in Connection Therewith
3. Draft District Board Memo

RESOLUTION NO. PFFC-16-___

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SANTA CLARA VALLEY WATER DISTRICT PUBLIC FACILITIES FINANCING CORPORATION AUTHORIZING THE EXECUTION AND DELIVERY OF CERTAIN AGREEMENTS IN CONNECTION WITH THE EXPANSION OF THE SANTA CLARA VALLEY WATER DISTRICT COMMERCIAL PAPER PROGRAM AND THE EXECUTION AND DELIVERY OF SANTA CLARA VALLEY WATER DISTRICT COMMERCIAL PAPER CERTIFICATES AND REVOLVING CERTIFICATES THEREUNDER AND CERTAIN RELATED ACTIONS.

Adopted November 10, 2016

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;

WHEREAS, in order to effect and continue a commercial paper program, 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 (“District TRANS”) and deposit such District TRANS with the Santa Clara Valley Water District Public Facilities Financing Corporation (the “Corporation”);

WHEREAS, this Board of Directors of the Corporation (this “Board”) has previously adopted on May 10, 2012 its Resolution No. PFFC-12-001, as subsequently amended by Resolution Nos. PFFC-14-001 and PFFC-14-002, adopted on December 10, 2014 as Amendment No. 1 and Amendment No. 2 thereto, respectively (collectively, the “Certificate Resolution”) providing for the execution and delivery of Santa Clara Valley Water District Commercial Paper Certificates (the “Certificates”), and pursuant to which the Corporation has assigned and transferred to the trustee for the Certificates all of its rights, title and interest in the District TRANS for the benefit of the owners of the Certificates and the bank(s) providing credit and/or liquidity support therefor;

WHEREAS, pursuant to the Certificate Resolution there has been executed and delivered thereunder the Santa Clara Valley Water District Commercial Paper Certificates, Series A (Tax-Exempt) and Santa Clara Valley Water District Commercial Paper Certificates, Series B (Taxable);

WHEREAS, the District has determined that it is in the best interests of the District to expand the commercial paper program by arranging for the sale of additional series of Certificates, to be designated the Santa Clara Valley Water District Revolving Certificates, Series C (Tax-Exempt) and Santa Clara Valley Water District Revolving Certificates, Series D (Taxable) (collectively, the “Series CD Certificates”), to Wells Fargo Bank, National Association (“Wells Fargo”) pursuant to a Certificate Purchase and Reimbursement Agreement (the “Certificate Purchase and Reimbursement Agreement”), by and among the Corporation, the District and Wells Fargo, under which Wells Fargo will agree to purchase such Series CD Certificates and to provide liquidity therefor;

WHEREAS, concurrently with the adoption of this Resolution, this Board has adopted a resolution amending and restating the Certificate Resolution to provide for the execution and delivery of the Series CD Certificates to Wells Fargo;

WHEREAS, in connection with the execution and delivery of the Series CD Certificates, the District and the Corporation have determined that it is necessary and desirable to amend certain other agreements and resolutions relating to the Certificates; and

WHEREAS, there has been presented to this Board meeting proposed forms of certain financing documents relating to the commercial paper program of the District and the execution and delivery of the Series CD Certificates as a part thereof;

NOW THEREFORE, the Board of Directors of the Santa Clara Valley Water District Public Facilities 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 this Board so finds and determines.

Section 2. Approval of Restated Issuing and Paying Agent Agreement. The President, Vice President or Chief Financial Officer of the Corporation and their respective designees (each, an "Authorized Officer"), are each hereby authorized to execute, and the Secretary of the Corporation is hereby authorized to attest (if required by the terms of said agreement) to the final form of the Restated Issuing and Paying Agent Agreement (the "Restated Issuing and Paying Agent Agreement"), by and among the District, the Corporation and U.S. Bank National Association, as paying agent for the Certificates, and such Restated Issuing and Paying Agent Agreement is hereby approved. The Restated Issuing and Paying Agent Agreement shall be substantially in the form presented to this meeting with such changes, additions and omissions as shall be approved by the officers executing the same, such approval to be evidenced by the execution and delivery thereof.

Section 3. Approval of Certificate Purchase and Reimbursement Agreement. The Authorized Officers are, and each of them is, hereby authorized to execute, and the Secretary of the Corporation is hereby authorized to attest (if required by the terms of said agreement) to, the final form of the Certificate Purchase and Reimbursement Agreement, for and in the name and on behalf of the Corporation, and such Certificate Purchase and Reimbursement Agreement is hereby approved. The Certificate Purchase and Reimbursement Agreement shall be substantially in the form presented to this meeting with such changes, additions and omissions as shall be approved by the officers executing the same, such approval to be evidenced by the execution and delivery thereof.

The Authorized Officers are, and each of them is, hereby authorized to enter into extensions of the Certificate Purchase and Reimbursement Agreement from time-to-time at the request of the District without further action by this Board so long as such extension has been executed and delivered by a duly authorized officer of the District.

Section 4. Other Actions. The Authorized Officers and the Secretary of the Corporation and the other officers, employees and agents of the Corporation are hereby authorized and directed, jointly and severally, for and in the name of the Corporation, to do any and all things and to take all actions, including execution and delivery or procurement of any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents which they, or any of them individually, may deem necessary or advisable in order to consummate the transactions contemplated by the Restated Issuing and Paying Agent Agreement, the Certificate Purchase and Reimbursement Agreement and this Resolution, and such actions previously taken by such officers, employees and agents are hereby ratified and confirmed.

Section 5. Effective Date. This Resolution shall take effect from and after its date of adoption.

ADOPTED, SIGNED AND APPROVED this 10th day of November, 2016.

David Vanni
President of Santa Clara Valley Water District
Public Facilities Financing Corporation

(SEAL)

ATTEST:

Michele L. King
Secretary of Santa Clara Valley Water District
Public Facilities Financing Corporation

STATE OF CALIFORNIA)
) SS
COUNTY OF SANTA CLARA)

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. PFFC-16-___, was adopted at a meeting of the Board of Directors of said Corporation held on November 10, 2016, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Secretary of Santa Clara Valley Water District Public
Facilities Financing Corporation

RESOLUTION NO. PFFC-_____

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SANTA CLARA VALLEY WATER DISTRICT PUBLIC FACILITIES FINANCING CORPORATION AMENDING AND RESTATING RESOLUTION NO. PFFC-12-001, AS AMENDED, PROVIDING FOR THE EXECUTION AND DELIVERY OF SANTA CLARA VALLEY WATER DISTRICT COMMERCIAL PAPER CERTIFICATES AND REVOLVING CERTIFICATES AND THE ENTERING INTO OF VARIOUS AGREEMENTS IN CONNECTION THEREWITH.

Adopted November 10, 2016

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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;

WHEREAS, in order to effect and continue a commercial paper program, 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 ("District TRANS") and deposit such District TRANS with the Santa Clara Valley Water District Public Facilities Financing Corporation (the "Corporation");

WHEREAS, the Board of Directors of the Corporation has previously adopted on May 10, 2012 its Resolution No. PFFC-12-001, as subsequently amended by Resolution Nos. PFFC-14-001 and PFFC-14-002, adopted on December 10, 2014 as Amendment No. 1 and Amendment No. 2 thereto, respectively, providing for the execution and delivery of Santa Clara Valley Water District Commercial Paper Certificates, and pursuant to which there has been executed and delivered thereunder the Santa Clara Valley Water District Commercial Paper Certificates, Series A (Tax-Exempt) and Santa Clara Valley Water District Commercial Paper Certificates, Series B (Taxable);

WHEREAS, the District has determined that it is in the best interests of the District to expand the commercial paper program by arranging for the sale of additional series of Certificates, to be designated the Santa Clara Valley Water District Revolving Certificates, Series C (Tax-Exempt) and Santa Clara Valley Water District Revolving Certificates, Series D (Taxable) (collectively, the "Series CD Certificates"), to Wells Fargo Bank, National Association ("Wells Fargo") pursuant to a Certificate Purchase and Reimbursement Agreement, by and among the Corporation, the District and Wells Fargo, under which Wells Fargo will agree to purchase such Series CD Certificates and to provide liquidity therefor; and

WHEREAS, the Corporation desires to amend and restate Resolution PFFC-12-001, as previously amended, to allow for the sale of the Series CD Certificates and certain other matters; and

WHEREAS, in accordance with Section 34 of Resolution PFFC-12-001, as previously amended, each of the District, the Trustee, the Paying Agent and the Series AB Bank (as herein defined) consent to the amendments to Resolution PFFC-12-001, as previously amended, effected by the adoption of this Resolution;

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:

“Advance” has the meaning given to it in the Series CD Purchase and Reimbursement Agreement.

“Affiliate” means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by or is under common control with, the Person specified.

“Agreement” means the Series AB Reimbursement Agreement or the Series CD Purchase and Reimbursement Agreement, as applicable.

“Agreements” means the Series AB Reimbursement Agreement and the Series CD Purchase and Reimbursement Agreement, collectively.

“Alternate Letter of Credit” means a letter of credit or other security or liquidity device issued for the Series A Certificates and Series B Certificates in accordance with Section 9(b) hereof which shall have a term of not less than one year.

“Approving District Officer” means each of the Chief Executive Officer, Chief Operating Officer–Administrative Services, Chief Financial Officer or Treasury/Debt Officer of the District (including any interim, acting or otherwise appointed such officer), or the designee thereof.

“Authorized Denominations” means (i) in the case of the Series A Certificates and the Series B Certificates, \$100,000 and any increment of \$5,000 in excess thereof, and (ii) in the case of the Series C Certificates and the Series D Certificates, \$1,000,000 and any increment of \$5,000 in excess thereof.

“Bank” means the Series AB Bank and/or the Series CD Bank, as applicable.

“Bank Obligations” shall mean all reimbursement obligations and other amounts, including fees and expenses, payable to a Bank under an Agreement and the related fee letter, if any.

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

“Bond Counsel” means any 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 applicable Bank and the Dealer (as applicable) 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, with respect to the Series A Certificates and the Series B Certificates, each Restated Dealer Agreement, dated as of June 1, 2012, by and among the District, the Corporation and a Dealer, including any similar agreement entered into by the District and the Corporation with a successor dealer.

“Dealer” means, with respect to the Series A Certificates and the Series B Certificates, Barclays Capital, Inc. and J.P. Morgan Securities LLC or any successor or other enterprise which is acting as a dealer in the Series A Certificates and the Series B Certificates 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 the action proposed to be taken is permitted under this Resolution, complies with this Resolution and will not impair the exclusion of interest with respect to the applicable Tax-Exempt Certificates from gross income for purposes of Federal income taxation or the exemption of interest with respect to such 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 relevant Certificates).

“Fitch” means shall mean Fitch Ratings, 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 “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

“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.

“Interest Payment Date,” with respect to the Series C Certificates and the Series D Certificates, has the meaning given to it in Series CD Purchase and Reimbursement Agreement.

“Issuing and Paying Agent Agreement” means the Restated Issuing and Paying Agent Agreement, dated as of January 1, 2017, by and among the District, the Corporation and the Paying Agent, as amended, supplemented, restated or otherwise modified from time to time in accordance with the terms thereof and hereof.

“Mandatory Prepayment Date,” with respect to the Series C Certificates and the Series D Certificates, has the meaning given to it in Series CD Purchase and Reimbursement Agreement.

“Master Certificate,” with respect to the Series C Certificates and the Series D Certificates, has the meaning given to it in Section 4 hereof.

“Maturity Date” means the date, not later than the maturity date of the related Tax and Revenue Anticipation Note, on which the principal of a Certificate is scheduled to become payable, and in the case of the Series A Certificates and the Series B Certificates, shall be a date not later than 270 days after the date of issuance of such Series A Certificate or Series B Certificate.

“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.

“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, and any successor appointed pursuant to Section 16 hereof.

“Payment Funds” means the Series A Payment Fund, the Series B Payment Fund, the Series C Payment Fund and the Series D 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 investment policy of the District 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; and 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 any two of Moody’s, S&P and Fitch, 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 any two of Moody’s, S&P and Fitch;

(iv) commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, by any two of Moody’s, S&P and Fitch, not lower than “P-1,” “A-1” and “F1,” respectively;

(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” or “Short-Term CD” rating (as applicable) by any two of Moody’s, S&P and Fitch, not lower than “P-1,” “A-1” and “F1,” respectively;

(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 by any one of Moody’s, S&P or Fitch, not lower than “AAA-mf,” “AAAm” or “AAAmmf,” respectively, 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, GNMMAs, FNMAs or FHLMCs with any registered broker/dealer subject to the Securities Investors’ Protection Corporation jurisdiction or any commercial bank insured by the Federal Deposit Insurance Corporation, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated by any two of Moody’s, S&P and Fitch, not lower than “P-1” or “A3,” “A-1” or “A-” or “F1” or “A-,” respectively, 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 (without regard to any modifier) by any two of Moody's, S&P and Fitch;

(x) any other investment permitted under the investment policy of the District as amended from time to time.

"Person" means an individual, corporation, firm, association, partnership, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Project Funds" means the Tax-Exempt Project Fund and the Taxable Project Fund.

"Rating Agency" means, as of any particular date of determination, each of Moody's, Fitch and/or S&P, if such rating agency has at the request of the District assigned a rating to then Outstanding affected Certificates and each other nationally recognized statistical rating agency that at the request of the District has assigned a rating to the then Outstanding affected Certificates.

"Request of the District" means a written request signed by an Approving District Officer.

"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.

"Series" means the Series A Certificates, the Series B Certificates, the Series C Certificates or the Series D 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 AB Bank" means The Bank of Tokyo-Mitsubishi UFJ, Ltd., acting through its New York Branch and its successors and assigns, or any provider of an Alternative Letter of Credit with respect to the Series A Certificates and the Series B Certificates.

"Series AB Letter of Credit" means the irrevocable, transferable direct-pay letter of credit, issued by the Series AB Bank in accordance with the Series AB Reimbursement Agreement.

"Series AB Reimbursement Agreement" means that certain Amended and Restated Reimbursement Agreement, dated as of March 1, 2016, by and among the Series AB Bank, the Corporation and the District, as amended, supplemented, restated or otherwise modified from time to time in accordance with its terms, 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 Series A

Certificates and the Series B Certificates, and any agreements executed by the District in connection with the provider of an Alternate Letter of Credit with respect to the Series A Certificates and the Series B Certificates.

“Series B Certificates” means the Santa Clara Valley Water District Commercial Paper Certificates, Series B (Taxable) created pursuant to Section 3 hereof.

“Series B Payment Fund” means the fund created pursuant to Section 11(b)(iv) hereof.

“Series C Certificates” means the Santa Clara Valley Water District Revolving Certificates, Series C (Tax-Exempt) created pursuant to Section 3 hereof.

“Series C Payment Fund” means the fund created pursuant to Section 11(b)(v) hereof.

“Series CD Bank” means Wells Fargo Bank, National Association and its successors and assigns, or any other credit or liquidity provider under a Series CD Purchase and Reimbursement Agreement.

“Series CD Purchase and Reimbursement Agreement” means that certain Certificate Purchase and Reimbursement Agreement, dated as of January 1, 2017, by and among the Series CD Bank, the Corporation and the District, as amended, supplemented, restated or otherwise modified from time to time in accordance with its terms, providing for the Series CD Bank, under certain terms and conditions, to purchase Series C Certificates and Series D Certificates and to provide liquidity for such Series C Certificates and Series D Certificates by agreeing to advance funds for the payment of the principal of the Series C Certificates and the Series D Certificates at maturity or upon mandatory prepayment and not otherwise paid, and any agreements executed by the District in connection with the provider of a successor or substitute purchase and reimbursement agreement or other liquidity or credit facility with respect to the Series C Certificates and the Series D Certificates.

“Series D Certificates” means the Santa Clara Valley Water District Revolving Certificates, Series D (Taxable) created pursuant to Section 3 hereof.

“Series D Payment Fund” means the fund created pursuant to Section 11(b)(vi) hereof.

“Statutory Limit” means an amount equal to the maximum amount of indebtedness that the District may incur as authorized by and computed in accordance with Section 53850 of the Government Code of the State of California.

“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 the Series A Certificates and the Series C 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 2016-2017 Tax-Exempt Tax and Revenue Anticipation Note issued by the District in accordance with Section 2 of that certain Resolution of the District adopted by the Board of Directors of the District on May 10, 2016, and other similarly secured tax-exempt tax and revenue anticipation notes deposited in accordance with Section 11(b) and Section 34(a)(ii)(A) 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 amounts sufficient to provide for the punctual payment of the Tax-Exempt Certificates (or the reimbursement of a Bank pursuant to an Agreement relating to such payment) and all other Bank Obligations in accordance with the terms of the Tax-Exempt TRAN.

“Taxable Certificates” means the Series B Certificates and the Series D 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 2016-2017 Taxable Tax and Revenue Anticipation Note issued by the District and secured in accordance with Section 2 of that certain Resolution of the District adopted by the Board of Directors of the District on May 10, 2016, and other similarly secured taxable tax and revenue anticipation notes deposited with the Corporation in accordance with Section 11(b) and Section 34(a)(ii)(A) hereof.

“Taxable TRANS Payments” means payments of principal of and interest on the Taxable TRAN paid by the District to the Corporation in amounts sufficient to provide for the punctual payment of the Tax-Exempt Certificates (or the reimbursement of a Bank pursuant to an Agreement relating to such payment) and all other Bank Obligations in accordance with the terms of the Taxable TRAN.

“Trustee” means U.S. Bank National Association 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.

(ii) Whenever in this Resolution the District, a 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, each 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, each 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, each Bank and the Owners of the Certificates.

Section 3. Authorization and Execution and Delivery of Certificates. Solely for the purposes specified in this Resolution and not pursuant to any common plan of financing, the Trustee shall execute and deliver Certificates from time to time in accordance with the Issuing and Paying Agent Agreement in an aggregate principal sum not in excess of the Statutory Limit outstanding at any one time. Any Certificates executed and delivered hereunder shall be at the time of such execution and delivery designated by the District as either Series A Certificates, Series B Certificates, Series C Certificates or Series D Certificates. No more than the Statutory Limit of Tax-Exempt Certificates and/or Taxable Certificates may be outstanding at any one time.

The proceeds of the Certificates shall be used by the District for any lawful purpose, subject to the terms and conditions of this Resolution.

Each Approving District Officer is hereby severally authorized to determine the aggregate principal amount of Series A Certificates and Series B Certificates that shall be Outstanding at any one time which shall not exceed the lesser of (a) together with any Outstanding Series C Certificates and Series D Certificates, the Statutory Limit, and (b) an amount which can be drawn under the Series AB Letter of Credit to pay principal of the Series A Certificates and Series B Certificates and which does not cause the District to violate contractual obligations of the District in the Series AB Reimbursement Agreement.

Under no circumstances may Series A Certificates or Series B 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 Business Day prior to the stated expiration date of the Series AB Letter of Credit; or (c) the effective date of an Alternate Letter of Credit for such Series A Certificates and Series B Certificates. The Series A Certificates and Series B Certificates shall not represent interest rates in excess of the Maximum Rate, but otherwise Series A Certificates and Series B 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 District Officer shall determine at the time of issuance.

Each Approving District Officer is hereby severally authorized to determine the aggregate principal amount of Series C Certificates and Series D Certificates that shall be Outstanding at any one time which shall not exceed the lesser of (a) together with any Outstanding Series A Certificates and Series B Certificates, the Statutory Limit, and (b) the maximum principal amount agreed to be purchased by the Series CD Bank under the Series CD Purchase and Reimbursement Agreement and which does not cause the District to violate contractual obligations of the District in the Series CD Purchase and Reimbursement Agreement.

The Maturity Date of any Series C Certificate or Series D Certificate shall be the earlier of: (a) the maturity date of the respective TRAN; or (b) the Business Day prior to the stated commitment expiration date of the Series CD Purchase and Reimbursement Agreement; provided that in the event that a new or subsequently authorized Tax-Exempt TRAN or Taxable TRAN (as applicable) is assigned to the Trustee, or the stated commitment expiration date of the Series CD Purchase and Reimbursement Agreement is extended by the Series CD Bank in accordance with the terms thereof, as applicable, the respective Maturity Date of the related Series C Certificates or Series D Certificates shall be automatically extended as provided in Section 11(b)(vii). The Series C Certificates and Series D Certificates shall not represent interest rates in excess of the Maximum Rate, but otherwise Series C Certificates and Series D Certificates may represent such rate or rates of interest as provided in the Series CD Purchase and Reimbursement Agreement. The Series CD Certificates shall be sold to the Series CD Bank (or its designee or assigns, subject to the transfer restrictions set forth in Section 8 of this Resolution) at a purchase price equal to the principal amount thereof.

Section 4. Denominations, Medium, Method and Place of Payment and Dating of Certificates. The Series A Certificates and the Series B Certificates shall be executed and delivered in the form of bearer Certificates of such Series, or in fully registered form, as an Approving District Officer shall determine at the time of issuance, in Authorized Denominations. The Series C Certificates and the Series D Certificates shall initially be issued in definitive,

registered form, each in the form of a master certificate (a “Master Certificate”), registered in the name of the Series CD Bank, or as otherwise directed by the Series CD Bank, subject to the provisions of Section 8 hereof.

The principal of and interest, if any, with respect to the Certificates shall be payable in lawful money of the United States of America, and in the case of the Series C Certificates and Series D Certificates, shall be payable in immediately available funds by wire transfer as provided in the Issuing and Paying Agent Agreement. Principal of, and interest on, each Series A Certificate and Series B Certificate shall be payable on the Maturity Date therefor, upon surrender of such Certificate at the office of the Paying Agent, except as otherwise provided in Section 8. Principal of the Series C Certificates and Series D Certificates shall be payable on the Maturity Date. Interest on the Series C Certificates and the Series D Certificates shall be payable on each Interest Payment Date, and shall accrue and be calculated in such manner, as set forth in the Series CD Purchase and Reimbursement Agreement. Payment of principal and interest on the on the Series C Certificates and the Series D Certificates shall be payable without the need to surrender the Certificate as herein provided.

The Paying Agent, the Trustee and the District may treat the Owner of a Certificate as the absolute owner thereof for all purposes, whether or not such Certificate 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; provided, that the payment of the Series C Certificates and Series D Certificates may be evidenced by a notation made on each such Master Certificate, without the need for cancellation of such Certificate, as provided in the Issuing and Paying Agent Agreement.

The Certificates shall be dated the date of authentication thereof. Interest with respect to Series A Certificates and Series B Certificates, if any, will be in the amount of interest accrued from and including the date of authentication to but excluding the Maturity Date thereof. Interest with respect to the Series C Certificates and Series D Certificates will be the amount of interest accrued from and including each Interest Payment Date (or, in the case of the first Interest Payment Date, from the date of authentication) to but excluding the next succeeding Interest Payment Date.

Section 5. Payment of Principal and Interest, if any, With Respect to Certificates; Mandatory Prepayment of Series C Certificates and Series D Certificates.

(a) The interest with respect to Certificates, if any, shall become due and payable as provided in Section 4 hereof. The principal of the Certificates shall become due and payable on the Maturity Date. The principal and interest, if any, with respect to the Series A Certificates and Series B Certificates shall be payable solely and exclusively from the proceeds of drawings on the Series AB 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 such Series A Certificates and Series B 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. The principal and interest, if any, with respect to the Series C Certificates and Series D Certificates shall be payable solely and exclusively from amounts on deposit in the Payment Fund applicable to such Series, all in accordance with Section 11(b) hereof, or if such amounts are insufficient for such purposes, from Advances made by the Series CD Bank pursuant to the Series CD Purchase and Reimbursement Agreement.

(b) The Series C Certificates and the Series D Certificates shall be subject to mandatory prepayment at the price, on the date and in the manner provided in the Series CD Purchase and Reimbursement Agreement, with the principal thereof upon such prepayment to be paid by an Advance as further provided therein.

Section 6. Calculation and Payment of Interest. Interest payable with respect to the Series A Certificates, if any, shall be calculated on the basis of a 365/366-day year and actual days elapsed, and interest payable with respect to the Series C Certificates, if any, shall be calculated on the basis of a 360-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 Series A Certificates and the Series B Certificates shall each be in substantially the forms set forth as Exhibit A and Exhibit B, respectively, of the Issuing and Paying Agent Agreement, as attached thereto and incorporated herein, with appropriate or necessary insertions, omissions and variations as permitted or required hereby. The Series C Certificates and the Series D Certificates shall each be in the form of master notes, in substantially the forms set forth in Exhibit C and Exhibit D, respectively, of the Issuing and Paying Agent Agreement, as attached thereto and incorporated herein, with appropriate or necessary insertions, omissions and variations as permitted or required hereby or by the Series CD Purchase and Reimbursement Agreement. Specifically, each Series C Certificate and each Series D Certificate shall include a legend to the effect that the transfer of any such Certificate is subject to the restrictions set forth in Section 8(f) hereof.

Section 8. The Depository Trust Company and Transfer and Exchange Procedures.

(a) The Series A Certificates and the Series B Certificates may be initially executed and delivered as book-entry certificates 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”), as determined by an Approving District Officer at the time of issuance. Each Approving District Officer is hereby authorized and directed to negotiate with The Depository Trust Company a Letter of Representation (the “Letter of Representation”) with respect to any Series A Certificates or the Series B Certificates which are to be book-entry certificates and is authorized to execute and deliver such Letter of Representation in a form acceptable to an Approving District Officer and the Paying Agent. Registered ownership of the Series A Certificates or the Series B Certificates which are book-

entry certificates, or any portion thereof, may not thereafter be transferred except as set forth in Section 8(b) hereof.

(b) The Series A Certificates or the Series B Certificates which are book-entry certificates 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 District 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 District 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 District 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 Series A Certificates and Series B Certificates by the Paying Agent, together with a written request of an Approving District Officer to the Paying Agent designating the Substitute Depository, a single new Certificate of each such Series of Certificates 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 District Officer. In the case of any transfer pursuant to clause (iii) of Section 8(b) hereof, upon receipt of all Outstanding Series A Certificates or Series B Certificates, as applicable, by the Paying Agent, together with a written request of an Approving District 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 District Officer, subject to the limitations of Section 8(f), provided that the Paying Agent shall deliver such new Certificates of such Series as soon as practicable after the date of receipt of such written request from an Approving District Officer.

(d) Notwithstanding any other provision of this Resolution and so long as all Outstanding Series A Certificates and Series B Certificates 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.

(e) In the case of any transfer pursuant to clause (iii) of Section 8(b) hereof, any Series A Certificate or Series B Certificate 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 A Certificate or Series B 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.

(f) Whenever any Series A Certificate or Series B Certificate 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 Series C Certificates and Series D Certificates may be transferred without limitation (except as provided below) to any Affiliate of the Bank or to a trust or custodial arrangement established by the Bank or an Affiliate of the Bank, each of the beneficial owners of which are “qualified institutional buyers” as defined in Rule 144A promulgated under the Securities Act of 1933, as amended and subject to the limitations, if any, set forth in the Issuing and Paying Agent Agreement. Series C Certificates and/or Series D Certificates may be transferred to another credit provider or purchaser (other than an Affiliate of the Bank or a trust or custodial arrangement as described in the preceding sentence) if (i) written notice of such transfer, together with addresses and related information with respect to such credit provider or purchaser, is delivered to the Corporation, the District, the Paying Agent and the Trustee by such transferor and (ii) such credit provider or purchaser shall have delivered to the Corporation, the District, the Paying Agent, the Trustee and the transferor an Investor Letter in the form attached as an Exhibit to the Series CD Purchase and Reimbursement Agreement executed by a duly authorized officer of such credit provider or purchaser; *provided* that each such credit provider or purchaser shall constitute (1) a “qualified institutional buyer” as defined in Rule 144A promulgated under the Securities Act of 1933, as amended, and (2) a commercial bank organized under the laws of the United States, or any state thereof, or any other country which is a member of the Organization for Economic Cooperation and Development, or a political subdivision of any such country, and, in any such case, having a combined capital and surplus, determined as of the date of any transfer pursuant to this Section, of not less than \$5,000,000,000. If any transfer of the Series C Certificates or Series D Certificates is made, the Series CD Bank shall surrender the related Master Certificate to the Paying Agent, and the Trustee will sign and the Paying

Agent shall authenticate and deliver one or more Series C Certificates or Series D Certificates (as the case may be), in an equal principal amount, of like tenor and, unless otherwise directed by the Series CD Bank, registered in the name of each of the Owners as directed by the Series CD Bank, and the Series CD Bank shall pay all costs and expenses of the Paying Agent, the Trustee, the Corporation and/or the District, of any such transfer and exchange, including without limitations, all legal expenses thereof.

(h) 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, 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, the Certificates of each Series as hereinbefore provided.

(i) The Corporation, the District, the Trustee and the Paying Agent shall be entitled to treat the person in whose name any registered Certificate is registered and any person presenting a bearer Certificate 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, 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. 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, in the case of the Series A Certificates and Series B Certificates delivered as book-entry certificates, 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, and the Paying Agent may rely conclusively on its records as to the identity of the Owners of the Certificates.

(j) 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.

(k) All Certificates 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 held by the Paying Agent shall be disposed of as directed by the District.

Section 9. Series AB Letter of Credit; Alternate Letter of Credit.

(a) Series AB Letter of Credit. The President, Vice President and Chief Financial Officer of the Corporation and their designees were, and each hereby are, authorized and directed to execute and deliver the Series AB Reimbursement Agreement (including any successor or substitute Series AB Reimbursement Agreement duly authorized to be executed and delivered by the District) and such other documents required to be executed and delivered in connection therewith. The Corporation acknowledges that the District has executed and delivered the Series AB Reimbursement Agreement with the Series AB Bank for and in the name of and on behalf of the District. Pursuant to the Series AB Reimbursement Agreement, the Series AB Bank has or shall issue the Series AB Letter of Credit which may be drawn upon to pay principal and interest, if any, with respect to the Series A Certificates and Series B Certificates in accordance with Section 5 hereof and as provided in the Issuing and Paying Agent Agreement.

(b) Alternate Letter of Credit. If at any time there shall have been delivered to the Paying Agent (i) an Alternate Letter of Credit for the Series A Certificates and/or Series B Certificates in substitution for the Series AB Letter of Credit then in effect, (ii) a Favorable Opinion of Bond Counsel, (iii) written evidence from each Rating Agency then rating the Series A Certificates and the Series B Certificates 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 Series AB Letter of Credit then in effect will not, by itself, result in a reduction, suspension or withdrawal of the rating(s) of the Series A Certificates and the Series B Certificates from those which then prevail, and (iv) written evidence satisfactory to the Series AB Bank of the provision for payment of all amounts due it under the Series AB 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 Series AB Letter of Credit then in effect to the Series AB Bank that provided such Series AB Letter of Credit. The District shall give the Dealer, the Paying Agent and the Series AB Bank written notice of the proposed substitution of an Alternate Letter of Credit for the Series AB Letter of Credit then in effect no less than 30 days prior to the date of such substitution.

(c) Series AB Letter of Credit not Security for any other Certificates. The Series AB Letter of Credit and any Alternate Letter of Credit shall not support the Series C Certificates or Series D Certificates.

Section 10. Dealer. Each Approving District Officer is hereby severally authorized to negotiate with the Dealers for the Series A Certificates and Series B Certificates, the interest rate or rates with respect to, and purchase price of, the Series A Certificates and the purchase price of the Series B Certificates. 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 with respect to the Series A Certificates or Series B Certificates 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 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. As provided in Section 5 of the Issuing and Paying Agent Agreement, proceeds from the sale of Certificates payable to the Corporation upon the initial execution and delivery of any Series of Certificates shall be initially delivered to the Paying Agent. Upon the transfer of any such proceeds to the District in accordance with Section 5 of the Issuing and Paying Agent Agreement, the District shall deposit any such 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 any such 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, an Approving District Officer shall file or cause to be filed with the Chief Operating Officer–Administrative Services 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 Operating Officer–

Administrative Services 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, an Approving District Officer shall file or cause to be filed with the Chief Operating Officer–Administrative Services 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 Operating Officer–Administrative Services 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 District 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, on a *pari passu* basis, the Owners of the Tax-Exempt Certificates and each 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 each Bank. Tax-Exempt TRANS Payments are hereby irrevocably pledged and shall be used, upon receipt by the Trustee of instructions from the Paying Agent, (A) in the case of the Series A Certificates, (1) to reimburse the Series AB Bank for drawings under the Series AB Letter of Credit for the payment of Series A Certificates or to pay other Bank Obligations with respect thereto or (2) upon receipt by the Trustee from the Paying Agent of notice that the Series AB Bank has failed to honor all or a portion of a properly presented drawing strictly conforming with the terms and conditions of the Series AB Letter of Credit, or in the event that an Alternate Letter of Credit provides liquidity support but not credit support, and in either case that Series A 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 Series A Certificates, and (B) in the case of Series C Certificates, for the punctual payment of interest and principal with respect to the Series C Certificates (unless, with respect to principal, an Advance has been made under the Series CD Purchase and Reimbursement Agreement for the payment of such principal) or to pay other Bank Obligations with respect thereto. 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 Series AB Letter of Credit is in effect or any amount payable to a Bank under an 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 or the Series C Payment Fund, as applicable. All moneys at any time deposited in the Series A Payment Fund or the Series C Payment Fund shall be held by the Trustee in trust for the benefit of the Owners from time to time of the applicable Series of Tax-Exempt Certificates and the applicable Bank, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes herein set forth.

Notwithstanding anything to the contrary herein, the pledge of Tax-Exempt TRANS Payments made hereby for the equal and ratable benefit of the Owners of the Tax-Exempt Certificates and of each Bank, without priority or distinction.

(ii) Taxable Tax and Revenue Anticipation Note. The Corporation hereby assigns and transfers to the Trustee without recourse, for the benefit of, on a *pari passu* basis, the Owners of the Taxable Certificates and each 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 each Bank. Taxable TRANS Payments are hereby irrevocably pledged and shall be used, upon receipt by the Trustee of instructions from the Paying Agent, (A) in the case of the Series B Certificates, (1) to reimburse the Series AB Bank for drawings under the Series AB Letter of Credit for the payment of Series B Certificates or to pay other Bank Obligations with respect thereto or (2) upon receipt by the Trustee from the Paying Agent of notice that the Series AB Bank has failed to honor all or a portion of a properly presented drawing strictly conforming with the terms and conditions of the Series AB Letter of Credit, or in the event that an Alternate Letter of Credit provides liquidity support but not credit support, and in either case that Series B 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 Series B Certificates, and (B) in the case of Series D Certificates, for the punctual payment of interest and principal with respect to the Series D Certificates (unless, with respect to principal, an Advance has been made under the Series CD Purchase and Reimbursement Agreement for the payment of such principal) or to pay other Bank Obligations with respect thereto. The Taxable TRANS Payments shall not be used for any other purpose while any of the Taxable Certificates remain Outstanding or either the Series AB Letter of Credit is in effect or any amount payable to a Bank under an 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 or the Series D Payment Fund, as applicable. All moneys at any time deposited in the Series B Payment Fund or the Series D Payment Fund shall be held by the Trustee in trust for the benefit of the Owners from time to

time of the applicable Series of Taxable Certificates and the applicable Bank, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes herein set forth.

Notwithstanding anything to the contrary herein, the pledge of Taxable TRANS Payments made hereby for the equal and ratable benefit of the Owners of the Taxable Certificates and of each Bank, without priority or distinction.

(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 Series AB 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 Series AB Letter of Credit for the payment of Series A Certificates has been honored by the Series AB Bank, the Trustee shall transfer to the Series AB Bank from amounts on deposit in the Series A Payment Fund to reimburse the Series AB Bank for drawings on the Series AB Letter of Credit an amount equal to the lesser of the amount of such drawing honored by the Series AB 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 Series AB Bank dishonored all or a portion of a drawing on the Series AB Letter of Credit for the payment of Series A Certificates 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 Series AB 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 Series AB Letter of Credit for the payment of Series B Certificates has been honored by the Series AB Bank, the Trustee shall transfer to the Series AB Bank from amounts on deposit in the Series B Payment Fund to reimburse the Series AB Bank for drawings on the Series AB Letter of Credit an amount equal to

the lesser of the amount of such drawing honored by the Series AB 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 Series AB Bank dishonored all or a portion of a drawing on the Series AB Letter of Credit for the payment of Series B Certificates 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.

(v) Series C Payment Fund. There is hereby established with the Trustee the Series C 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 C Certificates remain unpaid or any amounts remain owing to the Series CD Bank.

All Tax-Exempt TRANS Payments received from the District, and any Advance received or deemed to be received by the District (with respect to the payment of principal represented by the Series C Certificates), and allocable to the Series C Certificates shall be applied to make payment of interest and principal payable with respect to the Series C Certificates to the Owner or Owners thereof.

(vi) Series D Payment Fund. There is hereby established with the Trustee the Series D 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 D Certificates remain unpaid or any amounts remain owing to the Series CD Bank.

All Taxable TRANS Payments received from the District, and any Advance received or deemed to be received by the District (with respect to the payment of principal represented by the Series D Certificates), and allocable to the Series D Certificates shall be applied to make payment of interest and principal payable with respect to the Series D Certificates to the Owner or Owners thereof.

(vii) Extension of Maturity Date of the Series CD Certificates. The Maturity Date of the Series C Certificates and Series D Certificates may be automatically extended as follows:

(A) In the event that a new or subsequently authorized Tax-Exempt TRAN or Taxable TRAN is issued by the District to the Corporation and assigned by the Corporation to the Trustee as contemplated by subparagraph (b)(i) or subparagraph (b)(ii), respectively, of this Section 11, then, upon receipt by the Trustee and the Paying Agent of a Request of the District signed by an Approving District Officer so directing, the Maturity Date of all Outstanding Series C Certificates or Series D Certificates, as applicable, shall be automatically extended, without re-execution thereof, to the earlier of the (a) the maturity date of the new or subsequently authorized Tax-Exempt TRAN or Taxable TRAN, as applicable; or (b) the Business Day prior to the stated commitment expiration date of the Series CD Purchase and Reimbursement Agreement.

(B) In the event that the stated commitment expiration date of the Series CD Purchase and Reimbursement Agreement is extended by the Series CD Bank in accordance with the terms thereof, then, upon receipt by the Trustee and the Paying Agent of a Request of the District signed by an Approving District Officer so directing, the Maturity Date of all Outstanding Series C Certificates or Series D Certificates, as applicable, shall be automatically extended, without re-execution thereof, to the earlier of the (a) the maturity date of the existing Tax-Exempt TRAN or Taxable TRAN, as applicable; or (b) the Business Day prior to the new stated commitment expiration date of the Series CD Purchase and Reimbursement Agreement.

(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, each 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, each 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, any 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 District 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 each 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 each 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 each 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 three (3) 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 three (3) 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, may escheat to the State of California, and the District and the Paying Agent shall thereupon be released and discharged with respect thereto; provided that prior to making any such transfer, the Paying Agent shall, at the expense 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 each 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 escheat to the State of California.

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 complete the Certificate forms (attached as Exhibits A through D to the Issuing and Paying Agent Agreement, as may be appropriate and consistent with the provisions of this Resolution and the Issuing an Paying Agent Agreement, and to deliver the Certificates, in the case of the Series A Certificates and the Series B Certificates, to the Dealer in accordance with the terms and provisions of the corresponding Dealer Agreement, or, in the case of the Series C Certificates and the Series D Certificates, to the Series CD Bank in accordance with the provisions of the Series CD Purchase and Reimbursement 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 with respect to the Certificates 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, Vice President and Chief Financial Officer of the Corporation and their designees each hereby are 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 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 each Bank; provided however, that the resignation or removal of the Paying Agent shall not be effective until the conditions set forth in Section 15 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 each Bank.

The Paying Agent is also appointed as registrar and hereby is directed to authenticate Certificates upon the direction of an Approving District Officer or upon the request of any Owner for the transfer or exchange of Certificates, subject to any restrictions thereon, all 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 subparagraph (i) of this Section 17(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 Section 17(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 subparagraph (a)(iii) of this Section 17 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 17 to the contrary, the obligation to comply with the requirements of this Section 17 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, hold as cash or invest moneys in the Payment Funds in Permitted Investments as instructed in writing by an Approving District 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 Permitted Investment equal to the amount of accrued interest, if any, paid as part of the purchase price of such Permitted Investment shall be credited to the fund or account for the credit of which such Permitted Investment 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 face value. 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(s), 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(s), the Trustee, the Paying Agent and the Owners.

Section 21. Successor Deemed Included in All References to Predecessor. Whenever a 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 such 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 each 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 a 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 an Agreement and after all obligations owed to the Bank pursuant to such 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 such 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 (except to the extent otherwise expressly provided) be in writing delivered by first-class mail (postage prepaid) or overnight express delivery, or by e-mail, facsimile transmission or other electronic means of communication promptly confirmed by mail (postage prepaid) and shall be addressed as follows, or to such other address as the party receiving such notice shall have previously specified to the party sending such notice:

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, Inc.
7 World Trade Center
at 250 Greenwich Street
New York, NY 10007
Attn: Moody's Municipal Supported Products Surveillance Group
E-mail: MSPGSurveillance@moodys.com Moody's Investors Service

If to S&P:

Standard & Poor's Ratings Services
55 Water Street, 38th Floor
New York, NY 10041
Attn: Municipal Structured Surveillance
E-mail: pubfin_structured@standardandpoors.com Standard & Poor's

If to Fitch:

Fitch Ratings, Inc.
33 Whitehall Street
New York, NY 10004
E-mail: pubfinsurv@fitchratings.com

If to the Series AB Bank, at the address(es) set forth in the Series AB Reimbursement Agreement.

If to the Series CD Bank, at the address(es) set forth in the Series CD Purchase and Reimbursement Agreement.

Section 31. Notices to Rating Agencies. The Trustee shall give prompt notice to the Rating Agencies 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 Series AB Reimbursement Agreement expires or is terminated, substituted or extended provided the Trustee shall have received written notice thereof.
- (d) The Series AB Reimbursement 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 District Officers with respect to the sale and delivery of the Certificates are hereby approved, confirmed and ratified, and the officers and agents of the Corporation and the Board and Approving District 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, including the completion of any immaterial omission in this Resolution, such as the dates of documents authorized hereby or notice addresses.

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 hereto, which the Corporation may adopt with the written consent of each 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 additional 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 the Rating Agencies 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 each 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), including the deposit by the District and the assignment by the Corporation to the Trustee of an additional Tax-Exempt TRAN or Taxable TRAN as security for any Series of Tax-Exempt Certificates or Taxable Certificates (as the case may be) 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.

(v) Notwithstanding anything to the contrary, this Resolution may also be modified or amended from time to time and at any time by a supplemental resolution, with the written consent of the District and the Series CD Bank, the Trustee and the Paying Agent but without the consent of any Certificate Owners (other than the Series CD Bank) or the Series AB Bank to amend any provision of this Resolution in a manner which does not adversely affect the rights and interests of the Owners of the Series A Certificates or B Certificates or the Series AB Bank.

(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. Each 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 District 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.

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 10th day of November, 2016.

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

) ss

COUNTY OF SANTA CLARA

)

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. _____, was adopted at a regular Board Meeting on November 10, 2016, of said Corporation by the following vote:

AYES: Directors:

NOES: Directors:

ABSTAIN: Directors:

ABSENT: Directors:

Secretary

EXHIBIT A

[RESERVED]

EXHIBIT B

[RESERVED]

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 November 10, 2016 (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 November 10, 2016, (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:

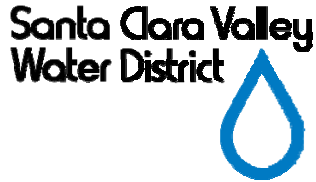
(v) The amount requested has been incurred by the District and is presently due and payable and each item thereof is a proper charge against the above specified account and has not heretofore been previously paid therefrom;

(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: _____



Meeting Date: 12/13/2016
Agenda Item:
Unclassified Manager: N. Chu
Extension: 2208
Director(s): All

FC 1025 (09-20-13)

BOARD AGENDA MEMO

SUBJECT: Adopt a Resolution of the Board of Directors of the Santa Clara Valley Water District Authorizing the Execution and Delivery of Certain Agreements In Connection With the Expansion of the Existing Commercial Paper Program and Certain Other Related Actions and Adopt a Resolution of the Board of Directors of the Santa Clara Valley Water District Amending Resolution No. 16-10 Providing for the Allocation of Water Utility System Revenues and Establishing Covenants to Secure the Payment of Obligations Payable from Net Water Utility System Revenues (Water Utility Parity System Master Resolution)

RECOMMENDATION:

- A. Adopt a Resolution of the Board of Directors of the Santa Clara Valley Water District Authorizing the Execution and Delivery of Certain Agreements In Connection With the Expansion of the Existing Commercial Paper Program and Certain Other Related Actions; and
- B. Adopt the Resolution of the Board of Directors of the Santa Clara Valley Water District Amending Resolution No. 16-10 Providing for the Allocation of Water Utility System Revenues and Establishing Covenants to Secure the Payment of Obligations Payable from Net Water Utility System Revenues (Water Utility Parity System Master Resolution); and
- C. Authorize the Chief Executive Officer, Chief Operating Officer-Administrative Services, Chief Financial Officer, or Treasury and Debt Officer (in each case, including any interim, acting or otherwise appointed such officer, as the case may be, and together, the "Authorized Officers") and the Clerk of the Board of Directors and such other officers and staff of the District, acting singly, to do any and all things and to execute and deliver any and all documents which such officers may deem necessary or advisable and to do and cause to be done any and all acts and things necessary for carrying out the transactions contemplated by the resolutions and related documents and ratifying all such prior actions taken

SUMMARY:

Staff is requesting that the Board approve the recommended actions to expand the District's existing Commercial Paper (CP) program by providing for the execution and delivery of up to \$75 million of short-term revolving certificates and authorizing the entering into by the District of

a Certificate Purchase and Reimbursement Agreement with Wells Fargo Bank, National Association (WFB). Approval of the recommended actions would increase the District's authorized existing short-term borrowing capacity for the CP Program by \$75 million, from the existing capacity of \$150 million to an expanded capacity of \$225 million. The expanded short-term borrowing capacity would be sufficient to meet the financing needs of the FY 2017 Capital Improvement Plan (CIP), which includes \$151 million capital project budget for Water Utility and \$142 million for Safe, Clean Water Program (including carried forward capital projects from prior years), and the financing needs of future District CIPs.

Board approval of the recommended actions would also authorize the Authorized Officers to enter into extensions of the Certificate Purchase and Reimbursement Agreement from time-to-time in accordance with Section 2.12 of the Certificate Purchase and Reimbursement Agreement so long as: (i) the applicable spreads shall not be greater than 1% (100 basis points) higher than spreads payable to the bank at the time of the extension; (ii) the other terms and conditions of any such extension are substantially similar to the terms and conditions of the Certificate Purchase and Reimbursement Agreement; and (iii) the District financial advisor certifies in writing that the fees payable to the bank under the Certificate Purchase and Reimbursement Agreement at the time of the extension (and giving effect to such extension) are consistent with the market at such time, taking into account, among other considerations, the costs of negotiating a replacement Certificate Purchase and Reimbursement Agreement or similar or other short-term financing vehicle with a replacement bank with a comparable credit rating, as well as any trading advantage or disadvantage associated with a replacement bank (if relevant to any alternative facility).

The revolving certificates allow the District to diversity its exposure to short-term interest rate risk, market access risk, and mitigate bank credit risk associated with letters of credit.

The recommended actions also approve, and authorize the Authorized Officers to execute and deliver, a Restated Issuing and Paying Agent Agreement with the paying agent for the District's CP program in order to provide for the addition of the revolving certificates.

Commercial Paper Program

Under the District's CP program, the revolving certificates (similar to the existing authorized CP) will be secured by the District Tax and Revenue Anticipation Notes (TRANs). The obligation of the District to make payments on the TRANs is a general obligation of the District. Additionally, the District has pledged the Net Water Utility System Revenues on a parity, with the payment of all other subordinate obligations, to the payment of the TRANs.

The proceeds of the revolving certificates to be purchased by WFB under the Certificate Purchase and Reimbursement Agreement (similar to the District's existing CP) may be used for any District purposes, including, but not limited to, capital expenditure, investment and reinvestment, and the discharge of any obligation or indebtedness of the District.

The Board had previously approved the CP Program to be used for eligible Water Utility and Safe, Clean Water Program capital expenditures. The repayment of the CP debt will be allocated between Water Utility and Safe, Clean Water funds based on actual debt issuance for the respective funds.

The use of short-term debt to finance eligible project costs as they are incurred helps minimize overall interest cost for the District and ensures compliance with the arbitrage rebate requirements of Section 148 of the Internal Revenue Code. Generally speaking, at the time of issuance, the issuer must have reasonable expectations that at least 85% of tax-exempt debt proceeds will be expended within three years of debt issuance. Failure to comply with those arbitrage limitations will result in the bonds being arbitrage bonds and interest on the bonds being taxable.

The long-term strategy is to refund/refinance short-term debt with long-term debt which will be repaid over time. For the Water Utility Program, the issuance of long-term debt helps keep water charges low and stable over the long-term and ensures inter-generational equity in the beneficial use and payment for long-lived assets. It also allows for timely completion of capital projects without having to wait for accumulation of sufficient funding over time. The water charge study shows that Water Utility finances will be healthy despite the issuance of debt, assuming that forecasted water charge increases are implemented.

For the Safe, Clean Water Program, issuing debt allows the projects to be done earlier as it bridges the timing difference between when the voter approved special parcel tax revenues are collected versus the desired project delivery schedule based on the Board approved CIP. The Safe, Clean Water special parcel tax was approved by voters on November 6, 2012 and has a sunset date of June 30, 2028.

The CP Program is a very low cost short-term debt. Per the Certificate Purchase and Reimbursement Agreement, the fees and interest cost for the \$75 million revolving certificates (based on the District's current credit rating) are as follows:

- (1) 0.25% for unutilized capacity;
- (2) For utilized capacity, the rate for tax-exempt debt is 70% of 1-month LIBOR plus 0.35%; and
- (3) For utilized capacity, the rate for taxable debt is 1-month LIBOR plus 0.50%.

At the current 1-month LIBOR rate of approximately 0.86%, the annual interest rate for the utilized capacity would be 0.95% for tax-exempt debt and 1.36% for taxable debt. The actual rates will vary depending on the actual 1-month LIBOR rates over the term of the agreement.

The actual amounts the District would pay will depend on the utilization of the capacity, prorated by the amount of time the capacity is utilized or not utilized. For example, if the District does not utilize the \$75 million capacity for a fiscal year, the annual cost to maintain the capacity would be equal to the unutilized fee of 0.25% multiplied by \$75 million, or approximately \$190,000. If the District issues \$75 million in tax-exempt debt for a fiscal year, the annual cost would be approximately \$724,000. If the District issues \$75 million in taxable debt for a fiscal year, the annual cost would be approximately \$1 million.

Assuming the 1-month LIBOR remains at current levels, the actual annual cost will likely be below \$1 million as the weighted average cost of the debt will be between 0.25% to 1.36%, depending on the ratio of unutilized vs. utilized capacity for tax-exempt and taxable debt used during each fiscal year. These rate estimates only apply to the \$75 million expanded capacity per the Certificate Purchase and Reimbursement Agreement. The rates for the existing \$150 million capacity are subject to market rates at time of issuance.

The fees and interest rates illustrated above are based on the rate scale for the District's current long-term unenhanced parity debt ratings of "AA1" by Moody's Investors Services, Inc., and "AA" by Fitch Ratings Inc. Should the District's credit ratings be adjusted downward, the fees and interest costs will increase in accordance with the rate scale specified in the Certificate Purchase and Reimbursement Agreement.

Request for Proposal (RFP) Selection Process

The RFP was published on July 15, 2016, on the District Contract Administration System website. Direct email solicitations were also sent to a target list of 22 banks and advertisements of the RFP were published in the San Jose Mercury News, Small Business Exchange, and the Bond Buyer.

Four banks responded to the RFP on the proposal due date on August 22, 2016. A Proposal Review Committee (Committee) comprised of two District staff and one external advisor scored the proposals based on the following evaluation criteria: pricing, terms and conditions, qualifications, client reference, and small business/local business qualifications.

Wells Fargo Bank, N.A. (WFB) was ranked the highest by the Committee. Despite the issues related to retail banking as reported in the CEO Bulletins dated September 23-29 and Sep 30–Oct 6, 2016 and the October 7, 2016 Non-Agenda Board Memo, WFB is a very strong national bank with strong long-term credit ratings of Aa1/AA/AA- from Moody's/Fitch/S&P respectively. The fee proposal offered by WFB may save the District as much as \$715,000 to \$2.5 million over the three-year term compared to the other proposals. Per the terms of the Certificate Purchase and Reimbursement, the District would have the option to terminate the Agreement after one year without penalty.

Financing Documents

The following financing documents, in substantially final form, are attached for Board review and approval:

Resolutions of the Board; Resolutions of the PFFC; Certificate Purchase and Reimbursement Agreement; and Restated Issuing and Paying Agent Agreement.

Financing Schedule

Pending District Board approval of the recommended actions on December 13, 2016, the transaction is expected to close in January 2017.

PFFC Board Approval

Due to the statutory limitations in the District Act regarding short-term borrowing, the District is required to enter into the agreements in conjunction with the PFFC. The PFFC Board adopted the resolution amending and restating the CP program resolution to authorize the \$75 million expanded capacity for the revolving certificates and a resolution approving the execution and

delivery of the Certificate Purchase and Reimbursement Agreement and the Restated Issuing and Paying Agent Agreement on November 10, 2016.

FINANCIAL IMPACT:

The estimated annual cost of the \$75 million expanded program capacity, including interest and fees (e.g., banking, legal and other related fees) of \$1 million has been included in the Board adopted FY 2016–17 Operating Budget.

CEQA:

The recommended action does not constitute a project under CEQA because it does not have a potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

ATTACHMENTS:

1. Resolution of the Board of Directors of the Santa Clara Valley Water District Authorizing the Execution and Delivery of Certain Agreements In Connection With the Expansion of the Existing Commercial Paper Program and Certain Other Related Actions
2. Resolution of the Board of Directors of the Santa Clara Valley Water District Amending Resolution No. 16-10 Providing for the Allocation of Water Utility System Revenues and Establishing Covenants to Secure the Payment of Obligations Payable from Net Water Utility System Revenues (Water Utility Parity System Master Resolution)
3. Certificate Purchase and Reimbursement Agreement
4. Restated Issuing and Paying Agent Agreement

**BOARD OF DIRECTORS
SANTA CLARA VALLEY WATER DISTRICT**

RESOLUTION NO. 16-

**AUTHORIZING THE EXECUTION AND DELIVERY OF CERTAIN
AGREEMENTS IN CONNECTION WITH THE EXPANSION OF THE EXISTING
COMMERCIAL PAPER PROGRAM AND CERTAIN OTHER RELATED ACTIONS**

WHEREAS, the Santa Clara Valley Water District (the "District") is a flood control and water district duly organized and existing under and pursuant to the Constitution and laws of the State of California;

WHEREAS, the District has previously undertaken a commercial paper program through the Santa Clara Valley Water District Public Facilities Financing Corporation (the "Corporation") under which there may be executed and delivered from time to time Santa Clara Valley Water District Commercial Paper Certificates, Series A (Tax-Exempt) and Santa Clara Valley Water District Commercial Paper Certificates, Series B (Taxable) (together the "Series AB Certificates");

WHEREAS, pursuant to the commercial paper program, commercial paper certificates may be executed and delivered thereunder in an aggregate principal sum not in excess of the maximum amount of indebtedness that the District may incur as authorized by and computed in accordance with Section 53850 of the Government Code of the State of California (the "Statutory Limit");

WHEREAS, in order to effect and continue the commercial paper program, the District has from time-to-time determined to issue tax and revenue anticipation notes ("TRANS") pursuant to Section 53850 *et seq.* of the Government Code of the State of California and deposit such notes with the Corporation, the payments under which TRANS are pledged to secure the payment of the commercial paper certificates (or to reimburse the bank providing a facility for the credit and/or liquidity support thereof) and other short-term obligations;

WHEREAS, pursuant to Resolution No. 16-41 adopted on May 10, 2016 (the "TRANS Resolution"), the District determined to issue in fiscal year 2016-17 tax-exempt TRANS and taxable TRANS in a combined aggregate principal amount not to exceed \$225,000,000, which amount has been determined by the District to be not in excess of the Statutory Limit;

WHEREAS, credit support for the execution and delivery of not to exceed \$150,000,000 principal amount of Series AB Certificates is currently provided by a letter of credit issued by The Bank of Tokyo-Mitsubishi UFJ, Ltd., acting through its New York Branch, pursuant to an Amended and Restated Reimbursement Agreement, dated as of March 1, 2016, by and among the Corporation, the District and The Bank of Tokyo-Mitsubishi UFJ, Ltd., acting through its New York Branch;

WHEREAS, the District has determined that it is in the best interests of the District to now expand the commercial paper program by arranging for the sale of additional series of certificates in an aggregate principal amount of not to exceed \$75,000,000, as

revolving certificates (the “Series CD Certificates”) to Wells Fargo Bank, National Association (“Wells Fargo”), pursuant to a Certificate Purchase and Reimbursement Agreement (the “Certificate Purchase and Reimbursement Agreement”), by and among the Corporation, the District and Wells Fargo, under which Wells Fargo will agree, under certain terms and conditions, to purchase such Series CD Certificates and to provide liquidity therefor by agreeing to advance funds for the payment of the principal of such Series CD Certificates at maturity or upon the mandatory prepayment thereof and not otherwise paid;

WHEREAS, in connection with the expansion of the commercial paper program and the execution and delivery of the Series CD Certificates, the District has determined that it is necessary and desirable to amend certain other agreements and resolutions relating to the commercial paper program; and

WHEREAS, there has been presented to this board meeting proposed forms of certain financing documents relating to the expansion of the commercial paper program and the execution and delivery of the Series CD Certificates as a part thereof.

NOW, THEREFORE BE IT RESOLVED by the Board of Directors of the Santa Clara Valley Water District (the “Board”), as follows:

Section 1. Recitals True and Correct. The Board does hereby find and declare that the above recitals are true and correct.

Section 2. Restated Issuing and Paying Agent Agreement. The Restated Issuing and Paying Agent Agreement (the “Restated Issuing and Paying Agent Agreement”), by and among the District, the Corporation and U.S. Bank National Association, as paying agent for the District’s commercial paper program, in substantially the form submitted to this meeting and made a part hereof as though set forth in full herein, is hereby approved. The Chief Executive Officer, Chief Operating Officer–Administrative Services, Chief Financial Officer and Treasury/Debt Officer of the District (in each case, including any interim, acting or otherwise appointed such officer) and their respective designees (each, an “Authorized Officer”) are, and each of them is, hereby authorized and directed, for and in the name of the District, to execute and deliver the Restated Issuing and Paying Agent Agreement in the form presented to this meeting, with such changes, insertions and omissions as may be recommended by District Counsel or Norton Rose Fulbright US LLP, as bond counsel (“Bond Counsel”) and as the Authorized Officer executing the same may require or approve, such requirement or approval to be conclusively evidenced by the execution of the Restated Issuing and Paying Agent Agreement by such Authorized Officer. The Clerk of the Board is hereby authorized to attest to the final form of the Restated Issuing and Paying Agent Agreement, for and in the name and on behalf of the District.

Section 3. Certificate Purchase and Reimbursement Agreement. The Certificate Purchase and Reimbursement Agreement, including the forms of the Master Certificates to be purchased thereunder and the forms of the Bank Notes attached

thereto, in substantially the forms submitted to this meeting and made a part hereof as though set forth in full herein, is hereby approved. Solely for purposes of Section 2 of TRANs Resolution, the determination of the interest rate payable on the CD Certificates in accordance with the terms of the Certificate Purchase and Reimbursement Agreement and the Master Certificates shall be deemed to constitute the determination by a commercial paper dealer, which interest rate is hereby approved. The Authorized Officers are, and each of them is, hereby authorized and directed, for and in the name of the District, to execute and deliver the Certificate Purchase and Reimbursement Agreement and the Bank Notes in the forms presented to this meeting, with such changes, insertions and omissions as may be recommended by District Counsel or Bond Counsel and as the Authorized Officer executing the same may require or approve, such requirement or approval to be conclusively evidenced by the execution of such documents by such Authorized Officer. The Clerk of the Board is hereby authorized to attest to the final form of the Certificate Purchase and Reimbursement Agreement, for and in the name and on behalf of the District, if required by the terms of said instrument.

The Authorized Officers are, and each of them is, hereby authorized to enter into extensions of the Certificate Purchase and Reimbursement Agreement from time-to-time in accordance with Section 2.12 of the Certificate Purchase and Reimbursement Agreement to facilitate the extension of the Certificate Purchase and Reimbursement Agreement without further action by the Board so long as (i) each of the tax-exempt applicable spread and taxable applicable spread payable to the bank thereunder shall not be greater than 1.0% (100 basis points) higher than the tax-exempt applicable spread and taxable applicable spread payable to the bank at the time of the extension, (ii) the other terms and conditions of any such extension (including any amendment to the Certificate Purchase and Reimbursement Agreement required to implement such extension) are substantially similar to the terms and conditions of the Certificate Purchase and Reimbursement Agreement, and (iii) the District's financial advisor certifies in writing that the fees payable to the bank under the Certificate Purchase and Reimbursement Agreement at the time of the extension (and giving effect to such extension) are consistent with the market at such time (taking into account, among other considerations, the costs of negotiating a replacement Certificate Purchase and Reimbursement Agreement or similar or other short-term financing vehicle with a replacement bank with a comparable credit rating, including attorney fees, as well as any trading advantage or disadvantage associated with a replacement bank, if relevant to any alternative facility).

Section 4. Other Actions. The Authorized Officers, the Clerk of the Board and such other appropriate officers and staff of the District are hereby authorized and directed, jointly and severally, for and in the name of the District, to do any and all things and to take all actions, including delivery of a commercial paper offering memorandum and the execution and delivery or procurement of any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents which they, or any of them individually, may deem necessary or

advisable in order to consummate the transactions contemplated by the Restated Issuing and Paying Agent Agreement, the Certificate Purchase and Reimbursement Agreement and this Resolution, and such actions previously taken by such officers, employees and agents are hereby ratified and confirmed.

Section 5. Consent to Resolution No. PFFC-16-__. In connection with the transactions contemplated hereby, the board of directors of the Corporation has adopted Resolution No. PFFC-16-__, which amends and restates Resolution No. PFFC-12-001, adopted by the board of directors of the Corporation on May 10, 2012, as amended by Resolution Nos. PFFC-14-001 and PFFC-14-002, adopted by the board of directors of the Corporation on December 10, 2014), which provides for the execution and delivery of Santa Clara Valley Water District Commercial Paper Certificates, including the additional series of commercial paper certificates contemplated in connection with the execution and delivery of the Certificate Purchase and Reimbursement Agreement approved hereby. The Authorized Officers were, and each of them hereby is, authorized and directed to consent to Resolution No. PFFC-16-__, and such consent is hereby ratified and confirmed.

Section 6. Effect. This resolution shall take effect immediately.

PASSED AND ADOPTED by the Board of Directors of Santa Clara Valley Water District by the following vote on December ____ 2016.

AYES: Directors

NOES: Directors

ABSENT: Directors

ABSTAIN: Directors

SANTA CLARA VALLEY WATER DISTRICT

By: _____
BARBARA KEEGAN
Chair/Board of Directors

ATTEST: MICHELE L. KING, CMC

Clerk/Board of Directors

CLERK'S CERTIFICATE

I, Michelle L. King, CMC, Clerk of the Board of Directors of the Santa Clara Valley Water District, Santa Clara County, California, hereby certify as follows:

The foregoing is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Board of Directors of said District duly and regularly and legally held at the regular meeting place thereof on December ____, 2016, of which meeting all of the members of said Board of Directors had due notice and at which a majority thereof were present.

At said meeting said resolution was adopted by the following vote:

AYES: Directors

NOES: Directors

ABSENT: Directors

ABSTAIN: Directors

I have carefully compared the same with the original minutes of said meeting on file and of record in my office, and the foregoing is a full, true and correct copy of the original resolution adopted at said meeting and entered in said minutes.

Said resolution has not been amended, modified or rescinded since the date of its adoption, and same is now in full force and effect.

Dated: _____, 2017

Clerk/Board of Directors
Santa Clara Valley Water District

(Seal)

**BOARD OF DIRECTORS
SANTA CLARA VALLEY WATER DISTRICT**

RESOLUTION NO. 16-

**AMENDING RESOLUTION NO. 16-10 PROVIDING FOR THE ALLOCATION
OF WATER UTILITY SYSTEM REVENUES AND ESTABLISHING
COVENANTS TO SECURE THE PAYMENT OF OBLIGATIONS PAYABLE
FROM NET WATER UTILITY SYSTEM REVENUES
(WATER UTILITY PARITY SYSTEM MASTER RESOLUTION)**

WHEREAS, the Santa Clara Valley Water District (the "District") is a flood control and water district duly organized and existing under and pursuant to the Constitution and laws of the State of California;

WHEREAS, the District owns and operates that certain Water Utility System as described in the hereinafter referenced Water Utility Parity System Master Resolution;

WHEREAS, the District previously adopted Resolution No. 16-10 on February 23, 2016 (the "Water Utility Parity System Master Resolution") to provide for the allocation of Water Utility System Revenues and to establish covenants to secure the payment of obligations payable from Net Water Utility System Revenues (as such terms are defined in the Water Utility Parity System Master Resolution); and

WHEREAS, the District desires to amend the Water Utility Parity System Master Resolution to cure or correct certain typographical errors or defective provisions contained in such Water Utility Parity System Master Resolution;

NOW, THEREFORE BE IT RESOLVED by the Board of Directors of the Santa Clara Valley Water District, as follows:

Section 1. Recitals True and Correct. The Board of Directors does hereby find and declare that the above recitals are true and correct.

Section 2. Amendments to the Water Utility Parity System Master Resolution

(a) The second recital in the Water Utility Parity System Master Resolution is hereby amended in its entirety to read as set forth below and all references to the Original Resolution contained in the Water Utility Parity System Master Resolution shall refer to the Original Resolution as defined in such second recital as hereby amended:

"WHEREAS, the District previously issued and incurred obligations of the District which are payable from Net Water Utility System Revenues under (and as such term is defined in) Resolution No. 94-58 of the District, originally adopted on June 23, 1994, as subsequently amended and supplemented to the date hereof (the "Original Resolution"); and"

(b) The definition of Senior Obligations is hereby amended and restated to read in its entirety as follows:

“Senior Obligations

“Senior Obligations” means obligations of the District secured by a pledge of and lien on Water Utility System Revenues under the Original Resolution and payable from Net Water Utility System Revenues on a basis senior and superior to the payment of Bonds and Contracts. As of the date of adoption of this Resolution, the only Senior Obligations outstanding are: (i) the District’s Water Utility System Refunding Revenue Bonds, Taxable Series 2006B; and (ii) the District’s obligation to make installment payments under that certain installment purchase agreement dated as of September 1, 2007, which installment payments secure the Santa Clara Valley Water District Revenue Certificates of Participation (Water Utility System Improvement Projects) Series 2007A and Taxable Series 2007B. For avoidance of doubt, Maintenance and Operation Obligations do not constitute Senior Obligations hereunder and nothing herein shall preclude the incurrence thereof.”

Section 2. No Other Amendment. Except as expressly amended by the terms of this Resolution, all other terms of the Water Utility Parity System Master Resolution shall remain in full force and effect.

Section 3. Effective Date. This resolution shall take effect immediately.

PASSED and ADOPTED by the Board of Directors of Santa Clara Valley Water District by the following vote on December ____ 2016.

AYES: Directors

NOES: Directors

ABSENT: Directors

ABSTAIN: Directors

SANTA CLARA VALLEY WATER DISTRICT

By: _____
BARBARA KEEGAN
Chair/Board of Directors

ATTEST: MICHELE L. KING, CMC

Clerk/Board of Directors

CLERK'S CERTIFICATE

I, Michelle L. King, CMC, Clerk of the Board of Directors of the Santa Clara Valley Water District, Santa Clara County, California, hereby certify as follows:

The foregoing is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Board of Directors of said District duly and regularly and legally held at the regular meeting place thereof on December ____, 2016, of which meeting all of the members of said Board of Directors had due notice and at which a majority thereof were present.

At said meeting said resolution was adopted by the following vote:

AYES: Directors

NOES: Directors

ABSENT: Directors

ABSTAIN: Directors

I have carefully compared the same with the original minutes of said meeting on file and of record in my office, and the foregoing is a full, true and correct copy of the original resolution adopted at said meeting and entered in said minutes.

Said resolution has not been amended, modified or rescinded since the date of its adoption, and same is now in full force and effect.

Dated: _____, 2017

Clerk/Board of Directors
Santa Clara Valley Water District

(Seal)

CERTIFICATE PURCHASE AND REIMBURSEMENT AGREEMENT

Dated as of [**January**] 1, 2017

by and among

SANTA CLARA VALLEY WATER DISTRICT PUBLIC FACILITIES FINANCING CORPORATION,

SANTA CLARA VALLEY WATER DISTRICT

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,

Relating to

\$75,000,000

Santa Clara Valley Water District Revolving Certificates,
Series C (Tax-Exempt) and Series D (Taxable)

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CERTIFICATE PURCHASE AND REIMBURSEMENT AGREEMENT

This CERTIFICATE PURCHASE AND REIMBURSEMENT AGREEMENT dated as of [January] 1, 2017 (as amended, modified or restated from time to time, this “*Agreement*”), is entered into among the SANTA CLARA VALLEY WATER DISTRICT (the “*District*”), the SANTA CLARA VALLEY WATER DISTRICT PUBLIC FACILITIES FINANCING CORPORATION (the “*Corporation*”) and WELLS FARGO BANK, NATIONAL ASSOCIATION and its successors and permitted assigns.

RECITALS

The District and the Corporation have requested that the Bank agree to purchase Certificates and extend Advances from time to time, and the Bank has agreed to such request on the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby 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:

“*1933 Act*” means the Securities Act of 1933, as amended.

“*Advance*” has the meaning set forth in Section 2.06(a) hereof.

“*Advance Date*” has the meaning set forth in Section 2.06(a) hereof.

“*Advance End Date*” means, with respect to any Advance, the earliest to occur of (a) the third (3rd) anniversary of the date such Advance was made or deemed made, (b) the date on which the outstanding principal amount of such Advance and all accrued interest thereon is reimbursed in full in accordance with the terms hereof, (c) the Business Day when commercial paper notes, bonds or other similar obligations are issued by or on behalf of the District, the proceeds of which could be used to reimburse the Bank for the outstanding principal amount of such Advance and all accrued interest thereon, and (d) the date on which the Bank causes the outstanding principal amount of such Advance and all accrued interest thereon to become due and payable in accordance with Section 8.02 hereof.

“*Advance Payment*” has the meaning set forth in Section 2.06(b) hereof.

“*Advance Payment Date*” means, with respect to any Advance, (a) the applicable Initial Advance Payment Date and each six-month anniversary of such Initial Advance Payment Date

occurring thereafter which occurs prior to the applicable Advance End Date and (b) the applicable Advance End Date.

“Advance Period” has the meaning set forth in Section 2.06(b) hereof.

“Advance Rate” means, with respect to any Advance, a fluctuating interest rate per annum which, for each day, shall equal (i) for the period from and including the date such Advance was made or deemed made to and including the one hundred eightieth (180th) day immediately succeeding the date such Advance was made or deemed made, the Base Rate from time to time in effect and (ii) from the period from and after the one hundred eighty-first (181st) day immediately succeeding the date such Advance was made or deemed made, the Base Rate from time to time in effect *plus* one percent (1.0%); *provided* that if an Event of Default has occurred and is continuing, the Advance Rate shall equal the Default Rate.

“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 Taxable Rate” has the meaning set forth in Section 2.04(d) hereof.

“Alternate Tax-Exempt Rate” has the meaning set forth in Section 2.04(d) hereof.

“Applicable Factor” means 70%.

“Approving Opinion” means, with respect to any action relating to Tax-Exempt Certificates, an opinion delivered by Bond Counsel to the effect that such action (i) is permitted by the Certificate Resolution (or, if applicable, another Related Document) and (ii) will not adversely affect the exclusion of interest with respect to such Tax-Exempt Certificates from gross income of the Bank for purposes of federal income taxation.

“Authorized Officer” means each of the Chief Executive Officer, the Chief Operating Officer - Administrative Services, the Chief Financial Officer or the Treasury/Debt Officer of the District (including any interim, acting or otherwise appointed such officer) or the designee of any such officer.

“Available Commitment” means, on any date, the Maximum Commitment from time to time in effect adjusted as follows: (a) downward in an amount equal to the principal amount of any Certificates purchased by the Bank pursuant to the terms hereof; and (b) upward in an amount equal to the principal amount of (i) any Certificates paid by the District (without the proceeds of an Advance) pursuant to the terms of Section 2.05 hereof, or (ii) if applicable, any

Advance reimbursed by the District pursuant to the terms of Section 2.06 hereof; *provided, that*, after giving effect to any of the foregoing adjustments the Available Commitment shall never exceed the Maximum Commitment from time to time in effect at any one time.

“*Bank*” means Wells Fargo Bank, National Association, a national banking association, and its successors.

“*Bank Note*” has the meaning set forth in Section 2.06(e) hereof.

“*Bank Transferee*” has the meaning set forth in Section 9.06(b) hereof.

“*Base Rate*” means, for any day, a fluctuating rate of interest per annum equal to the greatest of (i) the Prime Rate in effect at such time *plus* one percent (1.0%), (ii) the Federal Funds Rate in effect at such time *plus* two percent (2.0%), and (iii) seven percent (7.0%).

“*Bond Counsel*” means the law firm of Norton Rose Fulbright US LLP, or any nationally recognized bond counsel selected by the District and acceptable to the Bank.

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

“*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 Trustee and Paying Agent and the Bank are located and the office of the Bank at which requests for purchases hereunder are to be presented is located (initially, San Francisco, California) 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 that certain Resolution No. PFFC-[____], adopted by the Corporation on [_____, 20__], which amends and restates that certain Resolution No. PFFC-12-001, adopted by the Corporation on May 10, 2012, as previously amended, and as the same may be amended, restated, supplemented or otherwise modified pursuant to the terms hereof and thereof.

“*Certificates*” has the meaning specified in Section 2.01(a) hereof.

“*Change in Law*” means the occurrence, after the Closing Date, of any of the following: (a) the adoption or taking effect of any Law, including, without limitation, Risk-Based Capital Guidelines, (b) any change in any Law or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request,

rule, ruling, guideline, regulation or directive (whether or not having the force of law) by any Governmental Authority; *provided* that notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, ruling, guidelines, regulations or directives thereunder or issued in connection therewith and (ii) all requests, rules, rulings, guidelines, regulations or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States of America or foreign regulatory authorities shall in each case be deemed to be a “Change in Law,” regardless of the date enacted, adopted or issued.

“*Closing Date*” means [_____], 2017, subject to the satisfaction or waiver by the Bank of the conditions precedent set forth in Section 4.01 hereof.

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

“*Commitment*” means the agreement of the Bank pursuant to Section 2.01 hereof to make purchases of Certificates under the terms hereof for the account of the District.

“*Commitment Expiration Date*” means [_____, **2020**], unless extended as provided herein.

“*Commitment Fee*” has the meaning set forth in Section 2.08(a) hereof.

“*Commitment Fee Rate*” means the rates per annum set forth in the Level associated with the District Ratings as set forth below:

	District Rating			Commitment Fee Rate
	Moody’s	Fitch	S&P	
Level I	Aa2 or above	AA or above	AA or above	0.250%
Level II	Aa3	AA-	AA-	0.275%
Level III	A1	A+	A+	0.300%
Level IV	A2	A	A	0.350%
Level V	A3	A-	A-	0.400%
Level VI	Baa1	BBB+	BBB+	0.550%
Level VII	Baa2	BBB	BBB	0.800%

In the case of a split District Rating (i.e., the District Ratings of the Rating Agencies are not at the same level), the Commitment Fee Rate shall be determined as follows: (i) in the event all three Rating Agencies provide District Ratings, the Commitment Fee Rate shall be based on (A) the equivalent District Ratings or, (B) if no such District Ratings are equivalent, the second

highest of the three District Ratings, and (ii) in the event only two Rating Agencies provide District Ratings, the Commitment Fee Rate shall be based upon the lower District Rating. Any change in the Commitment Fee Rate resulting from a change in a District Rating shall be and become effective as of and on the date of the announcement of the change in such District Rating. References to the District Ratings above are references to rating categories as presently determined by the Rating Agencies and in the event of adoption of any new or changed rating system by any Rating Agency, including, without limitation, any recalibration of the District Rating in connection with the adoption of a “*global*” rating scale, each District Rating in question referred to above shall be deemed to refer to the rating category under the new rating system which most closely approximates the applicable rating category as currently in effect. The District acknowledges that as of the Closing Date the Commitment Fee Rate is that specified above for Level I.

“*Computation Date*” means the second London Business Day preceding the LIBOR Reset Date.

“*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.

“*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, for any day, a fluctuating rate per annum equal to the sum of the Base Rate in effect on such day *plus* three percent (3.00%).

“*Determination Date*” has the meaning set forth in Section 2.04(d) hereof.

“*Determination of Taxability*” means and shall be deemed to have occurred on the first to occur of the following:

(i) on the date when the District files any statement, supplemental statement or other tax schedule, return or document which discloses that an Event of Taxability shall have in fact occurred;

(ii) on the date when the Holder or any former Holder notifies the District that it has received a written opinion by a nationally recognized firm of attorneys of substantial expertise on the subject of tax-exempt municipal finance to the effect that an Event of Taxability shall have occurred unless, within one hundred eighty (180) days after receipt by the District of such notification from the Holder or any former Holder, the District shall deliver to the Holder and any former Holder a ruling or determination letter issued to or on behalf of the District by the Commissioner of the Internal Revenue Service or the Director of Tax-Exempt Bonds of the Tax-Exempt and Government Entities Division of the Internal Revenue Service (or any other government official exercising the same or a substantially similar function from time to time) to the effect that, after taking into consideration such facts as form the basis for the opinion that an Event of Taxability has occurred, an Event of Taxability shall not have occurred;

(iii) on the date when the District shall be advised in writing by the Commissioner of the Internal Revenue Service or the Director of Tax-Exempt Bonds of the Tax-Exempt and Government Entities Division of the Internal Revenue Service (or any other government official exercising the same or a substantially similar function from time to time, including an employee subordinate to one of these officers who has been authorized to provide such advice) that, based upon filings of the District, or upon any review or audit of the District or upon any other ground whatsoever, an Event of Taxability shall have occurred; or

(iv) on the date when the District shall receive notice from the Holder or any former Holder that the Internal Revenue Service (or any other government official or agency exercising the same or a substantially similar function from time to time) has assessed as includable in the gross income of such Holder or such former Holder the interest on the Tax-Exempt Certificates due to the occurrence of an Event of Taxability;

provided, however, no Determination of Taxability shall occur under subparagraph (iii) or (iv) hereunder unless the District has been afforded the opportunity, at its expense, to contest any such assessment, and, further, no Determination of Taxability shall occur until such contest, if made, has been finally determined; *provided further, however*, that upon demand from the Holder or former Holder, the District shall promptly reimburse, but solely from payments made by the District, such Holder or former Holder for any payments, including any taxes, interest, penalties or other charges, such Holder (or former Holder) shall be obligated to make as a result of the Determination of Taxability.

“*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.

“*District Authorizing Resolution*” means that certain Resolution No. [____], Authorizing the Execution and Delivery of Certain Agreements in Connection with the Expansion of the Existing Commercial Paper Program and Certain Other Related Actions, adopted by the Board of Directors of the Santa Clara Valley Water District on [_____, 20__].

“*District Rating*” means the long-term unenhanced debt rating assigned by any of Moody’s, Fitch or S&P to any Parity Obligations.

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

“*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.

“*Event of Taxability*” means a (i) change in Law or fact or the interpretation thereof, or the occurrence or existence of any fact, event or circumstance (including, without limitation, the taking of any action by the District, or the failure to take any action by the District, or the making by the District of any misrepresentation herein or in any certificate required to be given in connection with the issuance, sale or delivery of the Tax-Exempt Certificates) which has the effect of causing interest paid or payable with respect to any Tax-Exempt Certificate to become includable, in whole or in part, in the gross income of the Holder or any former Holder for federal income tax purposes or (ii) the entry of any decree or judgment by a court of competent jurisdiction, or the taking of any official action by the Internal Revenue Service or the

Department of the Treasury, which decree, judgment or action shall be final under applicable procedural law, in either case, which has the effect of causing interest paid or payable with respect to any Tax-Exempt Certificate to become includable, in whole or in part, in the gross income of the Holder or any former Holder for federal income tax purposes with respect to the Tax-Exempt Certificates.

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

“*Excess Interest Fee*” 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 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.

“*Excluded Tax*” means, with respect to the Bank or any Holder, (a) taxes imposed on or measured by its overall net income (however denominated), and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the laws of which the Bank or such Holder is organized or in which its principal office is located, and (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which the Bank is located.

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

“*Federal Funds Rate*” means, for any day, the rate per annum 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 on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; *provided that*: (a) if such day is not a Business Day, then the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day; and (b) if no such rate is so published on such next succeeding Business Day, then the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of one-hundredth of one percent) charged to the Bank on such day on such transactions as determined by the Bank. Notwithstanding anything herein to the contrary, if the Federal Funds Rate as determined as provided above would be less than zero percent (0.0%), then the Federal Funds Rate shall be deemed to be zero percent (0.0%) for purposes of this Agreement.

“*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.

“*Holder*” means the Bank and each Bank Transferee or Non-Bank Transferee pursuant to Section 9.06 hereof so long as such Bank Transferee or Non-Bank Transferee is an owner of Certificates or the corresponding Advance as provided for herein.

“*Indemnified Taxes*” means Taxes other than Excluded Taxes.

“*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.

“*Initial Advance Payment Date*” means the first Business Day of the sixth (6th) full calendar month following the applicable Advance Date; *provided* that if such date is not at least one hundred eighty (180) days after such Advance Date, then the Initial Advance Payment Date shall be the first Business Day of the seventh (7th) full calendar month following such Advance Date.

“*Interest Payment Date*” means as to any Certificate, the first Business Day of each month and the date of any payment or prepayment of principal of such Certificate or, if an Advance is made or deemed made with respect to any Certificates, the date on which such Advance is made or deemed made.

“*Interest Period*” means the period commencing on and including the first Business Day of each month to but not including the first Business Day of the immediately succeeding month;

provided that with respect to any Certificate executed and delivered or deemed executed and delivered on a date other than the first Business Day of a month, “Interest Period” shall mean the period commencing on and including the date of issuance (or deemed issuance) to but not including the first Business Day of the immediately succeeding month.

“*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.

“*Issuing and Paying Agent Agreement*” means that certain Restated Issuing and Paying Agent Agreement dated as of [_____], 2017, 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.

“*Liabilities*” has the meaning set forth in Section 9.04(b) hereof.

“*LIBOR Rate*” means the rate of interest per annum determined by the Bank based on the rate for United States dollar deposits for delivery on the LIBOR Reset Date for a period equal to one month as reported on Reuters Screen LIBOR01 page (or any successor page) at approximately 11:00 a.m., London time, on each Computation Date (or if not so reported, then as determined by the Bank from another recognized source of interbank quotation). The Bank’s internal records of applicable interest rates shall be determinative in the absence of manifest error. Notwithstanding anything in this Agreement to the contrary, if the LIBOR Rate determined as provided above would be less than zero percent (0.0%), then the LIBOR Rate shall be deemed to be zero percent (0.00%).

“*LIBOR Reset Date*” means the first Business Day of each month; *provided* that with respect to any Certificate executed and delivered or deemed executed and delivered on a date other than the first Business Day of a month, “LIBOR Reset Date” shall mean such date of issuance or deemed issuance.

“*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).

“*London Business Day*” means any day that is a day for trading by and between banks in Dollar deposits in the London interbank market.

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

“*Mandatory Prepayment Date*” means the third (3rd) Business Day after receipt by the District, the Corporation and the Paying Agent of notice of an Event of Default from the Bank and directing the District and the Trustee, as applicable, to cause the outstanding Certificates to be subject to mandatory prepayment.

“*Margin Rate Factor*” means the greater of (i) 1.0 and (ii) the product of (A) one minus the Maximum Federal Corporate Tax Rate multiplied by (B) 1.53846. The effective date of any change in the Margin Rate Factor shall be the effective date of the decrease or increase (as applicable) in the Maximum Federal Corporate Tax Rate resulting in such change.

“*Master Certificate*” has the meaning set forth in Section 2.01 hereof.

“*Master Tax-Exempt Certificate*” has the meaning set forth in Section 2.01 hereof.

“*Master Taxable Certificate*” has the meaning set forth in Section 2.01 hereof.

“*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 repayment of the Advances and the accrued interest thereon or the payment of the TRANs and accrued interest thereon relating to the Certificates, (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 Commitment*” means, on any date, \$75,000,000 as adjusted as follows: (a) downward in an amount equal to the principal amount of any and all reductions pursuant to Section 2.09(a) hereof, and (b) downward to zero upon the expiration or termination of the Commitment in accordance with the terms hereof.

“*Maximum Federal Corporate Tax Rate*” means the maximum rate of income taxation imposed on corporations pursuant to Section 11(b) of the Code, as in effect from time to time (or, if as a result of a change in the Code, the rate of income taxation imposed on corporations generally shall not be applicable to the Bank, the maximum statutory rate of federal income taxation which could apply to the Bank).

“*Maximum Rate*” means (i) with respect to any Certificate, the lesser of (x) twelve percent (12.0%) and (y) the maximum non-usurious lawful rate of interest permitted by applicable law, and (ii) with respect to any other Obligation (including, without limitation, any

Reimbursement Obligation) 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.

“*Non-Bank Transferee*” has the meaning set forth in Section 9.06(c) hereof.

“*Obligations*” means the Reimbursement Obligations and all other payment obligations of the District to the Bank arising under or in relation to this Agreement, the Bank Note and/or Advances, including in each case, all interest payable thereon.

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

“*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 by Resolution No. [16-__] adopted by the District on [_____, 20__], and as the same may be further 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*” means any entity to which the Bank has granted a participation in the obligations of the Bank hereunder and/or under the Certificates and/or the Advances.

“*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 Closing Date, U.S. Bank National Association is the Paying Agent.

“*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 on any day, the rate of interest per annum then most recently established by the Bank as its “prime rate.” Any such rate is a general reference rate of interest, may not be related to any other rate, and may not be the lowest or best rate actually charged by the Bank to any customer or a favored rate and may not correspond with future increases or decreases in interest rates charged by other lenders or market rates in general, and the Bank may make various business or other loans at rates of interest having no relationship to such rate. If the Bank ceases to establish or publish a prime rate from which the Prime Rate is then determined, the applicable variable rate from which the Prime Rate is determined thereafter shall be instead the prime rate reported in The Wall Street Journal (or the average prime rate if a high and a low prime rate are therein reported), and the Prime Rate shall change without notice with each change in such prime rate as of the date such change is reported. Notwithstanding anything herein to the contrary, if the Prime Rate determined as provided above would be less than zero percent (0.0%), then the Prime Rate shall be deemed to be zero percent (0.0%) for purposes of this Agreement.

“*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.

“*Purchase*” means each purchase of a Certificate described in Section 2.03 hereof.

“*Purchase Date*” means each date on which a Purchase occurs.

“*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*” means an amount equal to the product of (A) the Commitment Fee Rate in effect on the date of the applicable permanent reduction of the Maximum Commitment, (B) the principal amount of such permanent reduction of the Maximum Commitment, and (C) a fraction, the numerator of which is equal to the number of days from and including the date of such reduction to and including the first anniversary of the Closing Date, and the denominator of which is 360.

“*Reimbursement Obligations*” means any and all obligations of the District to repay the Bank in connection with the repayment of Advances, including all interest accrued thereon.

“*Related Documents*” means this Agreement, the Certificates, the Issuing and Paying Agent Agreement, the TRANs Act, the District Act, each of the Resolutions, the TRANs, the Bank Note 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.

“*Request for Purchase*” means the request for a purchase of a Certificate by the Bank, in the form of Exhibit A hereto.

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

“*Risk-Based Capital Guidelines*” means (a) the risk-based capital guidelines in effect in the United States of America, including transition rules, and (b) the corresponding capital regulations promulgated by regulatory authorities outside the United States of America including transition rules, and any amendment to such regulations that are applicable to the Bank.

“*S&P*” means S&P Global Ratings, 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 AB Bank Pledge*” has the meaning set forth in Section 2.13 hereof.

“*Series C Certificates*” means the Santa Clara Valley Water District Revolving Certificates, Series C (Tax-Exempt).

“*Series D Certificates*” means the Santa Clara Valley Water District Revolving Certificates, Series D (Taxable).

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

“*State*” means the State of California.

“*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, 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-Exempt Applicable Spread” means the rates per annum set forth in the Level associated with the District Ratings as set forth below:

District Rating				Tax-Exempt Applicable Spread
	Moody's	Fitch	S&P	
Level I	Aa2 or above	AA or above	AA or above	0.350%
Level II	Aa3	AA-	AA-	0.425%
Level III	A1	A+	A+	0.500%
Level IV	A2	A	A	0.650%
Level V	A3	A-	A-	0.800%
Level VI	Baa1	BBB+	BBB+	1.050%
Level VII	Baa2	BBB	BBB	1.400%

In the case of a split District Rating (i.e., the District Ratings of the Rating Agencies are not at the same level), the Tax-Exempt Applicable Spread shall be determined as follows: (i) in the event all three Rating Agencies provide District Ratings, the Tax-Exempt Applicable Spread shall be based on (A) the equivalent District Ratings or, (B) if no such District Ratings are equivalent, the second highest of the three District Ratings, and (ii) in the event only two Rating Agencies provide District Ratings, the Tax-Exempt Applicable Spread shall be based upon the lower District Rating. Any change in the Tax-Exempt Applicable Spread resulting from a change in a District Rating shall be and become effective as of and on the date of the announcement of the change in such District Rating. References to the District Ratings above are references to rating categories as presently determined by the Rating Agencies and in the event of adoption of any new or changed rating system by any Rating Agency, including, without limitation, any recalibration of the District Rating in connection with the adoption of a “global” rating scale, each District Rating in question referred to above shall be deemed to refer to the rating category under the new rating system which most closely approximates the applicable rating category as currently in effect. The District acknowledges that as of the Closing Date the Tax-Exempt Applicable Spread is that specified above for Level I.

“*Tax-Exempt Certificate*” has the meaning set forth in Section 2.01(a) hereof.

“*Tax-Exempt LIBOR Rate*” means a floating rate per annum (rounded upward to the fifth decimal place) that is equal to the product of (x) the sum of (a) the product of (i) LIBOR Rate, multiplied by (ii) the Applicable Factor, plus (b) the Tax-Exempt Applicable Spread, multiplied by (y) the Margin Rate Factor; provided, however, that immediately and upon the occurrence of an Event of Default (and without any notice given with respect thereto) and during the continuation of such Event of Default, “*Tax-Exempt LIBOR Rate*” shall mean the Default Rate; provided further that if for any LIBOR Reset Date the LIBOR Rate is not available, then the Tax-Exempt LIBOR Rate shall be determined in the manner set forth in Section 2.04(d) hereof.

“*Tax-Exempt TRAN*” means (i) that certain Santa Clara Valley Water District 2016-2017 Tax-Exempt Tax and Revenue Anticipation Note issued by the District and secured in accordance with the TRANs Resolution, and (ii) all other similarly secured tax-exempt tax and revenue anticipation notes issued by the District pursuant to a TRANs Resolution and assigned to the Trustee in accordance with the Certificate Resolution.

“*Taxable Applicable Spread*” means the rates per annum set forth in the Level associated with the District Ratings as set forth below:

District Rating				Taxable Applicable Spread
	Moody’s	Fitch	S&P	
Level I	Aa2 or above	AA or above	AA or above	0.500%
Level II	Aa3	AA-	AA-	0.575%
Level III	A1	A+	A+	0.650%
Level IV	A2	A	A	0.800%
Level V	A3	A-	A-	0.950%
Level VI	Baa1	BBB+	BBB+	1.200%
Level VII	Baa2	BBB	BBB	1.550%

In the case of a split District Rating (i.e., the District Ratings of the Rating Agencies are not at the same level), the Taxable Applicable Spread shall be determined as follows: (i) in the event all three Rating Agencies provide District Ratings, the Taxable Applicable Spread shall be based on (A) the equivalent District Ratings or, (B) if no such District Ratings are equivalent, the second highest of the three District Ratings, and (ii) in the event only two Rating Agencies provide District Ratings, the Taxable Applicable Spread shall be based upon the lower District Rating. Any change in the Taxable Applicable Spread resulting from a change in a District Rating shall be and become effective as of and on the date of the announcement of the change in such District Rating. References to the District Ratings above are references to rating categories as presently determined by the Rating Agencies and in the event of adoption of any new or changed rating system by any Rating Agency, including, without limitation, any recalibration of the District Rating in connection with the adoption of a “*global*” rating scale, each District Rating in question referred to above shall be deemed to refer to the rating category under the new rating system which most closely approximates the applicable rating category as currently in effect. The District acknowledges that as of the Closing Date the Taxable Applicable Spread is that specified above for Level I.

“*Taxable Certificate*” has the meaning set forth in Section 2.01(a) hereof.

“*Taxable Date*” means the date on which interest with respect to any Tax-Exempt Certificate is first includable in gross income of the Holder (including, without limitation, any previous Holder) thereof as a result of an Event of Taxability as such a date is established pursuant to a Determination of Taxability.

“*Taxable Gross-Up Rate*” means, with respect to a Taxable Period, the product of (i) the interest rate on the Tax-Exempt Certificate during such period and (ii) 1.54.

“*Taxable LIBOR Rate*” means a floating rate per annum (rounded upward to the fifth decimal place) equal to the sum of the LIBOR Rate, *plus* the Taxable Applicable Spread; *provided, however*, that immediately and upon the occurrence of an Event of Default (and without any notice given with respect thereto) and during the continuation of such Event of Default, “*Taxable LIBOR Rate*” shall mean the Default Rate; *provided further* that if for any LIBOR Reset Date the LIBOR Rate is not available, then the Taxable LIBOR Rate shall be determined in the manner set forth in Section 2.04(d) hereof.

“*Taxable Period*” has the meaning set forth in Section 2.10 hereof.

“*Taxable TRAN*” means (i) that certain Santa Clara Valley Water District 2016-2017 Taxable Tax and Revenue Anticipation Note issued by the District and secured in accordance with the TRANs Resolution, and (ii) all other similarly secured taxable tax and revenue anticipation notes issued by the District pursuant to a TRANs Resolution and assigned to the Trustee in accordance with the Certificate Resolution.

“*Taxes*” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, fines, additions to tax or penalties applicable thereto; *provided*, that in no event shall the term Taxes include any fines or penalties assessed against the Bank that are not related to the extension of credit provided for herein.

“*Termination Date*” means the earliest of (i) the Commitment Expiration Date, (ii) the date on which the Commitment is terminated in accordance with Section 2.09 hereof or the Maximum Commitment is permanently reduced to zero in accordance with Section 2.09 hereof, and (iii) the date on which the Bank declares the Commitment to be terminated in accordance with Section 8.02 hereof.

“*Termination Fee*” means an amount equal to the product of (A) the Commitment Fee Rate in effect on the date of termination of the Commitment, (B) the Maximum Commitment immediately prior to giving effect to the termination of the Commitment and (C) a fraction, the numerator of which is equal to the number of days from and including the date of termination to and including the first anniversary of the Closing Date, and the denominator of which is 360.

“*TRANs*” means, collectively, the Tax-Exempt TRAN and the Taxable TRAN.

“*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 10, 2016 authorizing the issuance of the TRANS relating to 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 the Certificates.

“*Trustee*” means a corporation or banking entity designated to act as the Trustee pursuant to the terms of the Certificate Resolution. As of the Closing 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.

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 any of the District, the Corporation or the Bank shall so request, the Bank, the Corporation 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 San Francisco, California time (daylight or standard, as applicable).

Section 1.06. 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 SALE AND PURCHASE; ADVANCES; CLOSING

Section 2.01. Purchase and Sale of Certificates. (a) From the Closing Date through the Termination Date, and upon and subject to the terms and conditions and on the basis of the representations, warranties and agreements contained herein, the Bank hereby agrees, when requested by the District pursuant to the terms of this Agreement, to extend credit for the benefit of the District by purchasing from the Trustee from time to time (but in no event more than five (5) Certificates per any thirty (30) day period), in an aggregate principal amount not to exceed the Available Commitment from time to time in effect, and the District hereby agrees to sell and deliver to, or cause to be sold and delivered to, the Bank from time to time, the Series C Certificates executed and delivered from time to time, in accordance with the Certificate Resolution (the “*Tax-Exempt Certificates*”) and evidenced by a master certificate in the form attached as Exhibit C to the Issuing and Paying Agent Agreement (the “*Master Tax-Exempt Certificate*”), and the Series D Certificates executed and delivered from time to time in accordance with the Certificate Resolution (the “*Taxable Certificates*” and, together with the Tax-Exempt Certificates, collectively herein the “*Certificates*”) and evidenced by a master certificate in the form attached as Exhibit D to the Issuing and Paying Agent Agreement (the “*Master Taxable Certificate*” and, together with the Master Tax-Exempt Certificate, collectively herein the “*Master Certificates*”). The Tax-Exempt Certificates represent undivided ownership interests in the applicable Tax-Exempt TRAN, and the Taxable Certificates represent undivided ownership interests in the applicable Taxable TRAN.

(b) Pursuant to and subject to the terms of this Agreement, each Certificate shall be deemed to be purchased by and sold to the Bank at a purchase price equal to the principal amount of such Certificate with no accrued interest, and the Bank shall pay such purchase price to the Paying Agent on the related Purchase Date. Such Certificate shall be deemed to be executed, authenticated and delivered to the Bank on the related Purchase Date, and the Bank will cause a notation to be made upon the applicable Master Certificate to reflect the principal amount of the Certificate deemed to be so purchased and sold. Each Certificate shall (i) be dated the date such Certificate is deemed to be executed and delivered to the Bank, (ii) mature on a date no later than the earlier of (x) the Commitment Expiration Date, provided, that in the event that the Commitment Expiration Date is extended by the Bank in accordance with the terms hereof, the maturity date of the applicable Certificate shall be automatically extended as provided in Section 11(b)(vii) of the Certificate Resolution and the Bank shall make a notation of such extension on the related Master Certificate with respect to such Certificate, and (y) the date on which the then existing and related Tax-Exempt TRAN or Taxable TRAN, as applicable, matures, provided, that in the event that a new or subsequently authorized Tax-Exempt TRAN or Taxable TRAN, as applicable, is assigned to the Trustee, the maturity date of the applicable Certificate shall be automatically extended as provided in Section 11(b)(vii) of the Certificate Resolution and the Bank shall make a notation of such extension on the related Master Certificate with respect to such Certificate, and (iii) be in a minimum principal amount of \$1,000,000 or an integral multiple of \$5,000 in excess thereof.

Section 2.02. Closing. Upon the satisfaction of the conditions set forth in Section 4.01 hereof and based on the representations, warranties and covenants of the District and the Corporation set forth herein, the Bank hereby agrees to purchase Certificates (evidenced by the Master Certificates) from time to time and pay the purchase price therefor specified in Section 2.01(b) hereof (and the Trustee and/or the Paying Agent, as applicable, shall be deemed to have caused the execution, authentication and delivery of such Certificate) at each Purchase upon the terms set forth in this Agreement. On the Closing Date, fully registered Master Certificates executed by manual signature of the Trustee and authenticated by the Paying Agent shall be issued to and registered in the name of the Bank, or as otherwise directed by the Bank, as provided for in the Certificate Resolution.

Section 2.03. Method of Purchase. (a) Each purchase of a Certificate shall be made upon the District's irrevocable written notice to the Bank in the form of a Request for Purchase with blanks appropriately completed. Each Request for Purchase shall be signed by an Authorized Officer and shall specify: (1) the Purchase Date which shall be a Business Day and shall be at least three (3) Business Days after the date of the Request for Purchase; (2) the principal amount of the Certificate to be purchased shall not exceed the Available Commitment as of the proposed Purchase Date; (3) the principal amount of the Certificate to be purchased, together with all other Certificates and Series AB Certificates (as defined in the Certificate Resolution) then outstanding relating to the same TRAN, shall not exceed the principal amount of the related TRAN; and (4) whether the requested Certificate shall be a Taxable Certificate and bear interest at the Taxable LIBOR Rate or shall be a Tax-Exempt Certificate and bear interest at a Tax-Exempt LIBOR Rate, as applicable. Each Request for Purchase must be received by the Bank not later than 10:00 a.m. three (3) Business Days immediately prior to the requested Purchase Date.

(b) Upon receipt of a Request for Purchase by the Bank, the Bank, subject to the terms and conditions of this Agreement, shall be required to make a purchase of a Certificate by 3:00 p.m. on the proposed Purchase Date for the account of the District in an amount equal to the amount of the requested purchase. Notwithstanding the foregoing, in the event such Request for Purchase is received by the Bank after 10:00 a.m. on the Business Day which is three (3) Business Days immediately prior to the day of the proposed Purchase, the Bank shall be required to make the related Purchase for a Certificate by 3:00 p.m. on the fourth Business Day after receipt of the related Request for Purchase.

(c) If, after examination, the Bank shall have determined that a Request for Purchase does not conform to the terms and conditions hereof, then the Bank shall use its best efforts to give notice to the District to the effect that documentation was not in accordance with the terms and conditions hereof and stating the reasons therefor. The District may attempt to correct any such nonconforming Request for Purchase, if, and to the extent that, the District is entitled (without regard to the provisions of this sentence) and able to do so. If the District fails to specify a type of Certificate in a Request for Purchase, then the applicable Certificates shall be made as a Certificate bearing interest at a Taxable LIBOR Rate.

Section 2.04. Interest Rates with respect to Certificates. (a) Prior to the Termination Date and except as otherwise provided in this Section 2.04 or in Section 2.07 hereof, as applicable,

each Taxable Certificate shall bear interest at the Taxable LIBOR Rate and each Tax-Exempt Certificate shall bear interest at the Tax-Exempt LIBOR Rate.

(b) Subject to Section 2.07 hereof, from and after a Taxable Date, each Tax-Exempt Certificate shall bear interest at the Taxable Gross-Up Rate.

(c) All computations of interest with respect to the Certificates shall be made on the basis of a 360-day year and actual days elapsed. Interest shall accrue with respect to the Certificates from and including the day on which such Certificate was executed and delivered (or deemed executed and delivered), and shall not accrue with respect to such Certificate, or any portion thereof, for the day on which such Certificate or any principal portion is paid. The Taxable LIBOR Rate or the Tax-Exempt LIBOR Rate, as applicable, with respect to any outstanding Certificates, shall be determined by the Bank on each Computation Date and become effective on the immediately succeeding LIBOR Reset Date for the related Interest Period; *provided* that all Taxable Certificates purchased on a particular LIBOR Reset Date or on a date subsequent to a LIBOR Reset Date but prior to the next succeeding LIBOR Reset Date shall bear interest at the same Taxable LIBOR Rate, and all Tax-Exempt Certificates purchased on a particular LIBOR Reset Date or on a date subsequent to a LIBOR Reset Date but prior to the next succeeding LIBOR Reset Date shall bear interest at the same Tax-Exempt LIBOR Rate. Each determination by the Bank of an interest rate shall be conclusive and binding for all purposes, absent manifest error.

(d) If the Bank determines in its sole discretion at any time (the “*Determination Date*”) (and only during such period) that it can no longer purchase, fund or maintain Certificates because the LIBOR Rate cannot be ascertained or because of illegality, then the Bank will notify the District and, from and after the Determination Date (but only for the period such determination continues), Certificates already purchased by the Bank will continue to bear interest at the interest rate in effect immediately prior to the Determination Date until the last day of the related Interest Period, and Certificates purchased by the Bank on or after the Determination Date, and all previously purchased Certificates after the then applicable Interest Period, shall bear interest at a rate per annum equal to (x) the sum of the Federal Funds Rate plus the Taxable Applicable Spread (with respect to Taxable Certificates previously bearing interest with reference to the LIBOR Rate) (herein referred to as the “*Alternate Taxable Rate*”) and (y) the product of (1) the sum of (i) the Tax-Exempt Applicable Spread and (ii) the product of (a) the Federal Funds Rate and (b) the Applicable Factor and (2) the Margin Rate Factor (with respect to Tax-Exempt Certificates previously bearing interest with respect to the LIBOR Rate) (herein referred to as the “*Alternate Tax-Exempt Rate*”).

Section 2.05. Payment of Interest and Principal with respect to Certificates. (a) (i) Accrued but unpaid interest with respect to each Certificate shall be due and payable on each Interest Payment Date.

(ii) The principal amount of each outstanding Certificate is due and payable on the maturity date of such Certificate.

(b) Each outstanding Certificate shall be subject to mandatory prepayment on the Mandatory Prepayment Date. All such mandatory prepayments of principal shall include accrued interest to the date of prepayment and all other amounts due and payable at such time pursuant to this Agreement.

(c) Subject to Section 2.08(b) and Section 2.11 hereof, the District may cause any Certificate to be prepaid, in whole or in part, on any Business Day provided at least three (3) Business Days' prior written notice is given by the District to the Bank. Each such notice shall specify the date and amount of such prepayment and the Certificates to be prepaid. Each such notice of optional prepayment shall be irrevocable and shall bind the District to cause such prepayment to be made in accordance with such notice. Any prepayment of Certificates shall be in a principal amount of \$1,000,000 or a whole multiple of \$5,000 in excess thereof or, if less, the entire principal amount thereof then outstanding. All prepayments of principal shall include accrued interest to the date of prepayment and all other amounts due and payable at such time pursuant to this Agreement.

(d) All Certificates due and owing to the Bank and all payments and prepayments with respect to the Certificates 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 and under the Certificates; *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 pay the Certificates.

Section 2.06. Advances. (a) To the extent the Bank has not received an amount equal to 100% of the principal amount of any Certificate as and when due on the maturity date thereof or on the Mandatory Prepayment Date, as applicable, the Bank shall be deemed to have made an advance (an "*Advance*") and extended credit to the District on such date (each such date, an "*Advance Date*") in the principal amount of such unpaid Certificate, which Advance shall be applied to pay the principal amount of such Certificate. The District and the Corporation shall be deemed to have represented and warranted to the Bank on each Advance Date, after giving effect to the applicable Advance, that (i) the representations and warranties contained in Article V of this Agreement are true and correct on and as of such Advance Date as though made on such date, and (ii) no Default or Event of Default has occurred and is continuing as of such date.

(b) Unless otherwise reimbursed in full in accordance with the terms hereof, the principal amount of each Advance shall be payable by the District in installments payable on each related Advance Payment Date (each such payment, an "*Advance Payment*"), with the final installment in an amount equal to the entire then-outstanding principal amount of the applicable Advance to be reimbursed in full on the applicable Advance End Date (the period commencing on the date such Advance was made and ending on the applicable Advance End Date is herein referred to as the "*Advance Period*" with respect to such Advance); *provided, however*, that if (i) any representation or warranty contained in Article V of this Agreement is not true and correct as of the related Advance Date or (ii) a Default or an Event of Default has occurred and is continuing as of the related Advance Date, then the District shall reimburse the Bank for the full amount of the related Advance immediately on such date, and 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. Each Advance Payment shall be that amount of principal which will result in equal (as nearly as possible) aggregate Advance Payments over the applicable Advance Period. During any Advance Period, subject to Section 2.07 hereof, interest on the principal amount of the applicable Advance shall accrue at the applicable Advance Rate, be payable monthly in arrears on the first Business Day of each calendar month and be calculated on the basis of a 365 or 366 day year, as applicable, and actual days elapsed.

(c) Each Advance may be prepaid in whole or in part without premium or penalty, except as set forth in Section 2.08(b) hereof, on the day such Advance is made or deemed made or on any other Business Day upon one Business Day's prior written notice to the Bank.

(d) Upon the Bank's receipt of any prepayment of an Advance, the Bank shall credit the amount of such prepayment received first to the payment of any outstanding interest accrued on such Advance and second to the payment of the principal of such Advance. Any such prepayment to be applied to principal of an Advance shall be applied to the remaining Advance Payments payable thereon in inverse order. 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. Prepayments of Advances shall be applied to the outstanding Advances in the chronological order which they were made.

(e) All Reimbursement Obligations shall be evidenced by the District's promissory note payable to the order of the Bank in the principal amount of \$75,000,000, such note to be executed by the District and delivered by the District to the Bank on the Closing Date in the form of Exhibit H attached hereto with appropriate insertions (together with any and all other promissory notes evidencing the Reimbursement Obligations issued from time to time hereunder, collectively, 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 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 the Reimbursement Obligations. The District shall pay principal and interest on the Bank Note on the dates and at the rates provided for in Section 2.06(b) hereof. In the event any Advance or a Certificate with the related obligation to make an Advance with respect thereto, or, in each case, any portion thereof, is assigned to a subsequent Holder pursuant to the terms hereof, upon the request of the Bank, the District shall deliver a promissory note payable to the order of such Holder in the principal amount of such Holder's Advances or Certificate, as applicable, in the form of Exhibit H attached hereto with appropriate insertions and adjustments as directed by the Bank.

Section 2.07. General Interest Rate and Payment Provisions. (a) Notwithstanding anything herein to the contrary, (i) upon the occurrence and during the continuance of an Event of Default, the Obligations shall bear interest at the Default Rate, and (ii) if the principal amount

of 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. Interest that has accrued at the Default Rate shall be payable by the District to the Bank upon demand therefor and be calculated on the basis of a 360-day year and actual days elapsed.

(b) Interest with respect to Obligations bearing interest at the Advance Rate or the Default Rate shall be determined and reset each day. Each determination by the Bank of an interest rate shall be conclusive and binding for all purposes, absent manifest error.

(c) If the payment date for the principal of or interest with respect to a Certificate or an Advance is a day other than a Business Day, the date for payment thereof shall be extended, without penalty, to the next succeeding Business Day, and such extended period of time shall be included in the computation of interest; *provided, however*, the payment of interest with respect to a Certificate or an Advance on such extended date shall have the same force and effect as if made on the original payment date.

Section 2.08. Fees.

(a) *Commitment Fees.* The District agrees to pay to the Bank a nonrefundable annual commitment fee (the “*Commitment Fee*”) equal to a rate per annum equal to the Commitment Fee Rate (computed on the basis of a year of 360 days and the actual number of days elapsed) multiplied by the daily Available Commitment. The Commitment Fee shall be payable quarterly in arrears on the first Business Day of each January, April, July and October of each calendar year (beginning on the first such date to occur after the Closing Date) and on the Termination Date, or such earlier date on which the Commitment may be terminated in accordance with the terms of this Agreement.

(b) *Termination or Reduction Fee.* The District shall pay to the Bank a Reduction Fee or Termination Fee, as applicable, in connection with each permanent reduction of the Maximum Commitment or termination of the Commitment, respectively, that occurs prior to the first anniversary of the Closing Date, in an amount equal to the Reduction Fee or Termination Fee, as applicable, payable on the date of each such reduction or such termination; *provided, however*, that no Termination Fee shall be payable by the District if such termination is a result of the Bank imposing increased costs on the District in accordance with Section 3.02 of this Agreement.

(c) *Amendment, Consent or Waiver Fee.* Upon each amendment hereof, consent or waiver hereunder or under any Related Document, the District shall pay or cause to be paid attorneys’ fees and expenses, if any, incurred by the Bank in processing such amendment, consent or waiver and a fee in a minimum amount of \$2,500.

(d) *Generally.* If the District shall fail to pay any amount payable under this Section 2.08 as and when due, each such unpaid amount shall bear interest for each day from and including the date it was due until paid in full at the applicable Default Rate. The obligations of the District under this Section 2.08 shall survive the termination of this Agreement.

Section 2.09. Reduction and Termination. (a) Subject to the provisions of Section 2.08(b) hereof, the Maximum Commitment shall be permanently reduced from time to time as requested by the District within three (3) days of the District's written notice to the Bank requesting such reduction in the form of Exhibit C hereto; *provided*, that (i) each such reduction amount shall be in an amount equal to \$1,000,000 or an integral multiple of \$5,000 in excess thereof, (ii) any reduction in the Maximum Commitment shall not be effective until the Bank delivers to the District a notice in the form attached hereto as Exhibit D reflecting such reduction, and (iii) at no time shall the outstanding principal amount of Certificates and Advances exceed the Maximum Commitment from time to time in effect.

(b) Subject to the provisions of Section 2.08(b) hereof, the District may at any time and at its sole option terminate the Commitment upon three (3) Business Days' prior written notice to the Bank in the form of Exhibit C hereto. As a condition to any such termination, the District shall pay or cause to be paid all Obligations owed to the Bank.

Section 2.10. Taxability. (a) In the event a Taxable Date occurs, to the extent not paid to the Bank and each other Holder pursuant to Section 2.04(b) hereof, the District hereby agrees to cause to be paid to the Bank or the Holder of a Tax-Exempt Certificate on demand therefor (1) an amount equal to the difference between (A) the amount of interest that would have been paid to the Bank or the Holder of the Tax-Exempt Certificate, as applicable, with respect to any Tax-Exempt Certificate during the period for which interest with respect such Tax-Exempt Certificate is includable in the gross income of the Bank or the Holder of the Tax-Exempt Certificate, if such Tax-Exempt Certificate had borne interest at the Taxable Gross-Up Rate, beginning on the Taxable Date (the "*Taxable Period*"), and (B) the amount of interest actually paid to the Bank or the Holder of the Tax-Exempt Certificate, as applicable, during the Taxable Period, and (2) an amount equal to any interest, penalties or charges owed by the Bank or a Holder of the Tax-Exempt Certificate, as applicable, as a result of interest with respect to the Tax-Exempt Certificates becoming includable in the gross income of the Bank or such Holder of the Tax-Exempt Certificate, as applicable, together with any and all reasonable attorneys' fees, court costs, or other out-of-pocket costs incurred by the Bank or such Holder of the Tax-Exempt Certificate, as applicable, in connection therewith.

(b) The obligations of the District under this Section 2.10 shall survive the termination of the Commitment and this Agreement.

Section 2.11. Funding Indemnity. In the event the Bank shall incur any loss, cost, or expense (including, without limitation, any loss, cost, or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired or contracted to be acquired by the Bank to purchase or hold the Certificates or the relending or reinvesting of such deposits or other funds or amounts paid or prepaid to the Bank) as a result of any repayment of the Certificates (including, without limitation, Certificates that are deemed to be paid with the proceeds of an Advance) on a date other than a LIBOR Reset Date for any reason, whether before or after default, and whether or not such payment is required by any provision of this Agreement or any other Related Document, then upon the demand of the Bank, the District shall pay to the Bank a repayment premium in such amount as will reimburse the Bank for such loss, cost, or expense; *provided* that no such repayment premium shall be payable by the District to

the extent the District's written notice of such repayment pursuant to Section 2.05(c) hereof is delivered to the Bank prior to a LIBOR Reset Date occurring prior to the date of repayment. If the Bank requests such repayment premium, it shall provide to the District a certificate setting forth the computation of the loss, cost, or expense giving rise to the request for such repayment premium in reasonable detail and such certificate shall be conclusive if reasonably determined. Without prejudice to the survival of any other agreement of the District hereunder, the agreements and obligations of the District contained in this Section shall survive the termination of the Commitment and this Agreement and the payment in full of the Certificates and all other Obligations of the District.

Section 2.12. Extension of Commitment Expiration Date. To the extent authorized under the District Authorizing Resolution, the District may request an extension of the Commitment Expiration Date in writing in the form of Exhibit B hereto not more than one (1) year prior to the then current Commitment Expiration Date and not less than 120 days prior to the then current Commitment Expiration Date. The Bank will make reasonable efforts to respond to such request within sixty (60) days after receipt of all information necessary, in the Bank's judgment, to permit the Bank to make an informed credit decision. If the Bank fails to definitively respond to such request within such 60-day period, 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 and no extension shall become effective unless the Bank shall have consented thereto in writing in the form of Exhibit E hereto or otherwise. The Bank's consent, if granted, shall be conditioned upon the preparation, execution and delivery of documentation in form and substance satisfactory to the Bank (which may include, but shall not be limited to the delivery of an Approving Opinion to the Bank).

Section 2.13. Security. The Tax-Exempt Certificates represent undivided ownership interests in the Tax-Exempt TRANs, and the Taxable Certificates represent undivided ownership interests in the Taxable TRANs. Payments made with respect to the TRANs shall be assigned by the Corporation to the Trustee for the benefit of Holders of the Certificates. The obligation of the District to make payments on the TRANs shall be a general obligation of the District. In addition, pursuant to the TRANs Resolution, the District has pledged Net Water Utility System Revenues of the District on a subordinate basis to the payment of all Parity Obligations to additionally secure the payment of the principal of and interest on the TRANs in accordance with the Parity Master Resolution. Additionally, the District hereby pledges its 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 (including, without limitation, Reimbursement Obligations), subordinate only to Senior Lien Obligations and to Parity Obligations. The Senior Lien Obligations and the 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 TRANs and the Obligations.

The parties hereto acknowledge that the District has pledged 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 to the Series AB Bank (as defined in the Certificate Resolution) under the Series AB Reimbursement Agreement (as defined in the Certificate Resolution), subordinate only to Senior Lien Obligations and to Parity Obligations (the “*Series AB Bank Pledge*”).

ARTICLE III

TAXES AND YIELD PROTECTION AND ILLEGALITY

Section 3.01. Net of Taxes, Etc. (a) Any and all payments to the Bank or any Holder by the District hereunder or with respect to the Certificates or any Advances shall be made free and clear of and without deduction or withholding for any and all Indemnified Taxes. If the District shall be required by law to deduct or withhold any Indemnified Taxes imposed by the United States of America or any political subdivision thereof from or in respect of any sum payable hereunder or with respect to the Certificates or any Advances, then (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) the Bank or such Holder 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 timely 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 to or for the benefit of the Bank or such Holder with respect to Indemnified Taxes and if the Bank or such Holder shall claim any credit or deduction for such Indemnified Taxes against any other taxes payable by the Bank or such Holder to any taxing jurisdiction in the United States of America then the Bank or such Holder 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 or such Holder pursuant to this sentence shall not exceed the aggregate amount previously paid by the District with respect to such Indemnified 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 from any payment made hereunder or under the Certificates or from the execution or delivery of this Agreement or the Certificates, or otherwise with respect to this Agreement or the Certificates (hereinafter referred to as “*Other Taxes*”). The Bank or such Holder shall provide to the District within a reasonable time a copy of any written notification it receives with respect to Indemnified Taxes or Other Taxes owing by the District to the Bank or such Holder hereunder; *provided*, that the Bank or such Holder’s failure to send such notice shall not relieve the District of its obligation to pay such amounts hereunder.

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

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

(c) Within thirty (30) days after the date of any payment of Indemnified Taxes by the District, the District shall furnish to the Bank or such Holder, as applicable, the original or a certified copy of a receipt evidencing payment thereof.

(d) Without prejudice to the survival of any other agreement of the District hereunder, the agreements and obligations of the District contained in this Section shall survive the termination of this Agreement and the payment in full of the Obligations.

Section 3.02. Increased Costs. (a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, liquidity ratio, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or advances, loans or other credit extended or participated in by, the Bank or any other Holder;

(ii) subject the Bank or any Holder to any Taxes of any kind whatsoever with respect to this Agreement or the Certificates, or change the basis of taxation of payments to the Bank or such Holder in respect thereof (except for Indemnified Taxes covered by Section 3.01 hereof and the imposition of, or any change in the rate of any Excluded Tax payable by the Bank or such Holder); or

(iii) impose on the Bank or any Holder any other condition, cost or expense affecting this Agreement or the Certificates;

and the result of any of the foregoing shall be to increase the cost to the Bank or such Holder of owning the Certificates or maintaining an Advance (or of maintaining its obligation to purchase the Certificates or make an Advance), or to reduce the amount of any sum received or receivable by the Bank or such Holder hereunder or under the Certificates (whether of principal, interest or any other amount) then, upon written request of the Bank or such Holder as set forth in subsection (c) below, the District shall promptly pay to the Bank or such Holder, as the case may be, such additional amount or amounts as will compensate the Bank or such Holder, as the case may be, for such additional costs incurred or reduction suffered.

(b) *Capital Requirements.* If the Bank or any Holder determines that any Change in Law affecting the Bank or such Holder or the Bank's or such Holder's parent or holding company, if any, regarding capital requirements, has or would have the effect of reducing the rate of return on the Bank's or such Holder's capital or the capital of the Bank's or such Holder's parent or holding company holding, if any, as a consequence of this Agreement, or ownership of the Certificates, to a level below that which the Bank or such Holder or the Bank's or such Holder's parent or holding company could have achieved but for such Change in Law (taking into consideration the Bank's or such Holder's policies and the policies of the Bank's or such Holder's parent or holding company with respect to capital adequacy), then from time to time upon written request of the Bank or such Holder as set forth in subsection (c) below, the District shall promptly pay to the Bank or such Holder, as the case may be, such additional amount or amounts as will compensate the Bank or such Holder or the Bank's or such Holder's parent or holding company for any such reduction suffered.

(c) *Certificates for Reimbursement.* A certificate of the Bank or any Holder setting forth the amount or amounts necessary to compensate the Bank or any such Holder or the Bank's or any such Holder's parent or holding company, as the case may be, as specified in subsection (a) or (b) above and delivered to the District, shall be conclusive absent manifest error. The District shall pay the Bank or any such Holder, as the case may be, the amount shown as due on any such certificate within sixty (60) days after receipt thereof.

(d) *Delay in Requests.* Failure or delay on the part of the Bank or any such Holder to demand compensation pursuant to this Section shall not constitute a waiver of the Bank's or any such Holder's right to demand such compensation.

(e) *Participants and Holders.* Each Participant will be entitled to the benefits of Section 3.01 and this Section 3.02 to the same extent as the Bank or applicable Holder. Notwithstanding anything in Section 3.01 or this Section 3.02 to the contrary, in no event shall the District be required to pay to any Participant or any Holder other than the Bank any increased cost or amount for taxes under Section 3.01 or this Section 3.02 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 or made an assignment to such Holder, as applicable.

Section 3.03. Margin Regulations. No portion of the proceeds of any Purchase shall be used by the District (or the Trustee, the Paying Agent 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 Purchases, and such use of proceeds.

Section 3.04. Maximum Rate; Payment of Fee. If the rate of interest payable on or with respect to the Certificates, any Advances, or any other Obligations hereunder shall exceed the applicable Maximum Rate for any period for which interest is payable, then (i) interest at such 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 (B) such Maximum Rate (the “*Excess Interest*”), shall be deferred until such date as the rate of interest calculated in accordance with the terms hereof ceases to exceed such Maximum Rate, at which time the District shall pay or cause to be paid to the Bank, with respect to amounts then payable to the Bank that are required to accrue interest hereunder, such portion of the deferred Excess Interest as will cause the rate of interest then paid to the Bank to equal such Maximum Rate, which payments of deferred Excess Interest shall continue to apply to such unpaid amounts hereunder until all deferred Excess Interest is fully paid to the Bank. Upon the termination of this Agreement, in consideration for any limitation of the rate of interest which may otherwise be payable on the Certificates, any Advances, or other Obligations hereunder, the District shall pay or cause to be paid to the Bank a fee equal to the amount of all unpaid deferred Excess Interest (the “*Excess Interest Fee*”). In accordance with Section 5922 of the California Government Code, the District hereby represents and warrants that the obligations of the District under any Advances, Reimbursement Obligations and all other Obligations (other than the Certificates) hereunder are not subject to any limitation as to maximum interest rate.

Section 3.05. Survival. All of the District’s obligations under this Article III shall survive the termination of the Commitment 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 and to agree to purchase Certificates, the District or the Corporation, as the case may be, shall provide to the Bank on the Closing Date, each in form and substance satisfactory to the Bank and the Bank’s counsel, Chapman and Cutler LLP (hereinafter, “*Bank Counsel*”):

(a) *Documents and Approvals.* The Bank shall have received a counterpart of this Agreement duly executed by the District, the Corporation and the Bank, 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.

(b) *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 and the other Related Documents to which it is a party 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 the other Related Documents to which it is a party and take actions for the Corporation under this Agreement and the other Related Documents to which it is a party.

(c) *Opinion of Bond Counsel.* (i) The Bank shall have received a written opinion of Bond Counsel, addressed to the Bank, dated the Closing Date and in form and substance satisfactory to the Bank and Bank Counsel to the effect that (A) this Agreement 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 and the Bank Note does not violate the constitution or laws of the State; (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 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; and

(ii) The Bank shall have received a written opinion of Bond Counsel, addressed to the Bank, dated the Closing Date and in form and substance satisfactory to the Bank and Bank Counsel to the effect that the interest with respect to the Tax-Exempt Certificates is and will be excludable from gross income for federal income tax purposes.

(d) *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 Closing Date and in the form and substance satisfactory to the Bank and Bank Counsel.

(e) *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 Certificates.

(f) *Trustee.* Certificates of the Trustee evidencing the signatures and offices of officers of each executing the Related Documents, and with respect to such other matters as the Bank may reasonably request, and an opinion of counsel to the Trustee, in form and substance satisfactory to the Bank and its counsel, and addressed to the Bank.

(g) *Related Documents.* The Bank shall have received a copies of the Parity Master Resolution and each amendment or supplement thereto, the Issuing and Paying

Agent Agreement, the Certificate Resolution and the other Related Documents in form and substance satisfactory to the Bank, all to the extent requested by the Bank, certified by an authorized officer of the District or the Corporation, as applicable, as being in full force and effect.

(h) *No Default, Etc.* (i) 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, (ii) 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 Closing Date, as if made on and as of such date, (iii) all conditions precedent to the effectiveness of the Agreement set forth in this Section 4.01 have been satisfied and (iv) the Bank shall have received certificates, given and made as of the Closing Date, from each of the District and the Corporation to the foregoing effect.

(i) *Financial Information.* The Bank shall have received copies of the Investment Policy of the District, the projected operating budget and financial statements of the District for three years beyond the Closing Date, including debt issuance levels and rate projections and the audited financial statements for the District for the fiscal year ended June 30, 2016.¹

(j) *Fees, Etc.* The Bank shall have received payment of the fees, costs and expenses set forth herein that are payable on the Closing Date (including without limitation, payment of the fees and expenses of the Bank's domestic and foreign counsels).

(k) *Legality; Material Adverse Change.* The Bank shall have determined (in its sole discretion) that (i) neither the purchase of any Certificate nor the consummation of any of the transactions contemplated by this Agreement or the other Related Documents will violate any law, rule, guideline or regulation applicable to the District, the Corporation, the Bank or this Agreement, (ii) no material adverse change in the ratings, financial condition, business, assets, liabilities or prospects of the District shall have occurred since June 30, 2016, (iii) the District has not received notice from the Rating Agencies that the long-term unenhanced ratings of the Parity Obligations have been withdrawn, reduced or suspended since the dated date of the rating documentation provided pursuant to paragraph (l) below and (iv) there has been no material adverse change in the laws, rules or regulations (or their interpretation or administration) that, in any case, may adversely affect the consummation of the transactions contemplated hereby or by any Related Document.

¹ District to provide the Bank with the 2016 CAFR.

(l) *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.

(m) *Litigation.* Prior to the Closing Date, the Bank shall have received a written description of all actions, suits or proceedings pending or, to the District's knowledge, threatened against the District in any court or before any arbitrator of any kind or before or by any governmental or non-governmental body which could reasonably be expected to result in a Material Adverse Effect, if any, and such other statements, certificates, agreements, documents and information with respect thereto as the Bank may reasonably request, and all such matters shall be acceptable to the Bank in its sole discretion.²

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

(o) *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.

(p) *Certificates.* Each of the Master Certificates shall be executed and delivered in physical certificated form and registered in the name of the Bank, and the Bank shall have obtained CUSIPs for each of the Master Certificates.

Section 4.02. Conditions Precedent Purchases. The obligation of the Bank to Purchase each Certificate is subject to the satisfaction of the following conditions precedent on each applicable Purchase Date:

- (a) no Default or Event of Default shall have occurred and be continuing;
- (b) the representations and warranties of the District set forth in Section 5.01 hereof shall be true and correct on and as of such date, as if made on such date;
- (c) the representations and warranties of the Corporation set forth in Section 5.02 hereof shall be true and correct on and as of such date, as if made on such date;
- (d) the Bank shall have received a Request for Purchase as required under, and in strict conformity with, Section 2.03 hereof;
- (e) the TRAN that such Certificate relates to shall be issued and outstanding;

² District to provide the Bank with a written update on the Great Oaks lawsuit and any other lawsuits that could result in an MAE.

(f) the principal amount of such Certificate does not exceed the Available Commitment as of such Purchase Date; and

[(g) with respect the Purchase of a Tax-Exempt Certificate only, neither the District nor the Bank shall have received written notice from Bond Counsel that the approving opinion delivered pursuant to Section 4.01(c)(ii) hereof may no longer be relied upon.]³

OR

(g) with respect the Purchase of a Tax-Exempt Certificate only, the Bank shall have received from Bond Counsel an approving opinion to the effect that the interest with respect to such subsequently executed and delivered Tax-Exempt Certificate is excludable from gross income for federal income tax purposes, substantially in the form of [Exhibit ____] hereto.]⁴

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 such Purchase Date or (ii) any event has occurred and is continuing, or would result from the Bank purchasing such Certificate, which constitutes a Default or Event of Default, then the District shall be deemed to have represented and warranted on Purchase Date that (x) the representations and warranties contained in Article V of this Agreement are true and correct in all material respects as of such date and (y) no event has occurred and is continuing, or would result from the Bank purchasing such Certificate, which constitutes a Default or Event of Default.

Section 4.03. No Certificate Rating; DTC; Offering Document. The parties hereto acknowledge that the Certificates shall not be (i) assigned a specific rating by any Rating Agency, (ii) registered with The Depository Trust Company or any other securities depository, (iii) issued pursuant to any type of official statement, private placement memorandum or other offering document or (iv) placed or offered by a broker-dealer in the capacity of an underwriter or a placement agent.

³ Option to be used if Bond Counsel intends to deliver one opinion at closing that speaks to the tax-exempt status of each Tax-Exempt Certificate subsequently executed and delivered.

⁴ Option to be used if Bond Counsel intends to deliver an approving opinion at closing and also an approving opinion with respect to each subsequently executed and delivered Tax-Exempt Certificate.

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, and to the limitations on legal remedies against public agencies in the State of California.

(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 Closing 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 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.

(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 C 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 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 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 Tax-Exempt Certificates represent undivided ownership interests in the Tax-Exempt TRANs, and the Taxable Certificates represent undivided ownership interests in the Taxable TRANs. Payments made with respect to the TRANs shall be assigned by the Corporation to the Trustee for the benefit of Holders of the Certificates. The obligation of the District to make payments on the TRANs shall be a general obligation of the District. In addition, pursuant to the TRANs Resolution, the District has pledged Net Water Utility System Revenues of the District on a subordinate basis to the payment of all Parity Obligations to additionally secure the payment of the principal of and interest on the TRANs in accordance with the Parity Master Resolution. Additionally, the District hereby pledges its 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 (including, without limitation, Reimbursement Obligations), subordinate only to Senior Lien Obligations and to Parity Obligations. The Senior Lien Obligations and the 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 TRANS and the Obligations.

(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 Agreement 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 5.02(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 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 Commitment 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 G* 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 G* 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 G* 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;

(e) within 90 days after the end of each Fiscal Year, 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; and

(f) promptly after a new TRAN has been issued and assigned to the Trustee, the District shall provide the Bank with a copy of such TRAN and, if such new TRAN is a Tax-Exempt TRAN, an opinion of Bond Counsel as contemplated by Section 6.25 hereof.

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 Trustees. (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 Water Utility System, 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 Closing Date and all proceedings before any court or Governmental Authority occurring after the Closing Date which could reasonably be expected to have a Material Adverse Effect (including without limitation, with respect to the District, the Corporation, 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 Water Utility System, 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 Water Utility System 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 the Certificates and any Advance made with respect thereto. 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 Paying Agent. The District and the Corporation shall immediately notify the Bank of any resignation of the Trustee or the Paying Agent. The District and the Corporation shall at all times maintain a Trustee and a Paying Agent acceptable to the Bank pursuant to the terms of the Related Documents.

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. Alternate Financing.

(a) The District and the Corporation agree to use their best efforts to obtain an alternate financing to replace this Agreement or otherwise refinance, repay or defease the then outstanding Certificates and/or Advances, as applicable, in the event (i) the Bank decides not to extend the Commitment Expiration Date or if the District fails to timely request an extension of the Commitment Expiration Date (such replacement, refinancing or defeasance to occur on or before the Commitment Expiration Date), (ii) the Commitment is terminated, (iii) the District terminates this Agreement in accordance with the terms hereof or (iv) an Event of Default under Section 8.01(m) shall occur and be continuing.

(b) The District and the Corporation agree that any alternate financing will require, as a condition to the effectiveness of the alternate financing, that the provider of the alternate financing provide funds to the extent necessary, on the date the alternate financing becomes effective, for payment of all Obligations at par plus interest (at the

applicable rate pursuant to the terms hereof, including the Advance Rate or Default Rate, as applicable) through the date repaid. On the effective date of such refinancing, redemption or defeasance, as the case may be, the District shall pay in full all other amounts due under this Agreement and the Bank Note (including, without limitation, all Excess Interest and unpaid interest thereon).

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 Series AB Bank Pledge and 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, as and to the extent contemplated by Section 2.13 hereof. 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 TRANs relating to such Certificates. So long as any Certificates are outstanding, the District shall cause TRANs relating to such Certificates to be issued and outstanding.

(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, 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 at least two unenhanced long-term ratings from any of Fitch, Moody's or S&P on Parity Obligations. 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. Reserved.

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 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 each date that a Tax-Exempt TRAN is issued after the Closing Date and prior to the Termination Date, the District and the Corporation shall cause to be delivered to the Bank (i) a copy of an opinion of Bond Counsel delivered to the District and the Corporation in respect of the Tax-Exempt TRAN to the effect that the issuance of such Tax-Exempt TRAN will not adversely affect the exclusion from gross income of interest with respect to the Tax-Exempt Certificates for federal income tax purposes, in form and substance reasonably satisfactory to the Bank, and (ii) a letter from Bond Counsel authorizing the Bank to rely on the foregoing opinion, in form and substance reasonably satisfactory to the Bank.

ARTICLE VII

NEGATIVE COVENANTS

Unless and until the Commitment 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 C Certificates in any way that would violate the Code or cause the Series C 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 C 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. Trustee; Paying Agent. Without the prior written consent of the Bank, the Corporation shall not remove, appoint or permit the appointment of a successor 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. The Corporation shall not take any action, or cause 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 any offering document unless the Bank shall have approved in writing of the description of the Bank contained in such document.

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 or any other Related Document. Any such suits shall be subject to all substantive and procedural requirements of California law.

Section 7.07. Reserved.

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. Reserved.

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 TRANs 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. 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.

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, or with respect to, the Certificates (except principal with respect to a Certificate that is paid or deemed paid with the proceeds of an Advance) or Advances 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;

(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(g) 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) (i) any provision of this Agreement or any Related Document related to (A) payment of principal of or interest on or with respect to the Certificates, the Advances, any other Subordinate Obligations, any Parity Obligations or any Senior Lien Obligations or (B) the validity or enforceability of the pledge of, lien on or security interest in the TRANs or Net Water Utility System Revenues shall at any time for any reason cease to be valid and binding on the District or the Corporation, as applicable, as a result of any legislative or administrative action by a Governmental Authority with competent jurisdiction, or shall be declared, in a final nonappealable judgment by any court of competent jurisdiction, to be null and void, invalid or unenforceable;

(ii) the validity or enforceability of any material provision of this Agreement or any Related Document related to (A) payment of principal of or interest on or with respect to the Certificates, the Advances, any other Subordinate Obligations, any Parity Obligations or any Senior Lien Obligations, or (B) the validity or enforceability of the pledge of, lien on or security interest in the TRANs or Net Water Utility System Revenues shall be publicly contested by the District or the Corporation, as applicable; or

(iii) any other material provision of this Agreement or any other Related Document, other than a provision described in clause (i) above, 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, or with respect to, any of the Certificates or Advances 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) (i) a default shall occur under any evidence of any Subordinate Obligations (other than the Obligations), any Parity Obligations or any Senior Lien Obligations 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 cause (determined without regard to whether any notice is required) any such Subordinate Obligations (other than the Obligations), Parity Obligations or Senior Lien Obligations to become due prior to its scheduled payment date or stated maturity, whether by acceleration, mandatory tender, mandatory redemption or otherwise; or any such Subordinate Obligations (other than the Obligations), Parity Obligations or Senior Lien Obligations shall not be paid when and as due (whether by lapse of time, acceleration, mandatory tender, mandatory redemption or otherwise);

(ii) 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 holder or credit enhancer of any such Debt to cause such Debt to become due prior to its scheduled payment date or stated maturity, whether by acceleration, mandatory tender, mandatory redemption or otherwise (whether or not such holder or credit enhancer causes such Debt to become so due); or any such Debt shall not be paid when and as due (whether by lapse of time, acceleration, mandatory tender, mandatory redemption 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) S&P (if S&P then provides a District Rating) shall downgrade its District Rating to below “*BBB-*” or suspend or withdraw for credit-related reasons its District Rating, (ii) any of Moody’s, S&P or Fitch (in each case if such rating agency then provides a District Rating) shall downgrade its respective District Rating to below “*Baa2*” (or its equivalent) by Moody’s, “*BBB*” (or its equivalent) by S&P or “*BBB*” (or its equivalent) by Fitch or (iii) any of Moody’s or Fitch (in each case if such rating

agency then provides a District Rating) shall suspend or withdraw for credit-related reasons its respective District Rating;

(n) any pledge or security interest created by the Resolutions or this Agreement to secure any amount due under the TRANs or the Obligations 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;

(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

(p) the District's or the Corporation's existence shall terminate or dissolve.

Section 8.02. Remedies. Upon the occurrence of an Event of Default hereunder, the Bank may take one or more of the following actions at any time and from time to time (regardless of whether the actions are taken at the same or different times):

(a) (i) by written notice to the District and the Corporation, declare the Commitment to be terminated and thereafter the Bank will have no further obligation to purchase Certificates hereunder;

(ii) deliver a written notice to the Paying Agent, the District and the Corporation that an Event of Default has occurred and is continuing and direct the Trustee and the District, as applicable, to cause the outstanding Certificates to be subject to mandatory prepayment as provided in Section 2.05(b) hereof;

(iii) declare the outstanding amount of the Obligations to be immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived, and an action therefor shall immediately accrue;

(iv) either personally or by attorney or agent without bringing any action or proceeding, or by a receiver to be appointed by a court in any appropriate action or proceeding, take whatever action at law or in equity may appear necessary or desirable to collect the amounts due and payable under the Related Documents or to enforce performance or observance of any obligation, agreement or covenant of the District or the Corporation under the Related Documents, whether for specific performance of any agreement or covenant of the District or the Corporation or in aid of the execution of any power granted to the Bank in the Related Documents;

(v) cure any Default, Event of Default or event of nonperformance hereunder or under any Related Document; *provided, however*, that the Bank shall have no obligation to effect such a cure; and

(vi) exercise, or cause to be exercised, any and all remedies as it may have under the Related Documents and as otherwise available at law and at equity.

(b) Notwithstanding the provisions of Section 8.02(a)(ii), (x) the Bank shall not cause an acceleration of of the Obligations as described in Section 8.02(a)(ii) until seven (7) days after the occurrence of an Event of Default specified in Section 8.01(a)(i), 8.01(f), 8.01(g), 8.01(h)(i), 8.01(h)(ii), 8.01(i), 8.01(j), 8.01(k)(i), 8.01(l), 8.01(m)(i), 8.01(n), 8.01(o) or 8.01(p) and (y) the Bank shall notify the District of an acceleration of of the Obligations as described in Section 8.02(a)(ii) at least one hundred eighty (180) days prior thereto in the case of any Event of Default not specified in the immediately preceding clause (x). Notwithstanding the foregoing sentence of this Section 8.02(b), if any other holder or credit enhancer of Debt of the Corporation or the District or any counterparty under any Swap Contract with the Corporation or the District related thereto (i) has the right to cause such Debt to be immediately due and payable (whether by repurchase, mandatory tender, mandatory redemption, acceleration or otherwise) on a date earlier than, or pursuant to a notice period which is shorter than what is set forth in the first sentence of this section 8.02(b) in connection with a default related to such Debt, then the Bank shall automatically have such right or shorter notice period, as applicable, or (ii) causes any such Debt or other obligations of the District or the Corporation to become immediately due and payable (whether by repurchase, mandatory tender, mandatory redemption, acceleration or otherwise), then the Bank may immediately, without notice, avail itself of the remedies set forth in Section 8.02(a)(ii) hereof and/or declare or cause to be declared the unpaid principal amount of the Obligations, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder to be immediately due and payable.

Notwithstanding anything to the contrary contained in this Section 8.02, upon the occurrence or existence of an Event of Default of the type described in Section 8.01(f) or 8.01(g), the remedies described in clauses (i), (ii) and (iii) of Section 8.02(a) above shall occur immediately and automatically on the first date on which such remedies may occur pursuant to the terms of Section 8.02(b) above without prior notice or further action on the part of the Bank or any other person.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Amendments, Etc. No amendment or waiver of any provision or term of this Agreement, 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 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 and the Corporation and their agents in respect of their use of this Agreement or any amounts made available by the Bank hereunder. 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 hereunder or for any acts or omissions of the Trustee, the Paying Agent or the Corporation 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 hereunder, 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 hereunder 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.* In addition to any and all rights of reimbursement, indemnification, subrogation or any other rights pursuant hereto or under law or equity, the District hereby agrees (to the extent permitted by law) to indemnify and hold harmless the Bank and each Holder and each of their respective Related Parties (each, an “*Indemnitee*”) from and against any and all claims, damages, losses, liabilities, reasonable costs or expenses whatsoever (including reasonable attorneys’ fees) which may incur or which may be claimed against an Indemnitee by any Person or entity whatsoever (collectively, the “*Liabilities*”) by reason of or in connection with (i) the execution and delivery or transfer of, or payment or failure to pay under, any Related Document; (ii) the issuance or deemed issuance of any Certificate; and (iii) the use of the proceeds of the Certificates or an Advance; *provided* that the District 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 the willful misconduct or gross negligence of such Indemnitee. Nothing under this Section 9.04 is intended to limit the District’s payment of the Obligations.

(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 Certificates or the use of the proceeds thereof. No Indemnitee referred to in subsection (c) 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 Commitment, this Agreement and the repayment, satisfaction or discharge of all the 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.* This Agreement is a continuing obligation and shall be binding upon the District and the Corporation and the successors, transferees and assigns of each of the District and the Corporation and shall inure to the benefit of the Holders and their respective permitted successors, transferees and assigns. 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. Notwithstanding anything to the contrary set forth herein, so long as no Event of Default shall have occurred and be continuing hereunder, Wells Fargo Bank, National Association may not assign its obligation to purchase Certificates pursuant to the terms of this Agreement without the prior written consent of the District (such consent not to be unreasonably withheld). Subject to Section 8(g) of the Certificate Resolution, each Holder may, in its sole discretion and in accordance with applicable Law, from time to time assign, sell or transfer in whole or in part, this Agreement, its interest in the Certificates, the Advances and the Related Documents, including its commitment to extend Advances hereunder, in accordance with the provisions of paragraph (b) or (c) of this Section. Each Holder may at any time and from time to time enter into participation agreements in accordance with the provisions of paragraph (d) of this Section. Each Holder may at any time pledge or assign a security interest subject to the restrictions of paragraph (e) of this Section. Wells Fargo Bank, National Association shall be the Bank hereunder notwithstanding the sale or transfer of any Certificates and/or Advances to a Non-Bank Transferee as herein provided.

(b) *Sales and Transfers to a Bank Transferee.* Without limitation of the foregoing generality, a Holder may at any time sell or otherwise transfer to one or more transferees all or a portion of the Certificates, together with the corresponding obligations to extend Advances in the amount of and corresponding to such transferred Certificates, and/or Advances to a Person that is (i) a Bank Affiliate or (ii) a trust or other custodial arrangement established by the Bank or a Bank Affiliate, the owners of any beneficial interest in which are limited to “qualified institutional buyers” as defined in Rule 144A promulgated under the 1933 Act (each, a “*Bank Transferee*”). From and after the date of such sale or transfer, Wells Fargo Bank, National Association (and its successors) shall continue to have all of the rights of the Bank hereunder and under the other Related Documents as if no such transfer or sale had occurred; *provided, however,* that (A) no such sale or transfer referred to in clause (b)(i) or (b)(ii) hereof shall in any way affect the obligations of the Bank hereunder regarding the Purchase of Certificates, (B) any such sale or transfer referred to in clause (b)(i) or (b)(ii) hereof shall be in a minimum amount of \$250,000, (C) the District, the Corporation and the Trustee shall be required to deal only with the Bank with respect to any matters under this Agreement and (D) in the case of a sale or transfer referred to in clause (b)(i) or (b)(ii) hereof, regardless of whether the Bank Transferee holds a Master Certificate or a Bank Note, only Wells Fargo Bank, National Association shall be entitled to enforce the provisions of this Agreement against the District and the Corporation, and the Bank Transferee shall execute and deliver a certificate to the Bank, the District, the Corporation and the Trustee evidencing its acknowledgment and acceptance of the foregoing clauses (C) and (D).

(c) *Sales and Transfers to a Non-Bank Transferee.* Without limitation of the foregoing generality, a Holder may at any time sell or otherwise transfer to one or more transferees which are not Bank Transferees but each of which constitutes (i) a “qualified institutional buyer” as defined in Rule 144A promulgated under the 1933 Act and (ii) a commercial bank organized under the laws of the United States, or any state thereof, or any other country which is a member of the Organization for Economic Cooperation and Development, or a political subdivision of any such country, and, in any such case, having a combined capital and surplus, determined as of the date of any transfer pursuant to this clause (c), of not less than \$5,000,000,000 (each a “*Non-Bank Transferee*”) all or a portion of the Certificates, together with the corresponding obligations to extend Advances in the amount of and corresponding to such transferred Certificates, and/or Advances if (A) written notice of such sale or transfer, including that such sale or transfer is to a Non-Bank Transferee, together with addresses and related information with respect to the Non-Bank Transferee, shall have been given to the District, the Corporation, the Trustee and the Bank (if different than the Holder) by such selling Holder and Non-Bank Transferee; *provided, however,* that any sale or transfer shall be in a minimum amount of \$250,000, and (B) the Non-Bank Transferee shall have delivered to the District, the Corporation, the Trustee and the selling Holder, an investment letter in substantially the form attached as Exhibit F to this Agreement (the “*Investor Letter*”); *provided, however,* that no such sale or transfer referred to in clause (c) hereof shall in any way affect the obligations of the Bank hereunder regarding the Purchase of Certificates.

From and after the date the District, the Corporation, the Trustee, and the selling Holder have received written notice and an executed Investor Letter, (A) the Non-Bank Transferee thereunder shall be a party hereto and shall have the rights and obligations of a Holder hereunder and under the other Related Documents, and this Agreement shall be deemed to be amended to the extent, but only to the extent, necessary to effect the addition of the Non-Bank Transferee, and any reference to the assigning Holder hereunder and under the other Related Documents shall thereafter refer to such transferring Holder and to the Non-Bank Transferee to the extent of their respective interests, and (B) if the transferring Holder no longer owns any Certificates, maintains any Advances or has an obligation to make Purchases and/or extend Advances, then it shall relinquish its rights and be released from its obligations under this Agreement and the other Related Documents; *provided, however,* that (1) the District, the Corporation and the Trustee shall be required to deal only with the Bank with respect to any matters under this Agreement, and (2) regardless of whether the Non-Bank Transferee holds a Master Certificate or a Bank Note, only Wells Fargo Bank, National Association shall be entitled to enforce the provisions of this Agreement against the District and the Corporation, and the Non-Bank Transferee shall execute and deliver a certificate to the Bank, the District, the Corporation and the Trustee evidencing its acknowledgment and acceptance of the foregoing clauses (1) and (2).

(d) *Participations.* The Bank shall have the right to grant participations in all or a portion of the Bank’s interest in the Certificates and/or Advances, the Bank’s obligation to make Purchases and/or extend Advances, this Agreement and the other Related Documents to one or more other banking institutions; *provided, however,* that (i) no such participation by any such participant shall in any way affect the obligations of the Bank hereunder, (ii) the District shall be required to deal only with the Bank, with respect to any matters under this Agreement, the Certificates and the other Related Documents and no such participant shall be entitled to enforce

any provision hereunder against the District and (iii) 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.

(e) *Certain Pledges.* The Bank may at any time pledge or grant a security interest in all or any portion of its rights under, or with respect to, the Certificates, the Advances, the Bank Note, this Agreement and the Related Documents 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 or Event of Default at the time of any payment hereunder, and shall continue in full force and effect as long as any Obligation hereunder shall remain unpaid or unsatisfied or the Commitment 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 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 (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. Reserved.

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 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, 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 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) 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 other Related Documents, and (iv) all reasonable costs and expenses, if any, in connection with any amendment or the enforcement of this Agreement 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 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 any other Related Document 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 Paying Agent. 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 and/or the Paying Agent 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, to the extent not inconsistent with the Senior Master Resolution, Parity Master Resolution or any contractual or other obligation of the District or the Corporation providing for or relating to Subordinate Obligations, 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.

[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: _____

By _____
Authorized Officer

Attest:

SANTA CLARA VALLEY WATER DISTRICT
PUBLIC FACILITIES FINANCING CORPORATION

By: _____
Its: _____

By _____
Name: _____
Title: _____

WELLS FARGO BANK, NATIONAL ASSOCIATION

By _____

Name:

Title:

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:

Wells Fargo Bank, National Association

Attention: _____
Facsimile: (____) ____-____
Telephone: (____) ____-____

For Requests for Purchase:

Wells Fargo Bank, National Association

Attention: _____
Facsimile: (____) ____-____
Telephone: (____) ____-____

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]**

EXHIBIT A

[FORM OF REQUEST FOR PURCHASE]

REQUEST FOR PURCHASE

Wells Fargo Bank, National Association

[Address]

Telephone:

Facsimile:

Attention:

Email:

Ladies and Gentlemen:

The undersigned, an Authorized Officer, refers to the Certificate Purchase and Reimbursement Agreement, dated [_____ **1, 2017**] (together with any amendments or supplements thereto, the "*Agreement*"), by and among the Santa Clara Valley Water District (the "*District*"), the Santa Clara Valley Water District Public Facilities Financing Corporation (the "*Corporation*") and the undersigned, Wells Fargo Bank, National Association (the "*Bank*") (the terms defined therein being used herein as therein defined) and hereby requests, pursuant to Section 2.03 of the Agreement, that the Bank make a Purchase of Certificates under the Agreement, and in that connection sets forth below the following information relating to such Purchase (the "*Proposed Purchase*"):

1. The Business Day of the Proposed Purchase is _____, 20__ (the "*Purchase Date*"), which is at least three Business Days after the date hereof.

2. The principal amount of the Proposed Purchase of a Certificate is \$_____, which is not greater than the Available Commitment as of the Purchase Date set forth in 1 above.

3. The Certificate shall be a [**Taxable Certificate and bear interest at the Taxable LIBOR Rate**] [**Tax-Exempt Certificate and bear interest at a Tax-Exempt LIBOR Rate**].

4. The TRAN to which the Certificate relates to will be issued and outstanding on the Purchase Date.

[**5. with respect to Tax-Exempt Certificates only, neither the District nor the Bank shall have received written notice from Bond Counsel that the approving**

opinion delivered pursuant to Section 4.01(c) of the Agreement may no longer be relied upon.⁵

OR

5. with respect to Tax-Exempt Certificates only, the Bank shall have received from Bond Counsel an approving opinion to the effect that the interest with respect to such Tax-Exempt Certificate is excludable from gross income for federal income tax purposes.]⁶

⁵ Option to be used if Bond Counsel intends to deliver one approving opinion at closing that speaks to the tax-exempt status of Tax-Exempt Certificate subsequently issued. We then need comfort that we can continue to rely on such opinion.

⁶ Option to be used if Bond Counsel intends to deliver an approving opinion at closing and also in connection with the issuance of each subsequent Tax-Exempt Certificate.

The Proposed Purchase shall be made by the Bank by wire transfer of immediately available funds to the Paying Agent in accordance with the instructions set forth below:

[Insert wire instructions]

Attest:

SANTA CLARA VALLEY WATER DISTRICT

By : _____
Its: _____

By _____
Authorized Officer

Attest:

SANTA CLARA VALLEY WATER DISTRICT
PUBLIC FACILITIES FINANCING CORPORATION

By: _____
Its: _____

By _____
Name: _____
Title: _____

EXHIBIT B

[FORM OF REQUEST FOR EXTENSION]

REQUEST FOR EXTENSION

[Date]

Wells Fargo Bank, National Association

[Address]

Telephone:

Facsimile:

Attention:

Email:

Ladies and Gentlemen:

Reference is made to the Certificate Purchase and Reimbursement Agreement dated [_____ **1, 2017**] (together with any amendments or supplements thereto, the “*Agreement*”) by and among the Santa Clara Valley Water District (the “*District*”), the Santa Clara Valley Water District Public Facilities Financing Corporation (the “*Corporation*”) and the undersigned, Wells Fargo Bank, National Association (the “*Bank*”). All terms defined in the Agreement are used herein as defined therein.

The District hereby requests, pursuant to Section 2.12 of the Agreement, that the Commitment Expiration Date with respect to the Commitment as of the date hereof be extended to _____, _____. Pursuant to such Section 2.12, we have enclosed with this request the following information:

1. a reasonably detailed description of any and all Defaults and/or Events of Default that have occurred and are continuing;
2. confirmation that all representations and warranties of the District as set forth in Article V of the Agreement and each Related Document are true and correct as though made on the date hereof and that no Default or Event of Default has occurred and is continuing (to the extent not disclosed pursuant to clause 1 above) on the date hereof; and
3. any other pertinent information previously requested by the Bank.

The Bank is asked to notify the District of its decision with respect to this request within 60 days of the date of receipt hereof. If the Bank fails to notify the District of the Bank's decision within such 60-day period, the Bank shall be deemed to have rejected such request.

Very truly yours,

Attest:

SANTA CLARA VALLEY WATER DISTRICT

By : _____
Its: _____

By _____
Authorized Officer

Attest:

SANTA CLARA VALLEY WATER DISTRICT
PUBLIC FACILITIES FINANCING CORPORATION

By: _____
Its: _____

By _____
Name: _____
Title: _____

EXHIBIT C

[FORM OF NOTICE OF TERMINATION OR REDUCTION]

NOTICE OF TERMINATION OR REDUCTION

[Date]

Wells Fargo Bank, National Association

[Address]

Telephone:

Facsimile:

Attention:

Email:

Ladies and Gentlemen:

Re: Certificate Purchase and Reimbursement Agreement dated [_____ 1,
2017] _____

The Santa Clara Valley Water District (the "*District*"), through its undersigned, an Authorized Officer, hereby certifies to Wells Fargo Bank, National Association (the "*Bank*"), with reference to the Certificate Purchase and Reimbursement Agreement dated [_____ 1, 2017] (together with any amendments or supplements thereto, the "*Agreement*"), by and among the District, the Santa Clara Valley Water District Public Facilities Financing Corporation and the Bank (the terms defined therein and not otherwise defined herein being used herein as therein defined):

[The District hereby informs you that the Commitment is terminated in accordance with the Agreement.]

OR

[The District hereby informs you that the Maximum Commitment is permanently reduced from [insert amount as of the date of this Notice] to [insert new amount], such reduction to be effective on _____.]

IN WITNESS WHEREOF, the District has executed and delivered this Notice this _____ day of _____, _____.

Attest:

SANTA CLARA VALLEY WATER DISTRICT

By : _____
Its: _____

By _____
Authorized Officer

Attest:

SANTA CLARA VALLEY WATER DISTRICT
PUBLIC FACILITIES FINANCING CORPORATION

By: _____
Its: _____

By _____
Name: _____
Title: _____

EXHIBIT D

[FORM OF NOTICE OF REDUCTION]

NOTICE OF REDUCTION

[Date]

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

Ladies and Gentlemen:

We hereby notify you that pursuant to Section 2.09 of the Certificate Purchase and Reimbursement Agreement dated [_____ **1, 2017**], by and among the undersigned, Wells Fargo Bank, National Association, the Santa Clara Valley Water District and the Santa Clara Valley Water District Public Facilities Financing Corporation, the Maximum Commitment is permanently reduced from **[insert amount as of the date of of this Notice]** to **[insert new amount]**, such reduction to be effective on _____.

Very truly yours,

WELLS FARGO BANK, NATIONAL ASSOCIATION

By _____
Name: _____
Title: _____

EXHIBIT E

[FORM OF NOTICE OF EXTENSION]

NOTICE OF EXTENSION

[Date]

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

Ladies and Gentlemen:

We hereby notify you that pursuant to Section 2.12 of the Certificate Purchase and Reimbursement Agreement dated [_____ **1, 2017**], by and among the undersigned, Wells Fargo Bank, National Association, the Santa Clara Valley Water District and the Santa Clara Valley Water District Public Facilities Financing Corporation, the Commitment Expiration Date with respect to the Commitment as of the date hereof shall be extended to _____, _____. Your acknowledgment hereof shall be deemed to be your representation and warranty that all your representations and warranties contained in Article V of the Agreement and each other Related Document are true and correct and will be true and correct as of the date hereof and that no Default or Event of Default has occurred and is continuing.

Very truly yours,

WELLS FARGO BANK, NATIONAL ASSOCIATION

By _____
Name: _____
Title: _____

Acknowledged as of _____, _____ by

Attest:

SANTA CLARA VALLEY WATER DISTRICT

By : _____

Its: _____

By _____

Authorized Officer

Attest:

SANTA CLARA VALLEY WATER DISTRICT
PUBLIC FACILITIES FINANCING CORPORATION

By: _____

Its: _____

By _____

Name: _____

Title: _____

EXHIBIT F

FORM OF INVESTOR LETTER

_____, 20__

Santa Clara Valley Water District
San Jose, California

Santa Clara Valley Water District Public Facilities Financing Corporation
San Jose, California

RE: \$75,000,000
Santa Clara Valley Water District Revolving Certificates,
Series C (Tax-Exempt) and Series D (Taxable)

Ladies and Gentlemen:

This letter is to provide you with certain representations and agreements with respect to our purchase of the above-referenced certificates (collectively, the “*Certificates*”). The Certificates will be executed and delivered under that certain Resolution No. PFFC-[____], adopted by the Santa Clara Valley Water District Public Facilities Financing Corporation (the “*Corporation*”) on [_____, 20__] (the “*Certificate Resolution*”). Wells Fargo Bank, National Association (the “*Bank*,” the “*undersigned*,” “*us*” or “*we*,” as applicable) is purchasing the Certificates pursuant a Certificate Purchase and Reimbursement Agreement dated [_____, 1, 2017], by and among the Santa Clara Valley Water District (the “*District*”), the Corporation, and the Bank. We hereby represent and warrant to you and agree with you as follows:

1. We understand that the Certificates have not been registered pursuant to the Securities Act of 1933, as amended (the “*1933 Act*”), the securities laws of any state nor has the Certificate Resolution been qualified pursuant to the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions set forth therein. We acknowledge that the Certificates (i) are not being registered or otherwise qualified for sale under the “blue sky” laws and regulations of any state, (ii) will not be listed on any securities exchange, and (iii) will not carry a rating from any rating service.

2. We have not offered, offered to sell, offered for sale or sold any of the Certificates by means of any form of general solicitation or general advertising, and we are not an underwriter of the Certificates within the meaning of Section 2(11) of the 1933 Act.

3. We have sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the purchase of the Certificates.

4. We have authority to purchase the Certificates and to execute this letter and any other instruments and documents required to be executed by the purchaser in connection with the purchase of the Certificates.

5. The undersigned is a duly appointed, qualified and acting representative of the Bank and is authorized to cause the Bank to make the certifications, representations and warranties contained herein by execution of this letter on behalf of the Bank.

6. The Bank is a “qualified institutional buyer” as defined in Rule 144A promulgated under the 1933 Act and is able to bear the economic risks of such investment.

7. The undersigned understands that no official statement, prospectus, offering circular, or other comprehensive offering statement is being provided with respect to the Certificates. The undersigned has made its own inquiry and analysis with respect to the District, the Certificates and the security therefor, and other material factors affecting the security for and payment of the Certificates.

8. The undersigned acknowledges that it has either been supplied with or been given access to information, including financial statements and other financial information, regarding the District, to which a reasonable investor would attach significance in making investment decisions, and has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the District, the Certificates and the security therefor, so that as a reasonable investor, it has been able to make its decision to purchase the Certificates.

9. The Certificates are being acquired by the Bank for investment for its own account and not with a present view toward resale or distribution; *provided, however*, that the Bank reserves the right to sell, transfer or redistribute the Certificates, but agrees that any such sale, transfer or distribution by the Bank shall be to a Person:

(a) that is an affiliate of the Bank;

(b) that is a trust or other custodial arrangement established by the Bank or one of its affiliates, the owners of any beneficial interest in which are limited to qualified institutional buyers; or

(c) that the Bank reasonably believes to be a qualified institutional buyer and a commercial bank organized under the laws of the United States, or any state thereof, or any other country which is a member of the Organization for Economic Cooperation and Development, or a political subdivision of any such country, and, in any case, having a combined capital and surplus of not less than \$5,000,000,000 as of the date of such sale, transfer or distribution who executes an investor letter substantially in the form of this letter.

Very truly yours,

[BANK]

By: _____

Name: _____

Title: _____

EXHIBIT G

COMPLIANCE CERTIFICATE

For the Quarter/Year ended _____ (“*Statement Date*”)

Wells Fargo Bank, National Association
[Address]
Attention:

Ladies and Gentlemen:

We refer to the Certificate Purchase and Reimbursement Agreement, dated as of [_____ **1, 2017**] (as amended, restated and supplemented from time to time, the “*Certificate Purchase and 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 Wells Fargo Bank, National Association (and its successors and assigns, the “*Bank*”). All capitalized terms herein having the meanings ascribed thereto in the Certificate Purchase and 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 Certificate Purchase and 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 Certificate Purchase and 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 Certificate Purchase and 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 Certificate Purchase and 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 Certificate Purchase and 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 Certificate Purchase and 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 Certificate Purchase and Reimbursement Agreement, including, but not limited to, the covenants contained in Section 6.21 of the Certificate Purchase and 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 Lien 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 Lien Debt Service Coverage Ratio (e÷f) (1.10x minimum): _____

EXHIBIT H

[FORM OF BANK NOTE]

THE TRANSFERABILITY OF THE BANK NOTE IS RESTRICTED AS DESCRIBED IN SECTION 9.06 OF THE AGREEMENT

BANK NOTE

\$75,000,000 Maximum Principal Amount _____, 2017

FOR VALUE RECEIVED, the undersigned, SANTA CLARA VALLEY WATER DISTRICT (the "*District*"), hereby promises to pay to the order of WELLS FARGO BANK, NATIONAL ASSOCIATION (the "*Bank*"), at its principal office at _____, 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 Advances made by the Bank pursuant to the Agreement not to exceed Seventy-Five Million and No/100 Dollars (\$75,000,000). Terms used herein and not otherwise defined herein shall have the meanings assigned to them in the Certificate Purchase and Reimbursement Agreement dated as of _____ 1, 2017 (as amended, restated, supplemented and otherwise modified from time to time, the "*Agreement*") among the District, Santa Clara Valley Water District Public Facilities Financing Corporation (the "*Corporation*") and the Bank.

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 Advances 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. PFFC-[____], adopted by the Corporation on [_____, 20__], as amended, restated, supplemented and otherwise modified 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.

Pursuant to the Agreement, the District has pledged 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, subordinate only to Senior Lien Obligations and to Parity Obligations.

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).

[SIGNATURE PAGE TO FOLLOW]

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: _____
Authorized Officer

Attest:

By: _____
Title: _____

RESTATED ISSUING AND PAYING AGENT AGREEMENT

dated as of

January 1, 2017

among

SANTA CLARA VALLEY WATER DISTRICT

and

SANTA CLARA VALLEY WATER DISTRICT
PUBLIC FACILITIES FINANCING CORPORATION,

and

U.S. BANK NATIONAL ASSOCIATION,
as Paying Agent

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RESTATED ISSUING AND PAYING AGENT AGREEMENT

THIS RESTATED ISSUING AND PAYING AGENT AGREEMENT (the “Agreement”) is dated as of January 1, 2017, among the 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 California non-profit public benefit corporation (the “Corporation”), and U.S. Bank National Association, a national banking association organized and existing under and by virtue of the laws of the United States of America (the “Paying Agent”).

WHEREAS, the District, the Corporation and the Paying Agent have previously agreed and entered into a Restated Issuing and Paying Agent Agreement as amended in connection with a commercial paper program for the benefit of the District;

WHEREAS, under the commercial paper program as heretofore established there may be executed and delivered from time to time Santa Clara Valley Water District Commercial Paper Certificates, Series A (Tax-Exempt) and Santa Clara Valley Water District Commercial Paper Certificates, Series B (Taxable) (the “Series AB Certificates” as defined below);

WHEREAS, credit support for the Series AB Certificates in a principal amount of not to exceed \$150,000,000 is currently provided through an irrevocable, transferable direct-pay Letter of Credit issued by The Bank of Tokyo-Mitsubishi UFJ, Ltd., acting through its New York Branch, and such Series AB Certificates are currently sold from time to time to the public market;

WHEREAS, the District, has determined to expand the commercial paper program by arranging for the sale of additional series of certificates in an aggregate principal amount of not to exceed \$75,000,000 (the “Series CD Certificates” as defined below) to Wells Fargo Bank, National Association, which will agree under certain terms and conditions to purchase such Series CD Certificates and to provide liquidity therefor by agreeing to advance funds for the payment of the principal of such certificates at maturity or upon the mandatory prepayment thereof which is otherwise not paid; and

WHEREAS, the District and the Corporation now desire to restate the issuing and paying agent agreement for the commercial paper program in order to provide for the issuance and delivery of the Series CD Certificates as hereinabove described;

NOW, THEREFORE, in consideration of the premises and in order to induce the Paying Agent to enter into this Agreement and to act as issuing and paying agent, the District, the Corporation and the Paying Agent hereby agree as follows:

Section 1. Appointment of Agent; the Certificates. The District and Corporation hereby appoint the Paying Agent and the Paying Agent hereby agrees to act, on the terms and conditions specified herein, as issuing and paying agent for the Santa Clara Valley Water District Commercial Paper Certificates, Series A (Tax-Exempt) (the “Series A Certificates”), the Santa Clara Valley Water District Commercial Paper Certificates, Series B (Taxable) (the “Series B Certificates” and, together with the Series A Certificates, the “Series AB Certificates”), the Santa Clara Valley Water District Revolving Certificates, Series C (Tax-Exempt) (the “Series C

Certificates”) and the Santa Clara Valley Water District Revolving Certificates, Series D (Taxable) (the “Series D Certificates” and, together with the Series C Certificates, the “Series CD Certificates”). The Paying Agent also serves in the capacity of Trustee under the hereinafter referenced Corporation Resolution. Capitalized terms used in this Agreement not otherwise defined shall have the meanings ascribed thereto in the Corporation Resolution. The Series AB Certificates and the Series CD Certificates are sometimes referred to collectively in this Agreement as the “Certificates.”

(a) *Series AB Certificates.* The Series AB Certificates will be substantially in the forms attached hereto as Exhibit A and Exhibit B, respectively. The Series AB Certificates will be sold through such commercial paper dealers as an Approving Officer (as hereinafter defined) shall have notified the Paying Agent from time to time (the “Dealer”). The Dealers for the Series A Certificates and the Series B Certificates are currently Barclays Capital Inc. and J.P. Morgan Securities LLC, but such dealers may be changed without amendment to this Agreement.

The District has entered into an Amended and Restated Series AB Reimbursement Agreement dated as of March 1, 2016 (as amended, supplemented, restated or otherwise modified from time to time in accordance with its terms, the “Series AB Reimbursement Agreement”) with The Bank of Tokyo-Mitsubishi UFJ, Ltd, acting through its New York Branch (the “Series AB Bank”) pursuant to which the Series AB Bank has issued its irrevocable, transferable direct-pay Letter of Credit (the “Series AB Letter of Credit”) in the maximum available amount of \$163,500,000 (calculated as the sum of the maximum principal amount of the Series AB Certificates supported thereby of \$150,000,000, plus interest thereon in an amount equal to \$13,500,000 (calculated at the maximum rate of interest for a period of 270 days)), as such amount may be increased, reduced or reinstated from time to time in accordance with its terms (the “Stated Amount”). Drawings on the Series AB Letter of Credit to pay the principal of and interest, if any, with respect to maturing Series AB Certificates shall be made by U.S. Bank National Association, as paying agent, under and in accordance with Resolution No. PFFC-16-___ of the Corporation, adopted on November [10], 2016 (the “Corporation Resolution”) (which amends and restates Resolution No. PFFC-12-001, adopted on May 10, 2012, as amended by Resolution Nos. PFFC-14-001 and PFFC-14-002, adopted on December 10, 2014). Pursuant to the Series AB Letter of Credit, drawings may be made by the Paying Agent under the Series AB Letter of Credit in accordance with the terms thereof until 5:00 p.m., New York City time, on February 12, 2018 (the “LOC Termination Date”), but the LOC Termination Date may be shortened or extended in accordance with the terms of the Series AB Letter of Credit, the Series AB Reimbursement Agreement and Resolution No. 15-02 of the District adopted on January 13, 2015. Substitute reimbursement agreements may be entered into by the Corporation and the District and alternate letters of credit may be issued to support the Series AB Certificates from time-to-time without amendment of this Agreement so long as the terms of Section 9 of the Corporation Resolution have been complied with. Any such substitute reimbursement agreement and alternate letter of credit shall constitute the Series AB Reimbursement Agreement and the Series AB Letter of Credit, respectively, and the provider thereof shall constitute the Series AB Bank, for purposes of this Agreement.

(b) *Series CD Certificates.* The Series CD Certificates will be substantially in the forms attached hereto as Exhibit C and Exhibit D, respectively. The Series CD Certificates will

be issued and delivered to Wells Fargo Bank, National Association (the "Series CD Bank") pursuant to a Certificate Purchase and Reimbursement Agreement dated as of January 1, 2017 (as amended, supplemented, restated or otherwise modified from time to time in accordance with its terms, the "Series CD Purchase and Reimbursement Agreement") under which the Series CD Bank has agreed to purchase the Series CD Certificates, from time-to-time, at the request of the District in a maximum principal amount not exceeding \$75,000,000, as such amount may be increased, reduced or reinstated from time to time in accordance with the terms and conditions of the Series CD Purchase and Reimbursement Agreement (the "Available Commitment"). Pursuant to the Series CD Purchase and Reimbursement Agreement, the Series CD Bank will further provide liquidity support for the Series CD Certificates by agreeing to make advances thereunder ("Advances") for the payment and retirement of the principal of maturing Series CD Certificates, or Series CD Certificates subject to mandatory prepayment, in each case if not otherwise paid, upon the terms and conditions as provided in the Series CD Purchase and Reimbursement Agreement and in accordance with the Corporation Resolution. Pursuant to the Series CD Purchase and Reimbursement Agreement, Series CD Certificates may be purchased by the Series CD Bank and Advances may be made by the Series CD Bank therefor in accordance with the terms and conditions thereof until __:00 p.m., _____ time, on _____, 20__ (the "Commitment Expiration Date"), but the Commitment Expiration Date may be shortened or extended in accordance with the terms of the Series CD Purchase and Reimbursement Agreement.

(c) The Series AB Bank and the Series CD Bank are sometimes each referred to herein as a "Bank" and are collectively referred to herein as the "Banks."

(d) *Authorized Amount of Certificates.* The aggregate principal amount of Certificates which shall be issued pursuant to this Agreement shall not exceed the Statutory Limit, as defined in the hereinafter referenced Corporation Resolution; provided, that, (i) the maximum aggregate principal amount of the Series AB Certificates which may be outstanding at any one time under the Corporation Resolution shall not exceed the maximum principal amount provided under and in accordance with the Series AB Letter of Credit, and (ii) the maximum aggregate principal amount of the Series CD Certificates which may be outstanding at any one time under the Corporation Resolution shall not exceed the Maximum Commitment as defined in the Series CD Purchase and Reimbursement Agreement.

Section 2. Supply of Certificates. An Approving Officer will from time to time furnish and maintain with the Paying Agent an adequate supply of Series AB Certificates. Series AB Certificates shall be executed by the manual signature of the Trustee and authenticated by the Paying Agent. Book-Entry Series AB Certificates shall be represented by one or more DTC Master Commercial Paper Notes which shall be executed in accordance with a letter of representation entered into by the Corporation and the Depository Trust Company ("DTC"). Pending receipt of instructions pursuant to this Agreement, the Paying Agent will hold the Series AB Certificates in safekeeping for the account of DTC in accordance with the Paying Agent's customary practice.

Each series of Series CD Certificates shall be represented by a master certificate (each, a "Master CD Certificate") which shall be executed by manual signature of the Trustee and authenticated by the Paying Agent. Series CD Certificates shall be delivered to and held by the

Series CD Bank and, except as otherwise directed by the Series CD Bank, shall be registered in the name of the Series CD Bank in accordance with the terms of the Corporation Resolution and the Series CD Purchase and Reimbursement Agreement. Except as otherwise provided in the Corporation Resolution, Series CD Certificates of the related Series may only be issued pursuant to a Master CD Certificate in the manner provided in the Corporation Resolution and this Agreement.

Section 3. Approving Officers. Concurrent with the execution of this Agreement and from time to time as necessary to reflect changes thereto, an Approving Officer will furnish the Paying Agent with a certificate, substantially in the form attached hereto as Exhibit E, certifying the incumbency and specimen signatures of officers or agents of the District, or their designees, authorized to take actions hereunder on behalf of the Corporation (each an “Approving Officer”) or certifying as to no change in the preceding certification. Until the Paying Agent receives a subsequent incumbency certificate, the Paying Agent is entitled to rely on the last such certificate delivered to the Paying Agent for purposes of determining the Approving Officers. The Paying Agent shall not have any responsibility to the Corporation or the District to determine by whom or what means a facsimile signature may have been affixed on the Certificates, or to determine whether any facsimile or manual signature resembles the specimen signature(s) filed with the Paying Agent by an Approving Officer. Any Certificates bearing the manual signature of the Trustee shall be binding on the Corporation and the District after the authentication thereof by the Paying Agent notwithstanding that the individual or individuals who executed such Certificates on behalf of the Trustee shall have died or shall have otherwise ceased to hold his office on the date such Certificate is countersigned or delivered to the Paying Agent.

Section 4. Completion, Authentication, and Delivery of Certificates.

(a) *Series AB Certificates.* Instructions for the delivery of Series AB Certificates will be given via a delivery system (the “System”), if available, or by telephone, promptly confirmed in writing (which may be by facsimile) either by an Approving Officer, or by an officer or employee of a Dealer who has been designated by an Approving Officer in writing to the Paying Agent as a person authorized to give such instructions hereunder (each an “Authorized Dealer Representative”), in the form attached hereto as Exhibit I, provided that instructions may be given in writing if the System is unavailable or is inoperative. Upon receipt of instructions as described in the preceding sentence on a day on which the Paying Agent is open for business (a “Business Day”), the Paying Agent will withdraw the necessary Series AB Certificate(s) from safekeeping and, in accordance with such instructions, shall cause the delivery of such Book-Entry Series AB Certificates in the manner set forth in, and take such other actions as are required by a letter of representation.

Instructions given via the System must be entered by 12:30 p.m. for book-entry delivery, New York City time on a Business Day, and instructions delivered by telephone or in writing must be received by the Paying Agent by 12:30 p.m., New York City time on a Business Day, if the Series AB Certificate(s) are to be delivered the same day. Telephone instructions shall be confirmed in writing the same day.

The District shall not instruct the Paying Agent to, and the Paying Agent shall not, deliver Series A Certificate or Series B Certificate which (i) as a consequence thereof and giving

effect thereto would cause the aggregate principal amount of Series AB Certificates together with interest, if any, payable at maturity with respect thereto to exceed the Stated Amount of the Series AB Letter of Credit, (ii) have maturity dates which extend beyond: (A) 270 days after their respective date of execution and delivery; or (B) one (1) Business Day prior to the LOC Termination Date; or (C) such earlier date as is specified in the Series AB Letter of Credit, or (iii) which mature later than the maturity date of the respective Tax-Exempt TRAN or Taxable TRAN, as applicable. In addition, the Paying Agent agrees that upon receipt of a written notice from the Series AB Bank of the occurrence an “event of default” as defined in the Series AB Reimbursement Agreement or a Stop-Issuance Instruction (as described and defined in the Series AB Reimbursement Agreement), the Paying Agent will not thereafter deliver any additional Series AB Certificates unless the Series AB Bank rescinds such Stop-Issuance Instruction or such notice of an event of default. The Paying Agent further agrees not to cause the Stated Amount of the Series AB Letter of Credit to be reduced below the total of the aggregate principal amount with respect to the outstanding Series AB Certificates, together with the aggregate interest payable with respect to such outstanding Series AB Certificates; provided, however, that the foregoing does not prohibit the reduction of the Stated Amount of the Series AB Letter of Credit pursuant to its terms upon the honoring of the Final Drawing Notice (as such term is defined in the Series AB Letter of Credit).

The Paying Agent shall not authenticate Series AB Certificates if the Paying Agent has received (1) a Stop-Issuance Instruction from the Series AB Bank, stating that either (y) an event of default exists under the Series AB Reimbursement Agreement and is continuing, or (z) any representations and warranties of the District or the Corporation set forth in the Series AB Reimbursement Agreement, in the reasonable opinion of the Series AB Bank, are no longer true and correct in any material respect, and instructing that no additional Series AB Certificates, as applicable, be issued until further written notice from the Series AB Bank, or (2) a Final Drawing Notice from the Series AB Bank.

Upon receipt of a Stop-Issuance Instruction or Final Drawing Notice from the Series AB Bank, the District will or will cause such Stop-Issuance Instruction or Final Drawing Notice, as the case may be, to be provided to the applicable Dealer.

(b) *Series CD Certificates.* Upon the request of an Approving Officer, the Paying Agent will cause the Trustee to execute, and the Paying Agent will authenticate and deliver to the Series CD Bank, the Master CD Certificates. Upon the purchase of all or any portion of the Series CD Certificates by the Series CD Bank, the Series CD Bank will cause a notation to be made upon the applicable Master Series CD Certificate to reflect the principal amount so purchased and the then outstanding principal amount of such Certificate. The Maturity Date of any Series C Certificate or Series D Certificate shall be the earlier of: (a) the maturity date of the respective TRAN; or (b) the Business Day prior to the stated commitment expiration date of the Series CD Purchase and Reimbursement Agreement; provided that in the event that a new or subsequently authorized TRAN is assigned to the Trustee or the stated commitment expiration date of the Series CD Purchase and Reimbursement Agreement is extended by the Series CD Bank in accordance with the terms thereof, as applicable, the Maturity Date shall be automatically extended as provided in Section 11(b)(vii) of the Corporation Resolution and the Paying Agent shall instruct the Series CD Bank to make a notation of such extension on the related Series CD Certificate. The Series CD Certificates shall be subject to mandatory

prepayment on the Mandatory Prepayment Date upon receipt by the District, the Corporation and the Paying Agent of a written notice and direction thereof from the Series CD Bank following the occurrence an “event of default” as defined in the Series CD Purchase and Reimbursement Agreement, all in accordance with the terms of the Series CD Purchase and Reimbursement Agreement.

Section 5. Proceeds of Sale of the Certificates.

(a) *Series AB Certificates.* The Paying Agent hereby establishes an account designated as the SCVWD Series AB Certificate Account in the District’s name (the “Series AB Certificate Account”). On each day on which the Dealer or its agent has arranged for the sale of and receives Series AB Certificates (whether through the facilities of DTC in the manner set forth in a letter of representation or by delivery in accordance with Section 4(a) hereof), the Dealer shall deliver the proceeds of the sale of such Series AB Certificates in immediately available funds to the Paying Agent and the Paying Agent shall credit such amounts to the Series AB Certificate Account. Unless the Series AB Bank dishonors all or a portion of a properly presented drawing strictly conforming with the terms and conditions of the Series AB Letter of Credit or unless an Alternate Letter of Credit has been delivered which provides liquidity support for the Series AB Certificates but not credit support, the Paying Agent shall immediately transfer all amounts on deposit in the Series AB Certificate Account to the Trustee for deposit by the Trustee in the applicable Payment Fund to be used to reimburse the Series AB Bank for drawings on the Series AB Letter of Credit, or, upon direction of the Trustee, the Paying Agent shall transfer the reimbursement directly to the Series AB Bank in accordance with the wiring instructions contained in the Series AB Reimbursement Agreement. If the Series AB Bank dishonors all or a portion of a properly presented drawing strictly conforming with the terms and conditions of the Series AB Letter of Credit, the Paying Agent shall transfer from the Series AB Certificate Account to the Matured Series AB Certificate Redemption Account hereby created by the Paying Agent (the “Series AB Redemption Account”), an amount equal to the lesser of the amount of the drawing so dishonored and the amount on deposit in the Series AB Certificate Account. Thereafter the Paying Agent shall transfer any amounts remaining in the Series AB Certificate Account to the Trustee for deposit in the applicable Payment Fund.

Upon receipt by the Paying Agent of a funds transfer notice in the form of Exhibit F from an Approving Officer (the “Funds Transfer Notice”) and so long as the Paying Agent has not received written notice from the Series AB Bank that any amounts remain unreimbursed to the Series AB Bank, the Paying Agent agrees to transfer immediately available funds from the Series AB Certificate Account to any bank or trust company to the credit of the District in accordance with the terms of the Funds Transfer Notice.

(b) *Series CD Certificates.* The Paying Agent hereby establishes an account designated as the SCVWD Series CD Certificate Account in the District’s name (the “Series CD Certificate Account”). On each day on which the District has requested the Series CD Bank to purchase Series CD Certificates pursuant to the terms of the Series CD Purchase and Reimbursement Agreement, the Series CD Bank shall confirm to the Paying Agent, the Corporation and the District that the issuance of the Series CD Certificates has been evidenced by a notation on the Master CD Certificate and simultaneous therewith the Series CD Bank shall deliver to the Paying Agent the purchase price of such Series CD Certificates in immediately

available funds. The Paying Agent shall credit such amounts to the Series CD Certificate Account.

Upon receipt by the Paying Agent of a funds transfer notice in the form of Exhibit F from an Approving Officer (the "Funds Transfer Notice") and so long as the Paying Agent has not received written notice from the Series CD Bank that any past due amounts owing to the Series CD Bank, the Paying Agent agrees to transfer immediately available funds from the Series CD Certificate Account to any bank or trust company to the credit of the District in accordance with the terms of the Funds Transfer Notice.

Section 6. Payment of Matured Certificates.

(a) *Series AB Certificates.* For the purpose of paying the principal and interest, if any, with respect to Series AB Certificates when due, the Paying Agent has or will establish an account designated as the "Series AB Letter of Credit Account." If the Series AB Letter of Credit provides credit support for the Certificates, the Paying Agent shall, by 12:00 p.m. New York City time, on the maturity date of each Series AB Certificate, draw on the Series AB Letter of Credit in accordance with the terms thereof so as to receive thereunder by 2:30 p.m. New York City time on said date, an amount, in immediately available funds, equal to the amount of principal and interest, if any, with respect to the Series AB Certificate. Immediately upon receipt of a Final Drawing Notice, the Paying Agent shall present all required drawing certificates and accompanying documentation, if required, to the Series AB Bank and demand payment be made immediately and directly to the Paying Agent under the Series AB Letter of Credit of an amount sufficient to pay the entire amount of principal and accrued and unpaid interest with respect to the then outstanding Series AB Certificates supported by such Series AB Letter of Credit, which principal and interest shall be paid on the applicable maturity date first to occur for each such Series AB Certificate after receipt of such Final Drawing Notice. The Paying Agent shall deposit the proceeds of such drawings in the Series AB Letter of Credit Account and apply the proceeds of each drawing solely to pay the principal and interest, if any, with respect to such Series AB Certificates upon maturity. Pending such use, moneys in the Series AB Letter of Credit Account shall be held uninvested.

If the Series AB Letter of Credit provides credit support for the Series AB Certificates and the Series AB Bank dishonors all or a portion of a properly presented drawing strictly conforming with the terms and conditions of the Series AB Letter of Credit, the Paying Agent shall immediately notify the Trustee of the amount of the drawing dishonored and the amount, if any, on deposit in the Certificate Account which the Paying Agent will apply to the payment of maturing Series AB Certificates, and thereupon the Paying Agent shall request the Trustee to transfer to the Paying Agent from amounts on deposit in the applicable Payment Fund an amount equal to principal of and accrued and unpaid interest with respect to maturing Series AB Certificates less the amounts on deposit in the Series AB Letter of Credit Account and the Series AB Certificate Account. Upon receipt of such transfer from the Trustee, the Paying Agent shall deposit such amount in the Series AB Redemption Account. To the extent so deposited, the Paying Agent shall pay the principal of and interest, if any, with respect to such Series AB Certificate from amounts on deposit in the Series AB Redemption Account at or prior to 4:00 p.m. (New York City time). Pending such use of amounts on deposit in the Series AB Redemption Account, the Paying Agent shall hold such funds uninvested or invested in a money

market fund rated by any one of Moody's, S&P or Fitch, not lower than "AAA-mf," "AAAm" or "AAAmmf," respectively. When any matured Series AB Certificate is presented to the Paying Agent for payment by DTC or a nominee of DTC, payment as to principal and the interest, if any, with respect thereto shall be made from and charged to the Series AB Redemption Account to the extent funds sufficient to effect such payment are available in said account.

The Paying Agent shall not sell, assign or otherwise transfer the Series AB Letter of Credit, except to a successor Paying Agent hereunder and in accordance with the terms of the Series AB Letter of Credit and this Agreement.

(b) *Series CD Certificates.* On or before 12:00 p.m., New York City time, on any Interest Payment Date for any Series CD Certificates (including on any Maturity Date, Mandatory Prepayment Date or other date of prepayment), the District shall deposit with the Paying Agent, as payment on the related TRAN, moneys for deposit in the applicable Payment Fund for such Series CD Certificate in an amount sufficient to pay in full the interest due on such Series CD Certificate on such Interest Payment Date, which amounts will be immediately transferred by wire transfer to the registered owner or as otherwise directed by such registered owner. On or before 12:00 p.m., New York City time, on the Maturity Date or any Mandatory Prepayment Date of any Series CD Certificate, the District shall either (i) deposit with the Paying Agent, as payment on the related TRAN, moneys for deposit in the applicable Payment Fund for such Series CD Certificate maturing on, or subject to mandatory prepayment on, such date in an amount sufficient to pay in full the principal amount of such Series CD Certificate becoming due on such date, which amounts will be immediately transferred by wire transfer to the registered owner or as otherwise directed by such registered owner, or (ii) cause the Series CD Bank to make an Advance pursuant to the terms of the Series CD Purchase and Reimbursement Agreement in an amount sufficient, together with amounts on deposit in the applicable Payment Fund therefor, to pay in full the principal amount of such Series CD Certificate becoming due on such Maturity Date or Mandatory Prepayment Date. The proceeds of any such Advance shall be applied by the Series CD Bank, on behalf of the District and in accordance with the Series CD Purchase and Reimbursement Agreement, to the payment of the principal of Series CD Certificates maturing or subject to mandatory prepayment on such date. On any date on which the District has elected to prepay any Series CD Certificate, the District shall deposit with the Paying Agent, as payment on the related TRAN, moneys for deposit in the applicable Payment Fund for such Series CD Certificate being prepaid on such date in an amount sufficient to pay in full the principal amount of such Series CD Certificate being prepaid on such date, which amounts will be immediately transferred by wire transfer to the registered owner or as otherwise directed by such registered owner. On any date on which principal or interest on a Series CD Certificate is paid or prepaid, the Series CD Bank, as registered owner, will cause a notation to be made upon the applicable Master CD Certificate to reflect the interest or principal so paid and the then unpaid principal amount of such Series CD Certificate, and if such payment is made from an Advance, the District will cause the Series CD Bank to give notice of such payment to the Paying Agent and the Trustee.

Section 7. Defeasance Securities. Notwithstanding anything to the contrary set forth in the Corporation Resolution, the Corporation acknowledges and agrees that Permitted Investments described in clause (ii) of the definition thereof set forth in the Corporation

Resolution may not be deposited with the Trustee in connection with a defeasance of Certificates pursuant to Section 35 of the Corporation Resolution.

Section 8. Reliance on Instructions. Except as otherwise set forth herein, the Paying Agent shall incur no liability to the District or the Corporation in acting hereunder upon telephonic or other instructions contemplated hereby which the recipient thereof reasonably believed in good faith to have been given by an Approving Officer or, in the case of Series AB Certificates, by an Authorized Dealer Representative, as the case may be. In the event a discrepancy exists with respect to any such instructions, the telephonic instructions by the Paying Agent will be deemed the controlling and proper instructions, unless such instructions are required by this Agreement to be in writing.

Section 9. Cancellation of Certificates. The Paying Agent will in due course cancel and destroy Certificate(s) presented for payment and furnish the District on a timely basis an affidavit of cancellation and destruction. After payment of any matured Certificate, the Paying Agent shall annotate its records to reflect the face amount of Certificates outstanding in accordance with a letter of representation, if any. Promptly upon the written request of an Approving Officer, the Paying Agent agrees to cancel and return to such Approving Officer all undelivered Certificates in its possession at the time of such request.

Section 10. Notices; Addresses. All communications by or on behalf of the District, the Corporation or, in the case of Series AB Certificates, the Dealer, by telephone or otherwise relating to the completion, delivery or payment of the Certificates are to be directed to the Paying Agent's Corporate Trust Department (or such other department or division which the Paying Agent shall specify in writing to the District, the Corporation and the Dealer). The District will send all Certificates to be completed and delivered by the Paying Agent to the Paying Agent's Corporate Trust Department (or such other department or division as the Paying Agent shall specify in writing to the District). The Paying Agent will advise the District, the Corporation, the Banks and the Dealer from time to time in writing of the individuals generally responsible for the administration of this Agreement and will from time to time certify incumbency and specimen signatures of officers or employees authorized to provide instructions hereunder. The Paying Agent will provide to the Rating Agencies a copy of notice of the termination of the Series AB Letter of Credit in the form of Annex D to the Series AB Letter of Credit. The Paying Agent shall give 15 days' advance written notice to the Dealer and all Series AB Certificate owners, any time the Paying Agent receives notice from the District of delivery of an Alternate Letter of Credit pursuant to Section 9(b) of the Corporation Resolution.

(a) Notices and other communications hereunder shall (except to the extent otherwise expressly provided) be in writing delivered by first-class mail (postage prepaid) or overnight express delivery, or by e-mail, facsimile transmission or other electronic means of communication promptly confirmed by mail (postage prepaid) and shall be addressed as follows, or to such other address as the party receiving such notice shall have previously specified to the party sending such notice:

If to the District, at:

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 Corporation, at:

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) 465-2607
Telecopy No.: (408) 979-5685

If to the Paying Agent, at:

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

concerning the daily issuance of Series AB Certificates:

U.S. Bank National Association
100 Wall Street, Suite 1600
New York, New York 10005
Attn: Rocky Prashad
Telephone No.: (212) 361-6140
Telecopy No.: (212) 509-4529

concerning all other matters:

U.S. Bank National Association
100 Wall Street, Suite 1600
New York, New York 10005
Attn: Millie Rolla
Telephone No.: (212) 361-2892
Telecopy No.: (212) 361-5217

If to the Series AB 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 Series AB 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 LC Section,
Antonina Bodi/Ruth Dioquino
Telephone: (201) 413-8823 or (201) 413-8160
Telecopier: (201) 521-2312 or (201) 521-2336

If to the Series CD Bank:

[To Come]

If to Moody's:

Moody's Investors Service, Inc.
7 World Trade Center
at 250 Greenwich Street
New York, NY 10007
Attn: Moody's Municipal Supported Products Surveillance Group
E-mail: MSPGSurveillance@moodys.com Moody's Investors Service

If to S&P:

Standard & Poor's Ratings Services
55 Water Street, 38th Floor
New York, NY 10041
Attn: Municipal Structured Surveillance
E-mail: pubfin_structured@standardandpoors.com Standard & Poor's

If to Fitch:

Fitch Ratings, Inc.
33 Whitehall Street
New York, NY 10004
E-mail: pubfinsurv@fitchratings.com

Notices shall be deemed delivered when received at the address specified above. For purposes of this paragraph, “when received” shall mean actual receipt (i) with respect to an electronic communication, of such electronic communication by e-mail, a telex machine, telecopier or issuance system specified in or pursuant to this Agreement; or (ii) with respect to a telephonic communication, by any person answering the telephone at the Paying Agent’s office specified in subparagraph 10(a) hereof and otherwise at the office of the individual or department specified in or pursuant to this Agreement; or (iii) with respect to a written communication, delivered by first-class mail (postage prepaid) or overnight express delivery, or hand-delivered at the office specified in or pursuant to this Agreement.

Section 11. Additional Information. Upon request of an Approving Officer given at any time and from time to time, the Paying Agent shall promptly provide such Approving Officer with information with respect to the Certificate(s) delivered and paid hereunder. Such request shall be in written form and, to the extent known by such Approving Officer, shall include the serial number, principal amount, date of delivery, maturity date and amount of interest, if any, with respect to each Certificate which has been delivered or paid by the Paying Agent and for which the request is being made.

Section 12. Liability. Neither the Paying Agent nor its officers, employees or agents shall be liable for any act or omission hereunder, except in the case of its own negligence or willful misconduct. The Paying Agent’s duties and obligations and those of its officers and employees shall be determined by the express provisions of this Agreement and a letter of representation (including the documents referred to therein), if any, and the Paying Agent and its officers, employees and agents shall not be liable except for the performance of such duties and obligations as are specifically set forth herein and therein, and no implied covenants shall be read into any such document against them. Neither the Paying Agent nor its officers, employees or agents shall be required to ascertain whether any execution, delivery or sale of Certificates (or any amendment or termination of this Agreement) has been duly authorized or is in compliance with any other agreement, ordinance, resolution or other undertaking or document to which the District or the Corporation is a party or by which it or its property may be bound (whether or not U.S. Bank National Association, is a party to such other agreement). The Paying Agent makes no representation as to, and shall have no responsibility for, the correctness of any statement of a party other than the Paying Agent contained in, or the validity or sufficiency of this Agreement or any documents or instruments referred to in this Agreement or as to or for the validity or collectability of any obligation contemplated by this Agreement except as such validity, sufficiency or collectability shall relate to the Paying Agent. The Paying Agent shall not be accountable for the use or application by any person of disbursements properly made by the Paying Agent in conformity with the provisions of this Agreement. The Paying Agent shall not incur any such liability for (i) any act or failure to act made or omitted in good faith, or (ii) any action taken or omitted in reliance upon any instrument, including any written statement of

affidavit provided for in this Agreement that the Paying Agent shall in good faith believe to be genuine, nor will the Paying Agent be liable or responsible for forgeries, fraud, impersonations, or determining the scope of any representative authority. In addition, the Paying Agent may consult with legal counsel in connection with the Paying Agent's duties under this Agreement and shall be fully protected in any act taken, suffered, or permitted by it in good faith in accordance with the advice of counsel. Except as set forth in Section 3 hereof, the Paying Agent is not responsible for determining and verifying the authority of any person acting or purporting to act on behalf of any party to this Agreement.

Section 13. Indemnification. The District and its successors and assigns agree to indemnify and hold the Paying Agent and its officers, employees and agents harmless against any and all losses, claims, damages, liabilities, actions, suits, judgments, demands, costs and expenses including reasonable costs of investigation, counsel fees, including reasonable, allocated costs of in-house counsel and disbursements that may be imposed on the Paying Agent or incurred by the Paying Agent or its officers, employees or agents in connection with the execution and delivery of the Certificates or the performance by the Paying Agent of its duties under this Agreement (collectively, the "Liabilities"), provided that neither the District nor the Corporation shall be required to indemnify the Paying Agent (i) as a condition to the Paying Agent making a drawing on the Series AB Letter of Credit in accordance with Section 6 hereof, (ii) as a condition to paying maturing Certificates from the sources described herein, or (iii) for any Liabilities to the extent, but only to the extent, caused by the willful misconduct or negligence of the Paying Agent, including but not limited to any litigation arising from this Agreement or involving its subject matter. This provision shall survive the Paying Agent's resignation or removal hereunder or any expiration or termination of this Agreement

Section 14. Benefit of Agreement. This Agreement is solely for the benefit of the parties hereto, as well as the Series AB Bank and the Series CD Bank which shall be express third party beneficiaries of this Agreement, and no other person shall acquire or have any right under or by virtue hereof.

Section 15. Terms and Termination of Agreement. This Agreement may be terminated at any time by either the Paying Agent or an Approving Officer by 15 days' prior written notice to the other and to the Banks, provided that the Paying Agent agrees to continue acting as issuing and paying agent hereunder until such time as its successor has been selected with the consent of the Banks which consent shall not be unreasonably withheld, its successor has entered into an agreement with the District and the Corporation to that effect, and the Series AB Letter of Credit has been amended to provide that the successor issuing and paying agent shall be the beneficiary thereof. If no successor has been appointed within 15 days, the Paying Agent shall have the right to petition a court of competent jurisdiction for the appointment of a successor issuing and paying agent and shall be reimbursed for any and all expenses in connection with any such petition and appointment. Such termination shall not affect the respective liabilities of the parties hereunder arising prior to such termination. Unless otherwise terminated, this Agreement will have a term of five years; provided, however, that an Approving Officer of the District (acting on behalf of the District and the Corporation) can extend the term of this Agreement on substantially the same terms and conditions by letter agreement for successive periods of up to three years thereafter so long as the Certificates are outstanding.

Section 16. Governing Law. THIS AGREEMENT IS TO BE DELIVERED AND PERFORMED IN, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND THE RIGHTS OF THE PARTIES SHALL BE GOVERNED BY, THE LAWS OF THE STATE OF CALIFORNIA.

Section 17. Fees. The Paying Agent shall receive fees from the District for acting as issuing and paying agent hereunder in accordance with the Corporation Resolution. In the event that the conditions of this Agreement are not promptly fulfilled, or if the Paying Agent renders any service not provided for in this Agreement, or if the Paying Agent requests a substantial modification of its terms, or if any controversy arises, or if the Paying Agent is made a party to, or intervenes in, any litigation pertaining to this Agreement or its subject matter, the Paying Agent shall be reasonably compensated for such extraordinary services and reimbursed for all costs, attorneys' fees, including allocated costs of in-house counsel, and expenses occasioned by such default, delay, controversy or litigation.

Section 18. No Waiver; Remedies. No failure on the part of the Paying Agent, the Corporation or the District to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right hereunder preclude any other further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 19. Severability. Any provision of this Agreement that is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

Section 20. Counterparts. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each party hereto shall have received a counterpart hereof duly executed by the other party hereto.

Section 21. Headings. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to the duly executed and delivered by their respective officers thereunto duly authorized as of the date first above written.

SANTA CLARA VALLEY WATER DISTRICT

By: _____
Authorized Officer

By execution above, the District acknowledges its consent to the amendments to Resolution PFFC-12-001 (as previously amended) effected by the adoption by the Corporation of the Corporation Resolution (as defined in this Agreement).

SANTA CLARA VALLEY WATER DISTRICT
PUBLIC FACILITIES FINANCING CORPORATION

By: _____
Authorized Officer

U.S. BANK NATIONAL ASSOCIATION

By: _____
Authorized Signature

By execution above, U.S. Bank National Association, as Trustee and Paying Agent for the Certificates, acknowledges its consent to the amendments to Resolution PFFC-12-001 (as previously amended) effected by the adoption by the Corporation of the Corporation Resolution (as defined in this Agreement).

EXHIBIT A

FORM OF SERIES A (TAX-EXEMPT) CERTIFICATE

[See Attached]

Registered
No. _____

Registered
\$ _____

SANTA CLARA VALLEY WATER DISTRICT
COMMERCIAL PAPER CERTIFICATE, SERIES A (TAX-EXEMPT)

DATE OF ORIGINAL ISSUE

MATURITY DATE

June 28, 2012

_____, 20__

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

This is to certify that the Registered Owner of this 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 May 10, 2012, as amended and restated on November [10], 2016 (the "Resolution"). The Corporation's right to receive the Tax-Exempt TRANS Payments has 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 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. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms 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 Series AB Letter of Credit issued by The Bank of Tokyo-Mitsubishi UFJ, Ltd., acting through its New York Branch, 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 Series AB 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 Payments 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 CORPORATION 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: _____, 20__

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, Series A (Tax-Exempt).

Date of Authentication: _____, 20__

U.S. BANK NATIONAL ASSOCIATION,
Paying Agent

By: _____
Authorized Signatory

EXHIBIT B
FORM OF SERIES B (TAXABLE) CERTIFICATE

[See Attached]

Registered
No. _____

Registered
\$ _____

SANTA CLARA VALLEY WATER DISTRICT
COMMERCIAL PAPER CERTIFICATE, SERIES B (TAXABLE)

DATE OF ORIGINAL ISSUE

MATURITY DATE

June 28, 2012

_____, 20__

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

This is to certify that the Registered Owner of this 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 May 10, 2012, as amended and restated on November [10], 2016 (the "Resolution"). The Corporation's right to receive the Taxable TRANS Payments has 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 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 360-day year and actual days elapsed, as specified in the Resolution. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms 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 Series AB Letter of Credit issued by The Bank of Tokyo-Mitsubishi UFJ, Ltd., acting through its New York Branch, 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 Series AB 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 CORPORATION 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,
Trustee

By: _____
Authorized Signatory

Execution Date: _____, 20__

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, Series B (Taxable).

Date of Authentication: _____, 20__

U.S. BANK NATIONAL ASSOCIATION,
Paying Agent

By: _____
Authorized Signatory

EXHIBIT C

FORM OF SERIES C (TAX-EXEMPT) CERTIFICATE

[See Attached]

Transfer Restrictions: This Master Certificate may not be transferred or exchanged except upon satisfaction of the conditions set forth in the hereinafter referenced Resolution, and no transfer in violation of such transfer restrictions shall be valid or enforceable.

Registered
No. _____

Registered
Up to \$75,000,000.00

SANTA CLARA VALLEY WATER DISTRICT
REVOLVING CERTIFICATE, SERIES C (TAX-EXEMPT)

(MASTER CERTIFICATE)

DATE OF ORIGINAL ISSUE

[Date of Delivery]

REGISTERED OWNER: [Wells Fargo Bank, National Association]

PRINCIPAL AMOUNT: UP TO SEVENTY-FIVE MILLION DOLLARS

This is to certify that the Registered Owner of this 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 May 10, 2012, as amended and restated on November [10], 2016 (the "Resolution"). The Corporation's right to receive the Tax-Exempt TRANS Payments has been assigned to U.S. Bank National Association, as Trustee (the "Trustee"). Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Resolution.

The Registered Owner is entitled to receive, in lawful currency of the United States of America, the Principal Amount specified above or so much of such Principal Amount of this Certificate which has been purchased by the Series CD Bank at the request of the District pursuant to the terms of the Series CD Purchase and Reimbursement Agreement, and which has not been repaid to the Registered Owner by the District or on behalf of the District pursuant to an Advance made for the benefit of the District in accordance with the terms of the Series CD Purchase and Reimbursement Agreement (an "Advance"), together with interest on the unpaid Principal Amount hereof, calculated at the rate (not to exceed the Maximum Rate) and in the manner as specified in the Resolution. Interest is calculated on the basis of a 365/366 day year and actual days elapsed, as specified in the Resolution. The unpaid Principal Amount of this Certificate shall be payable on the Maturity Date stated hereon, or upon such earlier date upon which the District prepays the principal amount of any related tax-exempt tax and revenue anticipation notes, following notice to the Series CD Bank (or other Registered Owner) as provided in the Series CD Purchase and Reimbursement Agreement, or upon such later date if

the Maturity Date has been extended as provided in the Resolution. Interest on the unpaid Principal Amount of this Certificate shall be payable on each Interest Payment Date. Payment of principal and interest evidenced hereby shall be payable without the need to surrender this Certificate, as provided in the Resolution.

This Certificate is subject to mandatory prepayment on the Mandatory Prepayment Date in accordance with the terms of the Series CD Purchase and Reimbursement Agreement.

On the date of the purchase by the Series CD Bank of all or any portion of this Certificate, or of the payment (upon maturity or by prepayment) of all or any portion of the Principal Amount hereof, or the payment of interest due hereon, the Series CD Bank shall make a notation of such purchase, or of the Principal Amount or interest paid hereon, on the Purchase and Payment Grid attached to this Certificate, which notation shall be confirmed by the Series CD Bank to the Paying Agent. This Certificate shall be available for inspection by the District, the Corporation, the Trustee or the Paying Agent upon request.

This Certificate is one of a duly authorized issue of tax-exempt revolving certificates executed and delivered by the Trustee under and by authority of the Resolution. All interest payable on this Certificate, and unless otherwise paid from an Advance, the unpaid Principal Amount hereof are payable 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. This Certificate has a *pari passu* claim on all Tax-Exempt TRANS Payment with the claims of any holders of the Corporation's Santa Clara Valley Water District Commercial Paper Certificates, Series A (Tax-Exempt) issued pursuant to the Resolution.

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.

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 CORPORATION 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: _____, 20__

CERTIFICATE OF AUTHENTICATION

This is one of the master Certificates described in the within-mentioned Resolution, which Certificate has been authenticated on the date set forth below and constitutes all of the Santa Clara Valley Water District Revolving Certificates, Series C (Tax-Exempt).

Date of Authentication: _____, 20__

U.S. BANK NATIONAL ASSOCIATION,
Paying Agent

By: _____
Authorized Signatory

Purchase and Payment Grid

Principal Payment Grid

<u>Date of Purchase</u>	<u>Principal Amount Purchased</u>	<u>Maturity Date⁽¹⁾</u>	<u>Date of Principal Payment⁽²⁾</u>	<u>Unpaid Principal Balance</u>
	\$			\$

⁽¹⁾ Insert the earlier of the maturity date of the related TRAN or the Business Day prior to the stated commitment expiration date of the Series CD Purchase and Reimbursement Agreement. Per the terms hereof and of the Series CD Purchase and Reimbursement Agreement, notation is to be further made hereon in the event such Maturity Date is automatically extended as a result of a new or subsequently authorized TRAN being assigned to the Trustee or the stated commitment expiration date of the Series CD Purchase and Reimbursement Agreement being extended by the Series CD Bank in accordance with the terms thereof.

⁽²⁾ Including any optional or mandatory prepayment.

Interest Payment Grid

<u>Interest Payment Date</u>	<u>Interest Payment</u>
	\$

EXHIBIT D

FORM OF SERIES D (TAXABLE) CERTIFICATE

[See Attached]

Transfer Restrictions: This Master Certificate may not be transferred or exchanged except upon satisfaction of the conditions set forth in the hereinafter referenced Resolution, and no transfer in violation of such transfer restrictions shall be valid or enforceable.

Registered
No. _____

Registered
Up to \$75,000,000.00

SANTA CLARA VALLEY WATER DISTRICT
REVOLVING CERTIFICATE, SERIES D (TAXABLE)

(MASTER CERTIFICATE)

DATE OF ORIGINAL ISSUE

[Date of Delivery]

REGISTERED OWNER: [Wells Fargo Bank, National Association]

PRINCIPAL AMOUNT: UP TO SEVENTY-FIVE MILLION DOLLARS

This is to certify that the Registered Owner of this 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 May 10, 2012, as amended and restated on November [10], 2016 (the "Resolution"). The Corporation's right to receive the Taxable TRANS Payments has been assigned to U.S. Bank National Association, as Trustee (the "Trustee"). Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Resolution.

The Registered Owner is entitled to receive, in lawful currency of the United States of America, the Principal Amount specified above or so much of such Principal Amount of this Certificate which has been purchased by the Series CD Bank at the request of the District pursuant to the terms of the Series CD Purchase and Reimbursement Agreement, and which has not been repaid to the Registered Owner by the District or on behalf of the District pursuant to an Advance made for the benefit of the District in accordance with the terms of the Series CD Purchase and Reimbursement Agreement (an "Advance"), together with interest on the unpaid Principal Amount hereof, calculated at the rate (not to exceed the Maximum Rate) and in the manner as specified in the Resolution. Interest is calculated on the basis of a 360-day year and actual days elapsed, as specified in the Resolution. The unpaid Principal Amount of this Certificate shall be payable on the Maturity Date stated hereon, or upon such earlier date upon which the District prepays the principal amount of any related taxable tax and revenue anticipation notes, following notice to the Series CD Bank (or other Registered Owner) as provided in the Series CD Purchase and Reimbursement Agreement, or upon such later date if

the Maturity Date has been extended as provided in the Resolution. Interest on the unpaid Principal Amount of this Certificate shall be payable on each Interest Payment Date. Payment of principal and interest evidenced hereby shall be payable without the need to surrender this Certificate, as provided in the Resolution.

This Certificate is subject to mandatory prepayment on the Mandatory Prepayment Date in accordance with the terms of the Series CD Purchase and Reimbursement Agreement.

On the date of the purchase by the Series CD Bank of all or any portion of this Certificate, or of the payment (upon maturity or by prepayment) of all or any portion of the Principal Amount hereof, or the payment of interest due hereon, the Series CD Bank shall make a notation of such purchase, or of the Principal Amount or interest paid hereon, on the Purchase and Payment Grid attached to this Certificate, which notation shall be confirmed by the Series CD Bank to the Paying Agent. This Certificate shall be available for inspection by the District, the Corporation, the Trustee or the Paying Agent upon request.

This Certificate is one of a duly authorized issue of taxable revolving certificates executed and delivered by the Trustee under and by authority of the Resolution. All interest payable on this Certificate, and unless otherwise paid from an Advance, the unpaid Principal Amount hereof are payable 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 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 taxable tax and revenue anticipation notes. This Certificate does not constitute an obligation of the District, the Corporation or any other public agency. This Certificate has a *pari passu* claim on all Taxable TRANS Payment with the claims of any holders of the Corporation's Santa Clara Valley Water District Commercial Paper Certificates, Series B (Taxable) issued pursuant to the Resolution.

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.

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 CORPORATION 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: _____, 20__

CERTIFICATE OF AUTHENTICATION

This is one of the master 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 Revolving Certificates, Series D (Taxable).

Date of Authentication: _____, 20__

U.S. BANK NATIONAL ASSOCIATION,
Paying Agent

By: _____
Authorized Signatory

Purchase and Payment Grid

Principal Payment Grid

<u>Date of Purchase</u>	<u>Principal Amount Purchased</u>	<u>Maturity Date⁽¹⁾</u>	<u>Date of Principal Payment⁽²⁾</u>	<u>Unpaid Principal Balance</u>
	\$			\$

⁽¹⁾ Insert the earlier of the maturity date of the related TRAN or the Business Day prior to the stated commitment expiration date of the Series CD Purchase and Reimbursement Agreement. Per the terms hereof and of the Series CD Purchase and Reimbursement Agreement, notation is to be further made hereon in the event such Maturity Date is automatically extended as a result of a new or subsequently authorized TRAN being assigned to the Trustee or the stated commitment expiration date of the Series CD Purchase and Reimbursement Agreement being extended by the Series CD Bank in accordance with the terms thereof.

⁽²⁾ Including any optional or mandatory prepayment.

<u>Interest Payment Date</u>	<u>Interest Payment</u>
	\$

EXHIBIT E

SIGNATURE CERTIFICATE

I, the undersigned Clerk of the Board of Directors of the Santa Clara Valley Water District (the "District"), State of California, hereby certify as follows:

1. That the undersigned are now, and have continuously been since January 1, 2017, the duly qualified officers of the District holding the offices set opposite their respective names below.

2. The following named persons, or their designees, are now and at all times since January 1, 2017, have been duly qualified officers of the District holding the office set opposite their names, and set opposite their names are the facsimile signature of such persons:

<u>Name</u>	<u>Office</u>	<u>Signature</u>
Norma Camacho	Interim Chief Executive Officer	_____
	Chief Operating Officer – Administrative Services	_____
	Chief Financial Officer	_____
Charlene Sun	Treasury/Debt Officer	_____

The undersigned by her signature confirms that the other, signatures set forth above are genuine.

Dated: _____, 2017

Michele L. King
Clerk of the Board of Directors

EXHIBIT F

FUNDS TRANSFER NOTICE

_____, 20__

U.S. Bank National Association
100 Wall Street, Suite 1600
New York, New York 10005

Re: Santa Clara Valley Water District
Commercial Paper Certificates

Ladies and Gentlemen:

The undersigned, a duly authorized officer of the Santa Clara Valley Water District (the "District"), hereby (a) refers to the Restated Issuing and Paying Agent Agreement, dated as of January 1, 2017 (as amended or otherwise modified from time to time, the "Issuing and Paying Agent Agreement," the terms defined therein being used herein as therein defined), among the District, Santa Clara Valley Water District Public Facilities Financing Corporation and U.S. Bank National Association, (the "Bank"), (b) gives the Bank this Funds Transfer Notice pursuant to Section 5 of the Issuing and Paying Agent Agreement that the District requests that transfer of immediately available funds from the Certificate Account be made on _____, _____ in the aggregate principal amount of \$_____ to _____, ABA number _____ Account number _____, Attention: _____ (the "Requested Transfer").

Very truly yours,

SANTA CLARA VALLEY WATER DISTRICT

By: _____
Title:

EXHIBIT G

LIST OF PAYING AGENT REPRESENTATIVES

Millie Rolla
U.S. Bank National Association
Corporate Trust Services
100 Wall Street, Suite 1600
New York, NY 10005
Tel: 212-361-2892
Fax: 212-514-6841
e-mail: millie.rolla@usbank.com

Mary Wong
U.S. Bank National Association
Corporate Trust Services
One California Street, Suite 1000
San Francisco, CA 94111
Tel: 415-677-3602
Fax: 415-677-3768
e-mail: mary.wong@usbank.com

EXHIBIT H
AUTHORIZED SIGNER(S)

[See Attached]

EXHIBIT I
CERTIFICATE DELIVERY INSTRUCTIONS

[See Attached]