
ISSUING AND PAYING AGENT AGREEMENT

by and between

SANTA CLARA VALLEY WATER DISTRICT

and

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,
as Issuing and Paying Agent

Dated as of December 1, 2024

Relating To

SANTA CLARA VALLEY WATER DISTRICT

COMMERCIAL PAPER NOTES (TAX-EXEMPT) AND
COMMERCIAL PAPER NOTES (TAXABLE)

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EXHIBITS:

Exhibit A	–	Forms of Commercial Paper Notes
Exhibit B	–	Forms of Master Notes
Exhibit C	–	Certificate Agreement
Exhibit D	–	Form of Issuance Request
Exhibit E	–	Certificate of Incumbency of Authorized Representatives
Exhibit F	–	Series and Subseries of Commercial Paper Notes, Dealers, Liquidity Facilities and applicable Banks

ISSUING AND PAYING AGENT AGREEMENT

This ISSUING AND PAYING AGENT AGREEMENT, dated as of December 1, 2024 (the “Issuing and Paying Agent Agreement”), is by and between the SANTA CLARA VALLEY WATER DISTRICT (“Valley Water”), an agency duly organized and validly existing under the laws of the State of California, and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association duly organized and existing under and by virtue of the laws of the United States of America as issuing and paying agent (the “Issuing and Paying Agent”).

RECITALS:

WHEREAS, on February 23, 2016, the Board of Directors of Valley Water adopted Resolution No. 16-10 entitled “A Resolution of the Board of Directors of the Santa Clara Valley Water District 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” as amended and supplemented from time-to-time (the “Water Utility Parity System Master Resolution”);

WHEREAS, the Board of Directors (the “Board”) of Valley Water, by Resolution No. _____, adopted on October 22, 2024 (the “CP Resolution”), declared its intention to authorize successive issues of notes, including notes securing Valley Water’s obligations with respect to bank credit agreements; and

WHEREAS, pursuant to Section 25.6 of Santa Clara Valley Water District Act, (the “District Act”) and the CP Resolution, Valley Water is authorized to issue short term indebtedness, for any or all of the purposes set forth in the CP Resolution and Section 25.6(b) of the District Act; and

WHEREAS, Valley Water has determined to enter into this Issuing and Paying Agent Agreement to provide for the issuance of such short-term indebtedness in the form of Commercial Paper Notes (Tax-Exempt) and Commercial Paper Notes (Taxable) and the authentication and delivery thereof (the “Commercial Paper Notes (Tax-Exempt)” and the “Commercial Paper Notes (Taxable)” being herein collectively referred to as the “Commercial Paper Notes”), to declare the terms and conditions upon and subject to which such Commercial Paper Notes shall be issued, and to secure the payment of the principal thereof and interest thereon, including from available bank credit that may be secured by Valley Water therefor; and

WHEREAS, pursuant to 25.6(d) of the District Act, Commercial Paper Notes may be issued if the principal amount thereof, together with interest thereon, does not exceed 85% of the estimated amount of revenues, charges, taxes and assessments of or allocated to Valley Water that will be available in the fiscal year of maturity (all as more particularly provided in Section 25.6 of the District Act), including all Commercial Paper Notes issued and outstanding pursuant to this Issuing and Paying Agent Agreement and all other short term notes outstanding, including but not limited to tax and revenue anticipation notes pursuant to Section 53850 et. seq. of the California Government Code; and

WHEREAS, Valley Water has determined that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and the entering into of this Issuing and Paying Agent Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Issuing and Paying Agent Agreement;

NOW, THEREFORE, THE PARTIES TO THIS ISSUING AND PAYING AGENT AGREEMENT HEREBY AGREE that, in order to provide the terms, conditions, covenants and agreements with respect to the Commercial Paper Notes, to secure the payment of the principal of and the interest on all Commercial Paper Notes at any time issued, authenticated and delivered hereunder and the payment of the Bank Notes, and to secure the performance and observance of the terms, conditions, covenants and agreements hereinafter expressed, and in consideration of the premises and of the covenants and agreements herein contained and of the purchase and acceptance of the Commercial Paper Notes by the Owners thereof, and for other valuable consideration, the receipt of which is hereby acknowledged, Valley Water does hereby agree and covenant with the Issuing and Paying Agent for the benefit of the respective Owners from time to time of the Commercial Paper Notes and each Bank, as follows:

ARTICLE I

DEFINITIONS; CONSTRUCTION

Section 1.01 Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Issuing and Paying Agent Agreement and of any Supplement and of any certificate, opinion or other document herein mentioned, have the meanings herein specified.

Advance

“Advance” means an advance of funds (including, without limitation, in the form of a revolving loan, a term loan, a payment under a letter of credit or other borrowing) in accordance with the terms of the applicable Liquidity Facility.

Authorized Representative

“Authorized Representative” means the Chief Executive Officer of Valley Water, any acting or interim Chief Executive Officer or, if there is no officer such designated as the Chief Executive Officer, the highest ranking officer of Valley Water (excluding members of the Board of Directors of Valley Water), the Assistant Chief Executive Officer, the Chief Financial Officer, or the Treasury and Debt Officer.

Bank

“Bank” means the provider or providers of a Liquidity Facility supporting all or any portion of the applicable Commercial Paper Notes. The initial Bank is Sumitomo Mitsui Banking Corporation, acting through its New York Branch.

Bank Note

“Bank Note” means a promissory note or notes issued by Valley Water pursuant to Article IV hereof and the terms of the applicable Liquidity Facility, having the terms and characteristics as provided herein and therein. Bank Notes shall be designated as “Santa Clara Valley Water District Bank Notes, Series/Subseries [insert applicable letter and number designation] – [insert name of applicable Bank]” (including, if required by the applicable Bank, designation as a taxable or a tax-exempt series or subseries). The initial Bank Note was designated as “Santa Clara Valley Water District Bank Note – Sumitomo Mitsui Banking Corporation, New York Branch” and was issued by

Valley Water on December 9, 2024 to Sumitomo Mitsui Banking Corporation, acting through its New York Branch, evidencing Valley Water’s Reimbursement Obligations under the applicable Liquidity Facility.

Bank Note Payment Account

“Bank Note Payment Account” means the account by that name established within the related Payment Fund pursuant to Section 5.01 hereof.

Bank Note Payment Date

“Bank Note Payment Date” means a date on which principal of or interest on a Bank Note is due and payable, including both scheduled principal and interest and principal and interest payable upon prepayment of a Bank Note.

Bank Rate

“Bank Rate” shall mean the interest rate or rates applicable to reimbursement obligations of Valley Water, including with respect to advances and term loans, under the applicable Liquidity Facility.

Business Day

“Business Day” means any day other than (i) a Saturday, Sunday or other day on which commercial banks in New York, New York, San Francisco, California, the city in which the Corporate Trust Office of the Issuing and Paying Agent is located, or the city in which is located the office of the applicable Bank from which an Advance under the applicable Liquidity Facility will be made, are authorized or required by law to close, (ii) a legal holiday of Valley Water or any other day Valley Water is authorized to be closed for official business or (iii) a day on which the New York Stock Exchange of the Federal Reserve Bank of New York is closed.

Certificate of Valley Water

“Certificate of Valley Water” means a written certificate signed in the name of Valley Water by an Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

Bond Counsel

“Bond Counsel” means Stradling Yocca Carlson & Rauth LLP or an attorney or other firm or firms of attorneys, appointed by Valley Water, having nationally recognized expertise in municipal finance law, including matters related to validity of, and tax-exempt status of interest on, obligations of states and their political subdivisions.

Code

“Code” means the Internal Revenue Code of 1986, as amended.

Commercial Paper Note

“Commercial Paper Note” means any of the Commercial Paper Notes of Valley Water authorized and issued pursuant to the provisions of this Issuing and Paying Agent Agreement, having the terms and characteristics specified in Article II hereof. Commercial Paper Notes shall be designated as “Santa Clara Valley Water District Commercial Paper Notes (Tax-Exempt), [insert applicable letter and number designation]” or “Santa Clara Valley Water District Commercial Paper Notes (Taxable) [insert applicable letter and number designation.]”

Commercial Paper Note Payment Account

“Commercial Paper Note Payment Account” means the account by that name established within the related Payment Fund pursuant to Section 5.01 hereof.

Commitment

“Commitment” means an amount equal to the individual commitment of the applicable Bank to make Advances to Valley Water pursuant to the relevant Liquidity Facility.

Corporate Trust Office

“Corporate Trust Office” or “corporate trust office” means the corporate trust office of the Issuing and Paying Agent at 100 Wall Street, Suite 600, New York, New York 10005, or such other or additional offices as may be designated by the Issuing and Paying Agent.

Dealer

“Dealer” means the person or persons designated by an Authorized Representative of Valley Water as a dealer for all or a portion of the Commercial Paper Notes, or any successors or assigns approved in writing by Valley Water, or any successor dealer or dealers appointed by Valley Water that has entered into a Dealer Agreement with Valley Water.

Dealer Agreement

“Dealer Agreement” means an agreement by and between Valley Water and a Dealer providing for the appointment of and acceptance by the Dealer of the duties and obligations imposed thereby, as the same shall have been amended, supplemented or otherwise modified as permitted thereby.

Depository

“Depository” means (i) initially, DTC, and (ii) any other qualified securities depository acting as Depository pursuant to Section 2.09 hereof.

District Act

“District Act” means the Santa Clara Valley Water District Act, and all laws of the State of California amendatory thereof or supplemental thereto, including AB939 which became effective on January 1, 2024.

DTC

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

Event of Default

“Event of Default” means any of the events specified in Section 8.01 hereof.

Final Drawing Notice

“Final Drawing Notice” has the meaning assigned to such term in the applicable Liquidity Facility.

Fitch

“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 Valley Water.

Issuance Request

“Issuance Request” means a request made by Valley Water, acting through an Authorized Representative, to the Issuing and Paying Agent for the authentication and delivery of Commercial Paper Notes, a form of which is attached hereto as Exhibit D.

Issuing and Paying Agent

“Issuing and Paying Agent” means U.S. Bank Trust Company, National Association, a national banking association duly organized and existing under the laws of the United States of America, or any successor or substitute Issuing and Paying Agent appointed as provided in Article IX hereof.

Issuing and Paying Agent Agreement

“Issuing and Paying Agent Agreement” means this Issuing and Paying Agent Agreement, dated as of December 1, 2024, by and between Valley Water and the Issuing and Paying Agent, as originally executed or as it may from time to time be supplemented or amended by any Supplement delivered pursuant to the provisions of Article X hereof.

Letter of Representations

“Letter of Representations” means a letter to the Depository from Valley Water and/or the Issuing and Paying Agent representing such matters as shall be necessary to qualify the Commercial Paper Notes for the Depository’s book-entry system.

Liquidity Facility

“Liquidity Facility” means, with respect to the applicable Series or subseries of the Commercial Paper Notes, the line of credit, letter of credit (and related reimbursement agreement), revolving credit agreement or other liquidity arrangement enabling Valley Water to borrow for the purpose of paying such Commercial Paper Notes an amount equal to the principal amount of the Series or subseries of Commercial Paper Notes supported thereby, in accordance with Section 5.03 hereof, and the instruments pursuant to which such facility is provided. The initial Liquidity Facility is an irrevocable, transferable direct-pay letter of credit issued by Sumitomo Mitsui Banking Corporation, acting through its New York Branch pursuant to and together with, the Reimbursement Agreement, dated as of December 1, 2024, and the related fee letter, each by and between Valley Water and Sumitomo Mitsui Banking Corporation, acting through its New York Branch.

Liquidity Facility Expiration Date

“Liquidity Facility Expiration Date” means, with respect to a Liquidity Facility, the stated expiration date thereof, taking into account any extension of such stated expiration date.

Master Note

“Master Note” means a Commercial Paper Note of the applicable Series and subseries substantially in the form attached hereto as Exhibit B.

Maximum Rate

“Maximum Rate” means, the lesser of (i) the maximum rate of interest allowable by law and (ii) ten percent (10%) per annum.

Moody’s

“Moody’s” means Moody’s Investors Service, 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 Valley Water.

Nominee

“Nominee” means the nominee of the Depository designated pursuant to Section 2.09 hereof.

Outstanding

“Outstanding,” when used as of any particular time with reference to Commercial Paper Notes, means all Commercial Paper Notes theretofore, or thereupon being, authenticated and delivered by the Issuing and Paying Agent under this Issuing and Paying Agent Agreement except:

- (1) Commercial Paper Notes theretofore canceled by the Issuing and Paying Agent or surrendered to the Issuing and Paying Agent for cancellation;

(2) Commercial Paper Notes with respect to which all liability of Valley Water shall have been discharged in accordance with Section 11.02 hereof; and

(3) Commercial Paper Notes for the transfer or exchange of or in lieu of or in substitution for which other Commercial Paper Notes shall have been authenticated and delivered by the Issuing and Paying Agent pursuant to this Issuing and Paying Agent Agreement.

Owner

“Owner”, whenever used herein with respect to a Commercial Paper Note, means the person in whose name such Commercial Paper Note is registered.

Participant

“Participant” means those brokers-dealers, banks and other financial institutions from time to time for which the Depository holds Commercial Paper Notes as securities depository.

Payment Fund

“Payment Fund” means the fund by that name established for the related Series of Commercial Paper Notes pursuant to Section 5.01 hereof.

Permitted Investments

“Permitted Investments” means any of the following, if and to the extent permitted by law and by any policy guidelines promulgated by Valley Water.

The following obligations may be used as Permitted Investments for all purposes, including defeasance investments in refunding escrow agreements.

- (a) Cash insured at all times by the Federal Deposit Insurance Corporation; and
- (b) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including: U.S. treasury obligations; all direct or fully guaranteed obligations; Farmers Home Administration; General Services Administration; Guaranteed Title XI financing; Government National Mortgage Association (GNMA); and State and Local Government Series.

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

The following obligations may be used as Permitted Investments for all purposes other than defeasance investments in refunding escrow accounts.

- (c) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including: Export-Import Bank;

Rural Economic Community Development Administration; Federal Farm Credit Bureau; U.S. Maritime Administration; Small Business Administration; U.S. Department of Housing & Urban Development (PHAs); and Federal Housing Administration and Federal Financing Bank;

- (d) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC); obligations of the Resolution Funding Corporation (REFCORP); senior debt obligations of the Federal Home Loan Bank System; and senior debt obligations of other Government Sponsored Agencies;
- (e) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "F1" by Fitch and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);
- (f) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's or "F1" by Fitch and which matures not more than 270 calendar days after the date of purchase;
- (g) Investments in a money market fund that has attained the highest ranking or the highest letter and numerical rating provided by not less than two Rating Agencies;
- (h) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice:
 - (1) which are rated, based on an irrevocable escrow account or fund (the "escrow"), at equivalent ratings as Federal Securities rated by Moody's or Fitch, or any successors thereto; or
 - (2) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (b) above, which escrow may be applied only to the payment of such principal and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate; and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;
- (i) The following municipal obligations: (1) revenue obligations of states or any department, board, agency or authority thereof rated "A1" or better by Moody's or

“A+” or better by Fitch; (2) general obligations of states rated “A3” or better by Moody’s or “A-” or better by Fitch; (3) adjustable rate revenue obligations of states or any department, board, agency or authority thereof rated “P-1” or better by Moody’s or “F-1+” or better by Fitch; (4) fixed rate revenue obligations of any political subdivision of the State or entity owned, operated or controlled by such a political subdivision rated “A1” or better by Moody’s or “A+” or better by Fitch; or (5) adjustable rate revenue obligations of any political subdivision of the State or entity owned, operated or controlled by such a political subdivision rated “P-1” or better by Moody’s or “F-1+” by Fitch;

- (j) Investment Agreements;
- (k) the Local Agency Investment Fund of the State, created pursuant to Section 16429.1 of the California Government Code, to the extent that the Trustee is authorized to register such investment in its name;
- (l) Local Government Investment Pools (LGIP). Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code § 6509.7. To be eligible for purchase, the pool must meet the requirements of Government Code § 53601(p);
- (m) Certificates of deposit insured by the Federal Deposit Insurance Corporation or collateralized pursuant to California Government Code Section 53652; and
- (n) United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank. Investments under this subdivision shall be rated “AA” or better by Fitch or “Aa2” or better by Moody’s.

Proceeds Fund

“Proceeds Fund” means the fund by that name established for the related Series of Commercial Paper Notes pursuant to Section 5.01 hereof.

Rating Agency

“Rating Agency” means, as of any particular date of determination, each of Moody’s and/or Fitch, if such Rating Agency has at the request of Valley Water assigned a rating to the then Outstanding Commercial Paper Notes and each other nationally recognized statistical Rating Agency that at the request of Valley Water has assigned a rating to the then Outstanding Commercial Paper Notes.

Rebate Fund

“Rebate Fund” means the fund by that name established pursuant to Section 7.05 hereof.

Request of Valley Water

“Request of Valley Water” means a written request signed in the name of Valley Water by an Authorized Representative.

Series

“Series,” whenever used herein with respect to Commercial Paper Notes, means all of the Commercial Paper Notes designated as being of the same series.

Standard & Poor’s

“Standard & Poor’s” means S&P Global Ratings, 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 “Standard & Poor’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by Valley Water.

State

“State” means the State of California.

Stop-Issuance Instruction

“Stop-Issuance Instruction” has the meaning assigned to such term in the applicable Liquidity Facility.

Supplement

“Supplement” means any amendment to this Issuing and Paying Agent Agreement hereafter duly executed and delivered, supplementing, modifying or amending this Issuing and Paying Agent Agreement, and entered into pursuant to the provisions hereof.

Taxable

“Taxable” means, with respect to the Commercial Paper Notes of a Series or subseries so designated, that the interest on the Commercial Paper Notes of such Series or subseries is not expected to be excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986.

Tax Certificate

“Tax Certificate” means the Tax Certificate delivered by Valley Water at the time of the authorization and initial issuance and delivery of any Series or subseries of Commercial Paper Notes with respect to which interest is expected to be Tax-Exempt, as the same may be amended or supplemented in accordance with its terms.

Tax-Exempt

“Tax-Exempt” means, with respect to the Commercial Paper Notes of a Series or subseries so designated, that the interest on the Commercial Paper Notes of such Series or subseries is expected to be excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986.

Valley Water

“Valley Water” means Santa Clara Valley Water District, an agency duly organized and validly existing under the District Act, including any successor thereto.

Water Utility Parity System Master Resolution

“Water Utility Parity System Master Resolution” means Resolution No. 16-10 of Valley Water adopted by the Board of Directors on February 23, 2016, as amended or supplemented from time-to-time in accordance therewith.

Section 1.02 Construction. In this Issuing and Paying Agent Agreement, unless the context otherwise requires:

(a) The terms “hereby,” “hereof,” “hereto,” “herein” and “hereunder” as used herein, refer to this Issuing and Paying Agent Agreement, and the term “hereafter” shall mean after, and the term “heretofore” shall mean before, the date of the execution and delivery of this Issuing and Paying Agent Agreement. All references herein to “Articles,” “Sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof.

(b) Words of any gender shall mean and include correlative words of the other 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 general partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons.

(d) Any headings preceding the texts of the several Articles and Sections of this Issuing and Paying Agent Agreement, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Issuing and Paying Agent Agreement, nor shall they affect its meaning, construction or effect.

(e) With respect to this Issuing and Paying Agent Agreement, (i) each liquidity facility supporting a Series or subseries of Commercial Paper Notes in whole or in part is referred to individually as a “Liquidity Facility” and such liquidity facilities are referred to collectively as the “Liquidity Facilities,” and shall include the instruments (to the extent a separate document from such liquidity facility) pursuant to which such liquidity facility is provided, (ii) each bank providing a Liquidity Facility for all or a part of a Series or subseries of Commercial Paper Notes is referred to individually as a “Bank,” and all banks providing a Liquidity Facility for all or a portion of any Series or subseries of Commercial Paper Notes are referred to collectively as the “Banks.” The Series and subseries designations of the Commercial Paper Notes, the applicable Dealer(s) therefor, as well as the Bank(s) providing the Liquidity Facility supporting such Series or subseries of Commercial Paper

Notes, are set forth in Exhibit F hereto. Subseries of Commercial Paper Notes, Banks, Liquidity Facilities and Dealers may be added to, or deleted from, this Issuing and Paying Agent Agreement without the need to amend this Issuing and Paying Agent Agreement, upon delivery by an Authorized Representative of Valley Water to the Issuing and Paying Agent of a new Exhibit F replacing the then-current Exhibit F, together with any new Dealer Agreement to be effective therefor and/or any new Liquidity Facility, new Bank Note(s) and new Master Note(s) delivered in accordance with the terms of this Issuing and Paying Agent Agreement.

ARTICLE II

GENERAL AUTHORIZATION AND ISSUANCE; THE COMMERCIAL PAPER NOTES

Section 2.01 Authorization and Amount of Commercial Paper Notes. There are hereby authorized to be issued for the purposes set forth in Section 2.02 hereof, Commercial Paper Notes of Valley Water and there is hereby created a continuing pledge and lien as provided hereby to secure the payment of the principal of and interest on all the Commercial Paper Notes and the Bank Notes to the extent provided in Section 6.01 hereof. The aggregate principal amount of Commercial Paper Notes which may be executed, authenticated and delivered is not limited except that the aggregate principal amount of all Commercial Paper Notes Outstanding at any time, together with all other evidences of indebtedness of Valley Water issued and outstanding pursuant to Section 25.6 of the District Act, including all amounts drawn on available bank lines of credit related thereto, if any, and the interest thereon shall not at any one time exceed 85% of the revenues, charges, taxes and assessments of or allocable to Valley Water that will be available in the applicable Fiscal Year for payment of the Commercial Paper Notes and the interest thereon.

Section 2.02 Designation and Purpose of Commercial Paper Notes.

(a) The Commercial Paper Notes shall be designated generally as “Santa Clara Valley Water District Commercial Paper Notes (Tax-Exempt)” or “Santa Clara Valley Water District Commercial Paper Notes (Taxable)” and may be issued in multiple Series or subseries, each such Series or subseries thereof to be designated as being either Taxable or Tax-Exempt and to bear such additional alphanumeric or other or additional designation as may be necessary or appropriate to distinguish each Series and subseries of the Commercial Paper Notes from any other Series and subseries thereof.

(b) Commercial Paper Notes may be issued, and the proceeds of the sale of any Notes (net of all expenses and costs of sale and issuance) shall be applied, for any or all of the purposes (including the financing or refinancing of any costs or expenditures or obligations of Valley Water incurred for any or all of such purposes) specified in Section 25.6 of the District Act as directed by an Authorized Representative of Valley Water. Proceeds of Commercial Paper Notes issued to refinance, renew or refund other Commercial Paper Notes and shall also be used to pay or reimburse the applicable Bank for Advances used to pay principal due on such maturing Commercial Paper Notes. The authorization hereunder specifically includes the authorization to issue and reissue Commercial Paper Notes for the purposes contemplated herein. The aggregate principal amount of the Commercial Paper Notes (Tax-Exempt) and aggregate principal amount of the Commercial Paper Notes (Taxable), respectively, or, in each case, any Series or subseries thereof, that may be Outstanding at any time

hereunder shall not at any time exceed the sum of the Commitments of the Banks then available under the applicable Liquidity Facilities therefor (or, in the case of any Series or subseries thereof, the related Commitment under the related Liquidity Facility).

Section 2.03 Terms of the Commercial Paper Notes.

(a) The Commercial Paper Notes shall be dated the date of their respective authentication and issuance; shall be issued in registered form, registered as designated by the applicable Dealer (subject to Section 2.09 hereof); and shall be issued in denominations of \$100,000 and in integral multiples of \$1,000 in excess thereof. Commercial Paper Notes shall bear stated interest or accrue interest from their respective dates, payable on their respective maturity dates.

(b) The Commercial Paper Notes (i) may bear stated interest or accrue interest, in each case payable at maturity, at a rate not to exceed the Maximum Rate (calculated on the basis of a 365/366-day year (in the case of Commercial Paper Notes the interest on which is Tax-Exempt), and a 360-day year containing twelve 30-day months (in the case of Commercial Paper Notes the interest on which is Taxable), and in each case the actual number of days elapsed), (ii) shall mature on a Business Day not more than 270 days after their respective dates, but in any event not later than the Business Day immediately preceding the applicable Liquidity Facility Expiration Date, and (iii) shall be sold at a price equal to the principal amount thereof if interest on the Commercial Paper Notes is Tax-Exempt and may be sold at a price less than the principal amount thereof if interest on the Commercial Paper Notes is Taxable.

(c) The stated interest rate, if any, or yield to maturity, maturity date and other terms of each Commercial Paper Note, so long as not inconsistent with the terms of this Issuing and Paying Agent Agreement, shall be as set forth in the Issuance Request required to be delivered pursuant to Section 3.01 hereof directing the issuance of such Commercial Paper Note.

(d) The Commercial Paper Notes shall not be subject to redemption prior to maturity.

(e) Within each Series or subseries, Commercial Paper Notes shall be numbered in such manner as the Issuing and Paying Agent may deem appropriate.

(f) The principal of and the interest on the Commercial Paper Notes shall be paid in immediately available funds in such coin or currency of the United States of America as, at the respective times of payment, is legal tender for the payment of public and private debts. Subject to Section 2.09 hereof, the principal of and the interest on the Commercial Paper Notes, if any, shall be payable at the Corporate Trust Office of the Issuing and Paying Agent on any Business Day upon which such Commercial Paper Notes have become due and payable on or before the close of business on such Business Day, provided, that such Commercial Paper Notes are presented and surrendered on a timely basis. Upon presentation of such a Commercial Paper Note to the Issuing and Paying Agent no later than 2:15 p.m., New York City time, on or after any Business Day upon which such Commercial Paper Notes have become due and payable, payment for such Commercial Paper Note shall be made by the Issuing and Paying Agent in immediately available funds on such Business Day. If a Commercial Paper Note is presented for payment after 2:15 p.m., New York City time, on such Business Day, payment therefor shall be made by the Issuing and Paying Agent on the next succeeding Business Day without the accrual of additional interest thereon.

Section 2.04 Form of Commercial Paper Notes. Subject to Section 2.09 hereof, the Commercial Paper Notes and the Certificate of Authentication endorsed thereon shall be substantially in the forms set forth in Exhibit A hereto, with such appropriate variations, omissions and insertions as shall be required or appropriate in order to designate the Series and subseries, if any, thereof and as otherwise may be permitted or required by this Issuing and Paying Agent Agreement, and may contain or have endorsed thereon such legends, opinions and provisions not inconsistent with this Issuing and Paying Agent Agreement as may be determined by an Authorized Representative of Valley Water prior to their delivery.

Section 2.05 Execution and Authentication of Commercial Paper Notes. Subject to Section 2.09, the Commercial Paper Notes shall be executed in the name of Valley Water by the manual or facsimile signature of one or more Authorized Representatives of Valley Water, attested by the Clerk of the Board of Directors of Valley Water, or in such other manner as may be required or permitted by law. In case any of the officers who shall have signed any of the Commercial Paper Notes shall cease to be such officer or officers of Valley Water before the Commercial Paper Notes so signed shall have been authenticated or delivered by the Issuing and Paying Agent or issued by Valley Water, such Commercial Paper Notes may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon Valley Water as though those who signed and attested the same had continued to be such officers of Valley Water.

The Commercial Paper Notes shall bear thereon a certificate of authentication substantially in the form set forth in Exhibit A hereto, executed by the manual signature of the Issuing and Paying Agent. Only such of the Commercial Paper Notes as shall bear thereon a certificate of authentication manually executed by the Issuing and Paying Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Issuing and Paying Agent Agreement, and such certificate of authentication when manually executed by the Issuing and Paying Agent shall be conclusive evidence that the Commercial Paper Notes so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Issuing and Paying Agent Agreement.

Valley Water agrees to furnish the Issuing and Paying Agent with an adequate supply of Commercial Paper Notes from time to time, executed in accordance with this Section 2.05, with the principal amount, date of issue, Owner, maturity date, interest rate and amount of interest left blank. Pending receipt of an Issuance Request, the form of which is set forth as Exhibit D hereto, the Issuing and Paying Agent agrees to hold the Commercial Paper Notes in safekeeping for the account of Valley Water in accordance with the customary practice of the Issuing and Paying Agent. Notwithstanding the foregoing, Valley Water may furnish a single Note for each Series or subseries of the Commercial Paper Notes in the form of a Master Note as further provided in Section 2.09 hereof.

Section 2.06 Registration and Transfer of Notes. The Issuing and Paying Agent will keep or cause to be kept at its Corporate Trust Office sufficient books for the registration and transfer of Commercial Paper Notes, which shall at all times be open to inspection during normal business hours by Valley Water upon reasonable prior notice, and upon presentation for such purpose, the Issuing and Paying Agent shall, under reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred on such books the Commercial Paper Notes, as herein provided.

Any Commercial Paper Note may, in accordance with its terms, be transferred, upon the register required to be kept pursuant to the provisions of this Section 2.06 by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such

Commercial Paper Note for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Issuing and Paying Agent.

Whenever any Commercial Paper Note or Notes shall be surrendered for transfer, Valley Water shall execute and the Issuing and Paying Agent shall authenticate and deliver a new Commercial Paper Note or Notes, of the same tenor, Series and subseries (if applicable), maturity and interest rate and for a like aggregate principal amount. The Issuing and Paying Agent shall require the Owner of the Commercial Paper Note requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

Section 2.07 Commercial Paper Notes Mutilated, Lost, Destroyed or Stolen. If any Commercial Paper Note shall become mutilated, Valley Water, at the expense of the Owner of said Commercial Paper Note, shall execute, and the Issuing and Paying Agent shall thereupon authenticate and deliver, a new Commercial Paper Note of like Series and subseries (if applicable), tenor and number in exchange and substitution for the Commercial Paper Note so mutilated, but only upon surrender to the Issuing and Paying Agent of the Commercial Paper Note so mutilated. If any Commercial Paper Note shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Issuing and Paying Agent and, if such evidence be satisfactory to it and indemnity satisfactory to it shall be given, Valley Water, at the expense of the Owner, shall execute, and the Issuing and Paying Agent shall thereupon authenticate and deliver a new Commercial Paper Note of like Series and subseries (if applicable) and tenor and bearing a different number in lieu of and in substitution for the Commercial Paper Note so lost, destroyed or stolen. Neither Valley Water nor the Issuing and Paying Agent shall be required to treat both the original Commercial Paper Note and any replacement Commercial Paper Note as being Outstanding for the purpose of determining the principal amount of Commercial Paper Notes which may be issued hereunder, but both the original and the replacement Commercial Paper Note shall be treated as one and the same.

Section 2.08 Cancellation of Commercial Paper Notes. The Issuing and Paying Agent agrees promptly to cancel the Commercial Paper Notes presented for payment and, if so requested by Valley Water, to return such Commercial Paper Notes to Valley Water. Promptly upon the written request of Valley Water, the Issuing and Paying Agent agrees to cancel and return to Valley Water all unissued Commercial Paper Notes in the possession of the Issuing and Paying Agent at the time of such request.

Section 2.09 Master Note; Registration of Notes; Book-Entry Provisions. Notwithstanding any other provision of this Issuing and Paying Agent Agreement to the contrary, Valley Water may deliver the Commercial Paper Notes in the form of one or more Master Notes representing the Commercial Paper Notes of any Series or subseries to be issued from time to time. Unless an Authorized Representative determines that a Series or subseries of Commercial Paper Notes shall be issued in other than book-entry form, the Commercial Paper Notes shall initially be issued in book-entry form as further provided in this Section 2.09.

(a) Delivery and Provisions for Book-Entry Notes. The Commercial Paper Notes issued pursuant to this Issuing and Paying Agent Agreement shall initially be issued as book-entry only in the form of a separate single fully-registered Master Note for each Series and subseries of the Commercial Paper Notes. The initial Depository with respect to each Series and subseries of Commercial Paper Notes shall be DTC. The initial Nominee with respect to each Series and subseries of Commercial Paper Notes shall be Cede & Co., as nominee of DTC. Except as provided in subsection (c) of this Section 2.09, all of the Commercial Paper Notes shall be registered in the name of the

Nominee. Notwithstanding any provision to the contrary in Section 2.09, so long as the Commercial Paper Notes remain in the form of one or more Master Notes in book-entry form, the issuance of Commercial Paper Notes pursuant to an Issuance Request against payment therefor shall not require the physical delivery of note certificates.

The Issuing and Paying Agent and Valley Water may treat the registered owner of each Commercial Paper Note as the sole and exclusive owner thereof for the purposes of payment of the principal of or interest on the Series or subseries of Commercial Paper Notes to which such Commercial Paper Note belongs, giving any notice permitted or required to be given to Owners under this Issuing and Paying Agent Agreement, registering the transfer of Commercial Paper Notes, obtaining any consent or other action to be taken by the Owners, and for all other purposes whatsoever, and neither the Issuing and Paying Agent nor Valley Water shall be affected by any notice to the contrary.

Neither the Issuing and Paying Agent nor Valley Water shall have any responsibility or obligation to any Participant in the Depository, any person claiming a beneficial ownership interest in the Commercial Paper Notes under or through the Depository or any Participant, or any other person who is not shown on the registration books as being an Owner, with respect to (i) the accuracy of any records maintained by the Depository or any Participant; (ii) the payment by the Depository or any Participant of any amount in respect of the principal of or interest on the Commercial Paper Notes; (iii) the delivery of any notice which is permitted or required to be given to Owners under this Issuing and Paying Agent Agreement; (iv) any consent given or other action taken by the Depository as Owner; or (v) any other purpose.

The Issuing and Paying Agent shall pay all principal of and interest on the Commercial Paper Notes only to or upon the order of the Depository, and all such payments shall be valid and effective to fully satisfy and discharge Valley Water's obligations with respect to the payment of the principal of and interest on the Commercial Paper Notes to the extent of the sum or sums so paid. Upon delivery by the Depository to the Issuing and Paying Agent of written notice to the effect that the Depository has determined to substitute a new Nominee in place of the current Nominee, and subject to the provisions herein with respect to record dates, the word Nominee in this Issuing and Paying Agent Agreement shall refer to such new Nominee.

(b) Certificate Agreement and Letter of Representations. The Issuing and Paying Agent has executed and delivered to DTC a Certificate Agreement, a copy of which is attached hereto as Exhibit C. Prior to the issuance of Commercial Paper Notes hereunder, Valley Water shall deliver to the Issuing and Paying Agent a Letter of Representations executed by Valley Water substantially in the form provided by DTC in order to provide for the issuance of the Master Notes and to qualify the Commercial Paper Notes for the Depository's book-entry only system. The Issuing and Paying Agent is hereby authorized and directed to execute and deliver to DTC such Letter of Representations. Notwithstanding any other provision of this Issuing and Paying Agent Agreement and so long as all Outstanding Commercial Paper Notes are registered in the name of Cede & Co. as nominee of DTC or its registered assigns, Valley Water and the Issuing and Paying Agent shall cooperate with DTC, as sole registered owner of the Commercial Paper Notes, and its registered assigns, in effecting payment of the principal of and interest on the Commercial Paper Notes by arranging for payment in such manner that funds for such payment are properly identified and are made available on the date they are due, all in accordance with the Letter of Representations, the provisions of which the Issuing and Paying Agent may rely upon to implement the foregoing procedures notwithstanding any inconsistent provisions herein. The execution and delivery of the Letter of Representations shall not in any way

limit the provisions of this Section 2.09 or in any other way impose upon Valley Water any obligation whatsoever with respect to persons having beneficial ownership interests in the Commercial Paper Notes other than the Owners.

(c) Discontinuation of Book-Entry System. In the event (i) the Depository determines not to continue to act as securities depository for a Series or subseries of Commercial Paper Notes, or (ii) Valley Water determines that the Depository shall no longer so act and delivers a written certificate to the Issuing and Paying Agent to that effect, then Valley Water will discontinue the book-entry system with the Depository for such Series or subseries of Commercial Paper Notes. If Valley Water determines to replace the Depository for a Series or subseries of Commercial Paper Notes with another qualified securities depository, Valley Water shall prepare or direct the preparation of a new, single, separate, fully registered Commercial Paper Note for such Series or subseries of Commercial Paper Notes registered in the name of such successor or substitute qualified Depository or its Nominee, or make such other arrangements acceptable to the Issuing and Paying Agent and such successor or substitute Depository as are not inconsistent with the terms of this Issuing and Paying Agent Agreement. If Valley Water fails to identify another qualified Depository to replace the incumbent Depository for a Series or subseries of Commercial Paper Notes, then such Series or subseries of Commercial Paper Notes shall no longer be restricted to being registered in the registration books of the Issuing and Paying Agent in the name of the incumbent Depository or its Nominee, but shall be registered in whatever name or names the incumbent Depository or its Nominee transferring or exchanging such Series or subseries of Commercial Paper Notes shall designate.

(d) Payments to the Nominee. Notwithstanding any provision of this Issuing and Paying Agent Agreement to the contrary, so long as the Commercial Paper Notes are registered in the name of the Nominee, all payments with respect to principal of and interest on the Commercial Paper Notes and all notices with respect to the Commercial Paper Notes shall be made and given, respectively, as provided in the Letter of Representations for the related Series or subseries of Commercial Paper Notes or as otherwise instructed by the Depository.

ARTICLE III

ISSUANCE AND SALE OF COMMERCIAL PAPER NOTES

Section 3.01 Issuance and Sale of Commercial Paper Notes.

(a) At the time of the execution and delivery by the Issuing and Paying Agent of this Issuing and Paying Agent Agreement and as a condition precedent to the initial issuance of Commercial Paper Notes hereunder, there shall be filed with the Issuing and Paying Agent by Valley Water:

(1) a copy of the CP Resolution referred to in the second recital to this Issuing and Paying Agent Agreement, certified by the Clerk of the Board of Directors of Valley Water or their duly authorized designee;

(2) a copy of the Water Utility Parity System Master Resolution referred to in the first recital to this Issuing and Paying Agent Agreement, certified by the Clerk of the Board of Directors of Valley Water or his or her duly authorized designee;

(3) a letter of Bond Counsel addressed to the Issuing and Paying Agent authorizing the Issuing and Paying Agent to rely upon the approving opinion of Bond Counsel delivered in connection with the initial issuance of the Commercial Paper Notes as to the validity of such Commercial Paper Notes;

(4) to the extent any of the Commercial Paper Notes proposed to be issued are to be issued as Tax-Exempt, an opinion of Bond Counsel with respect to the Tax-Exempt status thereof;

(5) an executed copy of this Issuing and Paying Agent Agreement;

(6) fully executed copies of one or more Dealer Agreements for such Commercial Paper Notes; and

(7) one or more fully executed Liquidity Facilities, together with one or more legal opinions addressed to Valley Water and the Issuing and Paying Agent of counsel to each Bank providing the initial Liquidity Facilities for the Commercial Paper Notes to the effect that the applicable Liquidity Facility is a legal, valid and binding obligation of the issuing Bank and is enforceable against such Bank in accordance with its terms (subject to such qualifications as may be acceptable to Valley Water).

(b) At any time after the execution of this Issuing and Paying Agent Agreement and from time to time, Commercial Paper Notes may be issued and shall, subject to Section 2.09 and Section 3.01(c) hereof, be manually authenticated and delivered by the Issuing and Paying Agent in the manner hereinafter provided, but only upon receipt by the Issuing and Paying Agent of an Issuance Request in substantially the form attached hereto as Exhibit D or upon receipt by the Issuing and Paying Agent in the manner specified below of telephonic, computer or written instructions providing the information set forth in Exhibit D (which instructions shall be the equivalent to the giving of a written Issuance Request to the Issuing and Paying Agent) no later than 1:00 p.m., New York City time (or, in the case of book-entry Commercial Paper Notes, 1:30 p.m., New York City time), on the Business Day on which Commercial Paper Notes are to be delivered, directing the Issuing and Paying Agent to authenticate the Commercial Paper Notes referred to therein and to deliver the same to or upon the order of one or more Dealers upon receipt of payment in accordance with custom then prevailing in the New York financial market for commercial paper notes and the rules of the New York Clearinghouse then in effect. If an Issuance Request is received after 1:00 p.m., New York City time, (or, in the case of book-entry Commercial Paper Notes, 1:30 p.m., New York City time), on a given day, the Issuing and Paying Agent shall not be obligated to deliver the requested Commercial Paper Notes until the next succeeding Business Day. To the extent any instructions given pursuant to this Section 3.01 are not written, they shall be confirmed in writing by an Authorized Representative by the close of business on the day such instructions are given.

Each Issuance Request shall include: (1) the Series and subseries designation of each Commercial Paper Note to be delivered; (2) the principal amount and date of each Commercial Paper Note then to be delivered; (3) the interest rate or yield to maturity of the Commercial Paper Notes then to be delivered; (4) the purchase price of the Commercial Paper Notes then to be delivered, and (5) the maturity date thereof.

Upon receipt of any Issuance Request or instructions which shall provide for the issuance of Commercial Paper Notes with a maturity date of two (2) days or shorter, Valley Water shall use its best efforts to notify the applicable Bank providing the related Liquidity Facility thereof.

Each such Issuance Request shall also certify or shall constitute a representation by Valley Water to the Issuing and Paying Agent that, as of the date of delivery of the related Commercial Paper Notes:

(i) the Commercial Paper Notes then to be issued are being issued for purposes authorized by Section 2.02 of this Issuing and Paying Agent Agreement;

(ii) all actions on the part of Valley Water necessary for the valid issuance of the Commercial Paper Notes have been taken, and that such Commercial Paper Notes will be valid obligations of Valley Water enforceable in accordance with their terms;

(iii) after the issuance of such Commercial Paper Notes and the application of the proceeds thereof, the aggregate principal amount of the Commercial Paper Notes Outstanding will not exceed the amount that is authorized to be Outstanding as provided in the District Act and Section 2.01 hereof; and in connection with any Issuance Request for original issue Commercial Paper Notes that, as a result of the issuance and application of the proceeds thereof, the aggregate principal amount of Commercial Paper Notes then to be Outstanding shall be increased, Valley Water shall, at or prior to the time of such Issuance Request, deliver to the Issuing and Paying Agent a Certificate of Valley Water evidencing compliance with such limitation;

(iv) Liquidity Facilities supporting the full principal amount of the Commercial Paper Notes then to be Outstanding are in full force and effect;

(v) the interest rates, if any, borne by the Commercial Paper Notes or the yield to maturity of the Commercial Paper Notes to be delivered on such date does not exceed the Maximum Rate;

(vi) unless the Commercial Paper Notes to be issued are Taxable, the facts, estimates, circumstances and representations set forth or made (as the case may be) in the Tax Certificate continue to exist and are reaffirmed on such date;

(vii) the terms of the Commercial Paper Notes do not exceed 270 days and the maturity dates of such Commercial Paper Notes set forth in the Issuance Request do not extend beyond the day prior to the applicable Liquidity Facility Expiration Date;

(viii) Valley Water has not been notified by Bond Counsel that their opinion with respect to the validity of the Commercial Paper Notes of such Series or subseries and, if the interest on such Series or subseries of Commercial Paper Notes is Tax-Exempt, has not been notified by Bond Counsel that their opinion with respect to the tax treatment of the interest thereon, delivered prior to the initial issuance of such Series or subseries of Commercial Paper Notes has been revised or withdrawn or, if any such revisions or withdrawal has occurred, a revised opinion or a substitute opinion acceptable to the applicable Dealer has been delivered;

(ix) no Event of Default under Section 8.01 hereof has occurred and is continuing as of the date of such Issuance Request; and

(x) all of the conditions precedent to the issuance of such Commercial Paper Notes set forth in the applicable Liquidity Facility and in this Section 3.01 have been satisfied.

(c) Upon receipt of an Issuance Request from an Authorized Representative or of telephonic, computer or written instructions as hereinabove provided (and which instructions may be mailed, telephoned, transmitted through an electronic instruction reporting communication service offered by the Issuing and Paying Agent and/or transmitted by facsimile device to the Issuing and Paying Agent) given by an Authorized Representative, or by any person, including any employee or partner of a Dealer, who has been designated by an Authorized Representative in writing to the Issuing and Paying Agent as a person authorized to transmit such instructions hereunder, the Issuing and Paying Agent shall, by 2:15 p.m., New York City time, subject to the last sentence of this Section 3.01(c), withdraw the necessary Commercial Paper Notes from safekeeping and, in accordance with such Issuance Request, (i) complete each Commercial Paper Note as to principal amount (in denominations as prescribed by Section 2.03(a)), date of issue, maturity date, interest rate and amount of interest thereon (or, in the case of a Series or subseries of Commercial Paper Notes issued at a price below the principal amount thereof, initial amount and value at maturity), and to register such Commercial Paper Note as directed by Dealer; (ii) manually authenticate each Commercial Paper Note by any officer or employee duly authorized and designated for such purpose; (iii) deliver the Commercial Paper Notes to or upon the order of the Dealer or its agent, which delivery shall be against receipt for payment as herein provided or as otherwise provided in such Issuance Request.

Notwithstanding the foregoing, so long as a Master Note is held by the Depository as provided in Section 2.09 hereof, the Issuing and Paying Agent shall provide for the delivery of Commercial Paper Notes thereunder in accordance with the terms of the Letter of Representations and the Certificate Agreement.

(d) Notwithstanding any other provision hereof, if a Stop-Issuance Instruction or Final Drawing Notice has been received by the Issuing and Paying Agent from the applicable Bank and has not been withdrawn, the Issuing and Paying Agent shall not issue or authenticate any Commercial Paper Notes hereunder which are affected by such Stop-Issuance Instruction or Final Drawing Notice, except to effect transfers or exchanges of Outstanding Commercial Paper Notes as provided in Section 2.06 and Section 2.07 hereof. The effectiveness of any such Stop-Issuance Instruction or Final Drawing Notice shall be as set forth in the applicable Liquidity Facility. In the event an Issuance Request is received by the Issuing and Paying Agent compliance with which would violate a Stop-Issuance Instruction or Final Drawing Notice, the Issuing and Paying Agent shall return such Issuance Request to Valley Water together with a copy of the Stop-Issuance Instruction or the Final Drawing Notice, and shall notify the applicable Dealer of such action. Upon receipt from the applicable Bank of any notice of rescission or withdrawal of a Stop-Issuance Instruction previously delivered, the Issuing and Paying Agent shall resume issuing and authenticating Commercial Paper Notes as provided herein. A Stop-Issuance Instruction or Final Drawing Notice may be given by facsimile or electronic mail transmission, confirmed in writing within twenty-four (24) hours, but the failure to so confirm such No-Issuance Instruction or Final Drawing Notice in writing shall not render such No-Issuance Instruction or Final Drawing Notice ineffective. Should the Issuing and Paying Agent receive an Issuance Request prior to receipt of the No-Issuance Instruction or the Final Drawing Notice, the Issuing and Paying Agent will on a best efforts basis attempt to stop the delivery of Commercial Paper Notes and the transmission of Commercial Paper Notes to DTC (provided that the Issuing and Paying Agent receives the Stop Issuance Instruction or the Final Drawing Notice by the time specified in the applicable Liquidity Facility).

(e) Any Issuance Request made by telephone pursuant to this Section 3.01 may be recorded by the Issuing and Paying Agent and promptly confirmed in writing by an Authorized Representative. Except in the case of negligence or willful misconduct, the Issuing and Paying Agent shall incur no liability to Valley Water in acting hereunder upon telephonic or other instructions contemplated hereby which the recipient thereof believed in good faith to have been given by an Authorized Representative. In the event a discrepancy exists between the telephonic instructions and the written confirmation, or in the absence of receiving a written confirmation, the telephonic instructions as recorded by the Issuing and Paying Agent will be deemed the controlling and proper instructions. If the Issuing and Paying Agent does not record an oral Issuance Request, and a conflict exists between such oral Issuance Request and the written confirmation thereof, the terms of the written confirmation shall control.

ARTICLE IV

BANK NOTES

Section 4.01 Authorization and Terms of Bank Notes.

(a) Valley Water hereby authorizes the issuance of its Bank Notes, subject to the provisions of this Section 4.01 and as hereinafter provided. Bank Notes shall be issued from time to time for each Bank providing a Liquidity Facility for a Series or subseries of the Commercial Paper Notes as provided herein and if required by the applicable Bank, shall be issued on the date the Liquidity Facility is delivered to evidence the obligation of Valley Water to repay any Advance under such Liquidity Facility. Bank Notes shall be designated as “Santa Clara Valley Water District Bank Notes, Series/Subseries [insert applicable letter and number designation] – [insert name of applicable Bank]” (including, if required by the applicable Bank, designation as a taxable or a tax-exempt series or subseries). The principal amount of any Bank Note that may be Outstanding at any one time hereunder shall not at any time exceed the Commitment of the applicable Bank under the related Liquidity Facility.

(b) Bank Notes may be executed on behalf of Valley Water by any Authorized Representative, attested by the Clerk of the Board of Directors of Valley Water. The Bank Notes shall be dated the date of their respective issuance; shall be issued to the applicable Bank in registered form only; shall be issued in any denomination and shall bear interest at the Bank Rate (calculated on the basis of a year consisting of 365 days and actual number of days elapsed); provided, however, that the interest rate on the Bank Notes shall not exceed the Maximum Rate. Bank Notes shall bear interest from their respective dates, payable in accordance with the applicable Liquidity Facility. Principal of Bank Notes shall be payable in accordance with the applicable Liquidity Facility. The final maturity of the Bank Notes shall be no later than such date as may be provided for in the applicable Liquidity Facility.

(c) Unless a Bank Note was delivered to the applicable Bank in the amount of the related Commitment on the date of issuance of the Liquidity Facility as provided in Section 4.01(a) hereof, the maturity date and other terms of each Bank Note, so long as not inconsistent with the terms of this Issuing and Paying Agent Agreement, shall be as set forth in the certificate of an Authorized Representative of Valley Water directing the issuance of such Bank Note.

(d) Each Series or subseries of Bank Notes shall be subject to optional prepayment prior to maturity in accordance with, and upon notice as provided by, the related Liquidity Facility.

Section 4.02 Issuance of Bank Notes. In the event that a Bank shall have made an Advance under a Liquidity Facility which is not reimbursed on the date of such Advance, the Issuing and Paying Agent shall authenticate a Bank Note in the principal amount equal to the amount of the Advance and shall deliver, or cause to be delivered, such Bank Note to or upon the order of the Bank, unless a Bank Note was delivered to the Bank in the amount of the related Commitment on the date of issuance of such Liquidity Facility as provided in Section 4.01(a) hereof. If any Bank Note shall become mutilated, the Issuing and Paying Agent shall authenticate and deliver, a new Bank Note to the applicable Bank in exchange and substitution for the Bank Note so mutilated, but only upon surrender to the Issuing and Paying Agent of the Bank Note so mutilated. If any Bank Note shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Issuing and Paying Agent and, if such evidence be satisfactory to it and indemnity satisfactory to it shall be given, the Issuing and Paying Agent shall authenticate and deliver a new Bank Note to the applicable Bank in lieu of and in substitution for the Bank Note so lost, destroyed or stolen. No further approval of the Board of Directors of Valley Water is necessary for the issuance of any Bank Notes.

Section 4.03 Form of Bank Notes and Authentication Certificate. The definitive Bank Notes and the Certificate of Authentication endorsed thereon shall be substantially in the form set forth in the applicable Liquidity Facility, with such appropriate variations, omissions and insertions as shall be necessary or appropriate in order to accomplish the purpose of the transaction authorized by this Issuing and Paying Agent Agreement. The Bank Notes may have endorsed thereon such legends or text as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or any usage or requirement of law or regulation with respect thereto.

Section 4.04 No Transfers of Bank Notes. Unless otherwise required by applicable law, the Bank Notes shall be non-negotiable and non-transferable; provided that the Bank Notes may be transferred to any successor or assign of the applicable Bank pursuant to the terms of the applicable Liquidity Facility or to any successor of the applicable Bank by merger or other business combination.

ARTICLE V

FUNDS AND ACCOUNTS; APPLICATION OF NOTE PROCEEDS

Section 5.01 Establishment and Designation of Funds and Accounts; Pledge of Certain Funds. The following funds and separate accounts and subaccounts within funds are hereby established and shall be held and maintained by the Issuing and Paying Agent:

(a) a “Proceeds Fund” together with a subaccount therein for each subseries (if any) of the Commercial Paper Notes of the respective Series;

(b) a “Payment Fund” together with the following accounts and subaccounts in each such fund:

(i) a “Commercial Paper Note Payment Account,” with subaccounts therein for each subseries (if any) of the Commercial Paper Notes of the respective Series; and

(ii) a “Bank Note Payment Account,” with subaccounts therein for each subseries (if any) of the Commercial Paper Notes of the respective Series.

There are hereby pledged to secure the payment of the principal of and interest on the respective Series and subseries of the Commercial Paper Notes and the Bank Notes and all other amounts payable to the applicable Bank under each Liquidity Facility, each in accordance with their terms, all amounts held by the Issuing and Paying Agent hereunder in the respective funds and accounts (or with respect to subseries, the respective subaccounts) related to such Series or subseries, as applicable, subject only to the provisions of this Issuing and Paying Agent Agreement permitting the application thereof for the purposes and on the terms and conditions set forth herein. Said pledge shall be valid and binding from and after delivery by the Issuing and Paying Agent of the Commercial Paper Notes and any Bank Notes.

Section 5.02 Proceeds Fund. There shall be deposited into the applicable Proceeds Fund and subaccount therein (if any) the proceeds of the sale of the Commercial Paper Notes of the related Series or subseries and such amounts in the Proceeds Fund shall be applied immediately after receipt as follows and in the following order of priority:

(i) First, there shall be transferred from the related Proceeds Fund to the related Payment Fund and the applicable Commercial Paper Note Payment Account and subaccount therein (if any) for the respective Series or subseries on the date such proceeds are received, the amount necessary to reimburse Bank making an Advance under the Liquidity Facility associated with such Series or subseries in accordance with the provisions of such Liquidity Agreement or, if such Bank has failed to honor a drawing on such Liquidity Facility, amounts so transferred to the related Payment Fund and the applicable Commercial Paper Note Payment Account and subaccount therein (if any) shall be applied to pay the principal of the Commercial Paper Notes of such Series or subseries that mature on the date such transfer is made;

(ii) Second, if Commercial Paper Notes have been issued for the purpose of refunding, paying or providing for the payment or discharge of any obligations of Valley Water, there shall be transferred in accordance with the written direction of an Authorized Representative of Valley Water, the amount directed by Valley Water as necessary to refund, pay or provide for the payment and discharge of such Valley Water outstanding obligations; and

(iii) Third, there shall be transferred to Valley Water or as otherwise specified by Valley Water in accordance with the written direction of an Authorized Representative of Valley Water, the amount specified by Valley Water to be applied to, or to reimburse Valley Water for funds applied to, any or all of the purposes specified in Section 25.6 of the District Act and Section 2.02 hereof.

Section 5.03 Commercial Paper Note Payment Account. In addition to the proceeds of the sale of Commercial Paper Notes of a Series and subseries transferred from the related Proceeds Fund to the applicable Commercial Paper Note Payment Account or subaccount therein (if any) pursuant to Section 5.02 hereof, there shall be deposited in each such Commercial Paper Note Payment Account or subaccount therein (if any) such other amounts as Valley Water may direct or otherwise deposit therein, including all amounts provided by Valley Water for the payment of interest on the related Series or subseries of the Commercial Paper Notes as provided in Section 6.01 hereof. In addition, there shall be deposited into the applicable Commercial Paper Note Payment Account or subaccount therein (if any) all amounts received by the Issuing and Paying Agent as an Advance under the related Liquidity Facility for such Series or subseries of Commercial Paper Notes. The proceeds of Advances shall be held separate and apart from all other amounts in the Commercial Paper Note Payment Account or subaccount therein (if any). Amounts in the Commercial Paper Note Payment

Account or any subaccount therein for a respective Series or subseries of Commercial Paper Notes are to be used solely to reimburse Bank making an Advance under the Liquidity Facility associated with such Series or subseries in accordance with the provisions of such Liquidity Agreement or, if such Bank has failed to honor a drawing on such Liquidity Facility, to pay the principal of and interest on such Series or subseries of the Commercial Paper Notes and shall be held by the Issuing and Paying Agent in trust and applied by the Issuing and Paying Agent for such purpose.

If by the time set forth in the applicable Liquidity Facility, on any date on which payment of any Commercial Paper Notes shall be due by reason of the stated maturity thereof, the Issuing and Paying Agent shall submit a request for an Advance in the form and in accordance with the requirements of the applicable Liquidity Facility, in order to draw on the Liquidity Facility so as to receive funds thereunder not later than 1:30 p.m., New York time (or such later time that is approved by the Issuing and Paying Agent, in such amount as is necessary to pay the principal of such maturing Commercial Paper Notes of the related Series or subseries, and shall deposit the proceeds of any such Advance in the applicable Commercial Paper Note Payment Account or subaccount therein (if any) as herein provided. The proceeds of any Advance that the Issuing and Paying Agent determines are not necessary to pay the principal of maturing Commercial Paper Notes of the related Series or subseries shall be returned promptly to the applicable Bank.

Section 5.04 Deposits to Bank Note Payment Accounts. On the Business Day before each Bank Note Payment Date, Valley Water shall allocate and transfer to the Issuing and Paying Agent for deposit in the applicable Bank Note Payment Account or subaccount therein (if any) amounts from Net Water Utility System Revenues from the Water Utility System Revenue Fund (as such terms are defined in the Water Utility Parity System Master Resolution) pursuant to Section 2.2(f) of the Water Utility Parity System Master Resolution, as follows: (i) an amount equal to the aggregate amount of interest due and payable on such Bank Note Payment Date on all Bank Notes Outstanding and (ii) an amount equal to the aggregate principal amount due and payable on such Bank Note Payment Date on the Outstanding Bank Notes; and

Amounts in each Bank Note Payment Account or subaccount therein (if any) shall be invested by the Issuing and Paying Agent in Permitted Investments pursuant to the written instructions of Valley Water. In the absence of such instructions, the Issuing and Paying Agent shall invest in a money market fund rated in one of the two top categories by Standard & Poor's, including funds for which the Issuing and Paying Agent and its affiliates provide investment advisory or other management services.

Section 5.05 Moneys in Funds and Accounts; Investments Authorized. Pending expenditure for authorized purposes, moneys held by the Issuing and Paying Agent hereunder in the Commercial Paper Note Payment Account or the Bank Note Payment Account or any subaccount therein to the extent representing funds provided by Valley Water shall be invested by the Issuing and Paying Agent at the written direction of Valley Water in Permitted Investments maturing or available not later than the date on which it is estimated that such moneys will be required to be used or applied as provided herein. Amounts held in the Commercial Paper Note Payment Account or any subaccount therein representing the proceeds of an Advance made under a Liquidity Facility shall be held uninvested, in cash, and shall not be commingled with any other funds held hereunder.

Unless otherwise provided herein, all interest, profits and other income received from the investment of moneys in any fund, account or subaccount shall remain in and be credited to such fund, account or subaccount; provided that 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, account or subaccount from which such accrued interest was paid. Moneys held in any fund, account or subaccount hereunder (other than the Rebate Fund) may be comingled for purposes of investment only; provided, that each fund, account or subaccount held by the Issuing and Paying Agent hereunder shall be accounted for separately as required by this Issuing and Paying Agent Agreement and the Issuing and Paying Agent shall segregate such funds, accounts and subaccounts if so instructed by Valley Water.

The Issuing and Paying Agent shall keep proper books of record and accounts containing complete and correct entries of all transactions made by it relating to the receipt, disbursement, allocation and application of the moneys related to the Commercial Paper Notes, including moneys derived from, pledged to, or to be used to make payments on the Commercial Paper Notes. Such records shall specify the fund, account and subaccount to which such moneys are to be allocated.

Valley Water acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant Valley Water the right to receive brokerage confirmations of security transactions as they occur, Valley Water specifically waives receipt of such confirmations to the extent permitted by law. The Issuing and Paying Agent will provide system access to Valley Water so as to furnish Valley Water periodic cash transactions Action statements which shall include detail for all investment transactions Actions made by the Issuing and Paying Agent hereunder.

The Issuing and Paying Agent shall not be liable for any loss from any investments made by the Issuing and Paying Agent in accordance with this Issuing and Paying Agent Agreement.

ARTICLE VI

GENERAL OBLIGATION; LIMITED LIABILITY OF VALLEY WATER

Section 6.01 General Obligation. The Commercial Paper Notes and Bank Notes constitute general obligations of Valley Water in accordance with Section 25.6(b) of the District Act and are payable from revenues, charges, taxes and assessments levied for purposes of Valley Water. The Commercial Paper Notes and the Bank Notes are not secured by the taxing power of Valley Water. Valley Water hereby pledges Net Water Utility System Revenues of Valley Water on a subordinate basis to all payment of Bonds and Contracts (as defined in the Water Utility Parity System Master Resolution) of Valley Water to additionally secure the Commercial Paper Notes and the Bank Notes, all in accordance with the Water Utility Parity System Master Resolution. The pledge of Net Water Utility System Revenues herein made shall be irrevocable until all of the Commercial Paper Notes and the Bank Notes have been paid and retired and any related obligations of Valley Water under any liquidity or credit agreement (including any Liquidity Facility) relating thereto.

Section 6.02 Limited Obligations. Anything herein to the contrary notwithstanding nothing contained herein or in the Commercial Paper Notes or the Bank Notes shall be considered as pledging any other funds or assets of Valley Water.

No Owner of any Commercial Paper Note or Bank Note shall ever have the right to compel any exercise of the taxing power of Valley Water to pay any Commercial Paper Note or Bank Note or the interest thereon. Neither the full faith and credit nor the taxing power of Valley Water is pledged for the payment of the principal of or interest on any Commercial Paper Note or any Bank Note.

Neither the Board of Directors of Valley Water nor any officer or employee thereof shall be liable or obligated for the payment of the principal of and interest on any Commercial Paper Notes or Bank Notes or for any payment agreed to be made or contemplated pursuant to the terms of this Issuing and Paying Agent Agreement, save from Net Water Utility System Revenues and the other moneys pledged thereto under the terms of this Issuing and Paying Agent Agreement and from Net Water Utility System Revenues as described in Section 6.01 hereof.

ARTICLE VII

COVENANTS OF VALLEY WATER

Section 7.01 Punctual Payment. Valley Water will punctually pay or cause to be paid the principal of and interest on the Commercial Paper Notes and the Bank Notes, in strict conformity with the terms of the Commercial Paper Notes or the Bank Notes, as the case may be, and this Issuing and Paying Agent Agreement, and such amounts are secured by Net Water Utility System Revenues on a subordinate basis to all payment of Bonds and Contracts (as defined in the Water Utility Parity System Master Resolution) and the amounts on deposit in the funds and accounts created hereunder and pledged thereto as provided herein.

Section 7.02 Further Assurances. Valley Water will make, execute and deliver any and all such instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Issuing and Paying Agent Agreement and for the better assuring and confirming to the Owners of the Commercial Paper Notes and the Bank Notes the rights and benefits provided herein.

Section 7.03 Liquidity Facility; Substitute Liquidity Facility. Prior to the issuance of Commercial Paper Notes of any Series or subseries thereof, Valley Water will procure, and will at all times maintain in effect, for the Commercial Paper Notes of each such Series or subseries one or more Liquidity Facilities enabling it to borrow an aggregate amount at least equal to the principal amount of each such Series and/or subseries of the Commercial Paper Notes then Outstanding or at that time proposed to be issued hereunder. Neither Valley Water nor the Issuing and Paying Agent will deliver to any Bank a request or instructions to reduce (at the direction of Valley Water) the Commitment of a Bank under a Liquidity Facility for any Series or subseries of the Commercial Paper Notes if as a result of such reduction the principal amount of the Commercial Paper Notes or any Series or subseries thereof then Outstanding would exceed the sum of the Commitments of the Banks then available under the applicable Liquidity Facilities therefor (or, in the case of any Series or subseries of the Commercial Paper Notes, the related Commitment under the related Liquidity Facility or Facilities). Only one Liquidity Facility shall be in effect for a Series or subseries of the Commercial Paper Notes at any time.

Valley Water may at any time and from time to time obtain a substitute or alternate Liquidity Facility to replace any Liquidity Facility then in effect. Valley Water shall cause the Issuing and Paying Agent to provide written notice by first-class mail, postage prepaid, or by electronic means of communication to the applicable Owners and the Dealers for the Series and/or subseries of the Commercial Paper Notes for which a Liquidity Facility is to be replaced no less than 30 days prior to the proposed delivery of the substitute or alternate Liquidity Facility (unless 30 days' notice is not practical, in which case notice shall be given as soon as practical). Such substitute or alternate Liquidity Facility must go into effect on a date on which all Commercial Paper Notes of the applicable Series or subseries to be supported thereby then Outstanding are scheduled to mature. Prior to the

Issuing and Paying Agent's release of an existing Liquidity Facility and acceptance of a substitute or alternate Liquidity Facility, the following shall be delivered to the Issuing and Paying Agent: (i) a legal opinion of counsel to the successor Bank to the effect that the substitute or alternate Liquidity Facility is a legal, valid and binding obligation of the issuing Bank and is enforceable against such Bank in accordance with its terms; (ii) an opinion of Bond Counsel to the effect that the substitution of the Liquidity Facility is authorized under the Issuing and Paying Agent Agreement, and (with respect to Commercial Paper Notes other than Commercial Paper Notes designated as Taxable), an opinion of Bond Counsel to the effect that the substitution of the Liquidity Facility will not, in and of itself, adversely affect the exclusion from gross income for federal tax purposes of interest on such Commercial Paper Notes; (iii) written evidence from each Rating Agency of the rating on the Commercial Paper Notes on and after the delivery of such substitute or alternate Liquidity Facility; and (iv) a revised Exhibit F hereto reflecting the delivery of such substitute or alternate Liquidity Facility. The Issuing and Paying Agent shall promptly give notice of the acceptance of such substitute or alternate Liquidity Facility to the applicable Owners and the Dealers for the Series and/or subseries of the Commercial Paper Notes to be supported thereby by first-class mail, postage prepaid, or by electronic means of communication.

Section 7.04 Tax Covenants. Valley Water covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion of the interest on the Commercial Paper Notes which have been designated as Tax-Exempt from gross income under Section 103 of the Code. Without limiting the generality of the foregoing, Valley Water shall comply with all requirements and covenants contained in the Tax Certificate. In the event that at any time Valley Water is of the opinion that for purposes of this Section 7.04 it is necessary to restrict or limit the yield on the investment of any moneys held by the Issuing and Paying Agent under this Issuing and Paying Agent Agreement, Valley Water shall so instruct the Issuing and Paying Agent in writing, and the Issuing and Paying Agent shall take such action as may be necessary in accordance with such instructions, subject in all respects to the terms of this Issuing and Paying Agent Agreement.

Notwithstanding any provision of this Section 7.04 and Section 7.05 hereof, if Valley Water shall receive an opinion of Bond Counsel to the effect that any action required under the Tax Certificate or this Section 7.04 and Section 7.05 hereof is no longer required, or to the effect that some further action is required, to maintain the exclusion pursuant to Section 103 of the Code of the interest on the Commercial Paper Notes which have been designated as Tax-Exempt from gross income, Valley Water and the Issuing and Paying Agent may rely conclusively on such opinion in complying with the provisions hereof, and the covenants hereunder shall be deemed to be modified to that extent.

Section 7.05 Rebate to United States. Valley Water will pay or cause to be paid to the United States Government the amount required by Section 148(f) of the Code and any regulations promulgated thereunder at the times required thereby. To further the satisfaction of such rebate requirement, there is hereby created, to be held by the Issuing and Paying Agent as separate fund for the Commercial Paper Notes which are Tax-Exempt distinct from all other funds and accounts held by the Issuing and Paying Agent under this Issuing and Paying Agent Agreement, a fund designated as the "Rebate Fund." The Issuing and Paying Agent shall hold any payments received from Valley Water for deposit in the Rebate Fund for purposes of ultimate rebate to the United States, all as more particularly described in the Tax Certificate. Pending payment to the United States, moneys held in the Rebate Fund are hereby pledged to secure such payments to the United States as provided herein and in the Tax Certificate, and none of Valley Water, the Owners or any other person shall have any rights in or claim to such moneys.

Computations of the rebate amount and all calculations under this Section 7.05 and the Tax Certificate shall be furnished by or on behalf of Valley Water. The Issuing and Paying Agent shall be deemed conclusively to have complied with the provisions of this Section 7.05 if it follows the payment directions of the Authorized Representative. The Issuing and Paying Agent shall have no liability or responsibility to enforce compliance by Valley Water with the Tax Certificate. The Issuing and Paying Agent shall have no obligation to pay any amounts required to be rebated to the United States pursuant to this Section 7.05 and the Tax Certificate, other than from moneys required to be held in the funds and accounts created under this Issuing and Paying Agent Agreement, including the Rebate Fund, or from other moneys provided to it for such purpose by Valley Water.

Section 7.06 Taxable Commercial Paper Notes. Notwithstanding anything in this Issuing and Paying Agent Agreement to the contrary, in the event Valley Water designates any Series or subseries of Commercial Paper Notes as Taxable, the provisions of Sections 7.04 and 7.05 hereof shall not apply to such Series or subseries of Commercial Paper Notes.

Section 7.07 Amounts of Rates and Charges. Valley Water covenants to establish, maintain and collect rates and charges with respect to the Water Utility System (after giving effect to the expected receipt of refinancing proceeds from the sale of Commercial Paper Notes, amounts paid from the parcel tax levied pursuant to Resolution No. 20-64 of Valley Water, and taking into account the amounts, if any, made available for treatment as Net Water Utility System Revenues from the Rate Stabilization Fund or Special Purpose Funds) to pay the respective Series of Commercial Paper Notes.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF OWNERS

Section 8.01 Events of Default. The following shall constitute Events of Default hereunder:

- (a) with respect to Commercial Paper Notes, if default shall be made in the due and punctual payment of the principal of or interest on any Commercial Paper Note when and as the same shall become due and payable;
- (b) with respect to Commercial Paper Notes only, if the principal of any Bank Note shall be declared due and payable prior to the maturity thereof pursuant to such Bank Note or the related Liquidity Facility as a result of a default thereunder; or
- (c) if Valley Water shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained herein or in the Commercial Paper Notes on the part of Valley Water to be performed and such default shall continue for forty-five (45) days after written notice specifying such default and requiring same to be remedied shall have been given to Valley Water by the Owners of not less than twenty-five percent (25%) in principal amount of the Outstanding Commercial Paper Notes.

Section 8.02 Remedies. Upon the happening and continuance of any Event of Default specified in Section 8.01 hereof with respect to Commercial Paper Notes (Tax-Exempt), then and in every such case, the Owner of any Commercial Paper Note (Tax-Exempt) shall be entitled to proceed to protect and enforce such Owner's rights by such appropriate judicial proceeding as such Owner shall deem most effectual to protect and enforce any such right, either by suit in equity or by action in law, whether for specific performance of any covenant or agreement contained herein, or in aid of the

exercise of any power granted hereby, or to enforce any other legal or equitable right vested in the Owners of the Commercial Paper Notes or by law; *provided, however*, that the principal of all Outstanding Commercial Paper Notes and the interest accrued thereon may not be declared to be due and payable except upon the happening and continuance of an event of default specified in Section 8.01(a) hereof.

Section 8.03 Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Owners of the Commercial Paper Notes is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 8.04 Rights of the Banks. Anything in this Issuing and Paying Agent Agreement to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, a Bank shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners of the Commercial Paper Notes of the applicable Series or subseries supported by its Liquidity Facility under this Issuing and Paying Agent Agreement; provided that in each instance, a Bank shall be entitled to control and direct the enforcement of such rights and remedies so long as such Bank has not failed to properly make any Advance in accordance with its Liquidity Facility. The right of a Bank to control and direct the enforcement of the rights and remedies granted to the Owners of the Commercial Paper Notes set forth in this Section 8.04 does not include or extend to any entity which such Bank has granted participation interests in its Liquidity Facility.

ARTICLE IX

THE ISSUING AND PAYING AGENT

Section 9.01 Appointment and Acceptance of Issuing and Paying Agent. Valley Water hereby appoints U.S. Bank Trust Company, National Association as Issuing and Paying Agent hereunder. The Issuing and Paying Agent agrees to perform all the functions and duties of the Issuing and Paying Agent hereunder, subject to the terms and conditions set forth herein. The Issuing and Paying Agent shall signify its acceptance of the duties and obligations of Issuing and Paying Agent imposed upon it hereby by the execution and delivery of this Issuing and Paying Agent Agreement.

Section 9.02 Reports, Records and Accounts. The Issuing and Paying Agent shall at all times keep or cause to be kept proper books and records, as shall be consistent with sound industry practice, in which complete and accurate entries shall be made of all transactions, including, without limitation a complete record of all Issuance Requests, made by it relating to the Commercial Paper Notes and Bank Notes and all funds, accounts and subaccounts established and maintained by the Issuing and Paying Agent hereunder. Such books and records shall be available for inspection by Valley Water and the Banks on each Business Day during reasonable business hours and, if so requested, by any Owner of Commercial Paper Notes or its agent or representative duly authorized in writing at reasonable hours upon reasonable notice.

The Issuing and Paying Agent shall maintain such books, records and accounts as may be necessary to evidence the obligations of Valley Water resulting from the Commercial Paper Notes and the Bank Notes, the principal amounts owing thereunder, the maturity schedule therefor, the respective rates of interest thereon and the principal and interest paid from time to time thereunder. The Issuing and Paying Agent agrees to provide to Valley Water each month a report of the amounts deposited in each fund, account and subaccount held by it hereunder and the amount disbursed from such funds,

accounts and subaccounts, the earnings thereon, if any, the investments in each such fund, account and subaccount and the ending balance thereof. Such report shall further set forth such information regarding the authentication and issuance of Commercial Paper Notes and Bank Notes during the subject month in the manner agreed upon by Valley Water and the Issuing and Paying Agent.

Section 9.03 Duties of the Issuing and Paying Agent.

(a) The Issuing and Paying Agent's duties and responsibilities in connection with the issuance of the Commercial Paper Notes and Bank Notes shall include:

(i) to hold each Master Note Certificate representing a Series or subseries of the Commercial Paper Notes in safekeeping;

(ii) upon receipt of each Issuance Request received from Valley Water, to assign a CUSIP number to the Commercial Paper Note or Notes of the applicable Series or subseries;

(iii) to cause to be delivered a Commercial Paper Note or Notes on behalf of Valley Water upon receipt of an Issuance Request with instructions from an Authorized Representative, as to the principal amount, registered owner, date of issue, maturity date and interest rate, by way of data entry transfer to the DTC Same Day Funds Settlement System ("SDFS"), and to receive from SDFS a confirmation receipt that such delivery was effected;

(iv) to credit the proceeds of sales of the Commercial Paper Notes to the appropriate account and subaccount of Proceeds Fund and to transfer such amounts to the appropriate subaccount of the Commercial Paper Note Payment Account of the Payment Fund in the amounts necessary to pay principal of or interest on maturing Commercial Paper Notes of related Series or subseries;

(v) to transfer any remaining proceeds of the sales of the Commercial Paper Notes after the credits pursuant to paragraph (iv) above to Valley Water or to such other fund, account or subaccount as an Authorized Representative may instruct; and

(vi) to hold the amounts on deposit in each subaccount of the Bank Note Payment Account separate from all other funds and accounts of the Issuing and Paying Agent and to apply such amounts in accordance with the terms hereof.

The Issuing and Paying Agent shall have no duty or responsibility to make any transfer of the proceeds of the sale of the Commercial Paper Notes, or to advance any moneys or effect any credit with respect to such proceeds or transfers, unless and until (1) the Issuing and Paying Agent has actually received the proceeds of the sale of the Commercial Paper Notes, and (2) such receipt of the proceeds is not subject to reversal or cancellation.

(b) The Issuing and Paying Agent's duties and responsibilities in connection with the payment of the Commercial Paper Notes and Bank Notes shall include:

(i) to credit amounts received from Valley Water for the payment of the principal of or interest on the applicable Series or subseries of Commercial Paper Notes to the appropriate subaccount of the Commercial Paper Note Payment Account;

(ii) in accordance with Section 5.03 hereof, when required, to make the necessary and timely requests for Advances under each Liquidity Facility in accordance with the terms and provisions thereof as may be necessary in order to effectuate the timely payment of principal of and interest on the applicable Series or subseries of Commercial Paper Notes supported by such Liquidity Facility as the same becomes due in accordance herewith and therewith;

(iii) to credit amounts received from each Bank as a result of Advances under the applicable Liquidity Facility for a Series or subseries of Commercial Paper Notes to the appropriate subaccount of the Commercial Paper Note Payment Account;

(iv) upon presentment at maturity of a Commercial Paper Note or Notes, to pay the principal of and interest on the Commercial Paper Note or Notes to the Owner(s) thereof;

(v) to credit amounts received from Valley Water for the payment of the principal of and interest on Bank Notes to the appropriate subaccount of the Bank Note Payment Account;

(vi) to apply the amounts on deposit in each subaccount of the Bank Note Payment Account to make payments due to each Bank on the applicable Bank Notes under the related Liquidity Facility in accordance with the terms hereof and the applicable Liquidity Facility; and

(vii) to keep amounts on deposit in each account and subaccount of the Payment Fund separate from all other funds and accounts of the Issuing and Paying Agent and to utilize such amounts in accordance with the terms hereof.

The Issuing and Paying Agent shall have no obligation to pay amounts due on the applicable Series or subseries of Commercial Paper Notes at their maturity other than from Advances under the related Liquidity Facility, or, if a Bank fails to honor a draw on the applicable Liquidity Facility, from funds received by the Issuing and Paying Agent from Valley Water or the applicable Dealer for the account of Valley Water.

Section 9.04 Compensation of Issuing and Paying Agent. Valley Water covenants to pay to the Issuing and Paying Agent from time to time, and the Issuing and Paying Agent shall be entitled to, compensation for all services rendered by it in the exercise and performance of any of the powers and duties hereunder of the Issuing and Paying Agent, in accordance with the schedule of fees furnished by Issuing and Paying Agent to Valley Water from time to time, and Valley Water will pay or reimburse the Issuing and Paying Agent upon its request for all expenses, disbursements and advances incurred or made by the Issuing and Paying Agent in accordance with the provisions of this Issuing and Paying Agent Agreement (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ) except any such expense, disbursement or advance as may arise directly from its negligence, default or willful misconduct (as determined by a final non-appealable decision of a court of competent jurisdiction). The obligations of Valley Water under this Section 9.04 shall survive any termination of this Issuing and Paying Agent Agreement and the resignation or removal of Agent.

Section 9.05 Liability of Issuing and Paying Agent.

(a) Issuing and Paying Agent's duties and obligations shall be determined solely by the express provisions of this Issuing and Paying Agent Agreement and the Letter of

Representations (including the documents referred to therein) and Issuing and Paying Agent shall be responsible for the performance of only such duties and obligations as are specifically set forth herein and therein, and no implied duties or covenants shall be read into any such document against Issuing and Paying Agent. Issuing and Paying Agent has no fiduciary or discretionary duties of any kind. Issuing and Paying Agent shall have no liability under and no duty to inquire as to the provisions of any agreement other than this Issuing and Paying Agent Agreement. The recitals of facts herein and in the Commercial Paper Notes contained shall be taken as statements of Valley Water, and the Issuing and Paying Agent assumes no responsibility for the correctness of the same, and makes no representations as to the validity or sufficiency of this Issuing and Paying Agent Agreement or of the Commercial Paper Notes as to the sufficiency of Valley Water revenues for the payment thereof, and shall not incur any responsibility in respect of any such matter, other than in connection with the duties or obligations expressly herein or in the Commercial Paper Notes assigned to or imposed upon it. The Issuing and Paying Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence, or willful misconduct (as determined by a final non-appealable decision of a court of competent jurisdiction) . The Issuing and Paying Agent and its directors, officers, employees or agents may in good faith buy, sell, own, hold and deal in any of the Commercial Paper Notes and may join in any action which any Owner of a Commercial Paper Note may be entitled to take, with like effect as if the Issuing and Paying Agent was not the Issuing and Paying Agent under this Issuing and Paying Agent Agreement. The Issuing and Paying Agent may in good faith hold any other form of indebtedness of Valley Water, own, accept or negotiate any drafts, bills of exchange, acceptances or obligations of Valley Water and make disbursements for Valley Water and enter into any commercial or business arrangement therewith, without limitation.

(b) The Issuing and Paying Agent shall not be liable for any error of judgment made in good faith by a responsible officer unless it shall be proved that the Issuing and Paying Agent was negligent in ascertaining the pertinent facts. The Issuing and Paying Agent may execute any of the duties or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of its duties hereunder, and the Issuing and Paying Agent shall not be liable for the negligence, default or misconduct of any such attorney, agent, or receiver selected by it with due care.

(c) No provision of this Issuing and Paying Agent Agreement shall require the Issuing and Paying Agent to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers, if repayment of such funds or adequate indemnity against such risk or liability is not assured to its satisfaction .

(d) The Issuing and Paying Agent shall not be deemed to have knowledge of and shall not be required to take any action with respect to, any Event of Default (other than an Event of Default described in subsection (a) of Section 8.01 hereof) or event which would, with the giving of notice, the passage of time or both, constitute an Event of Default, unless the Issuing and Paying Agent shall have actual knowledge of such event or shall have been notified in writing of such event by Valley Water, any Bank, or an Owner. Without limiting the generality of the foregoing, the Issuing and Paying Agent shall not be required to ascertain, monitor or inquire as to the performance or observance by Valley Water of the terms, conditions, covenants or agreements set forth in Article VII hereof (including, without limitation, the covenants of Valley Water set forth in Sections 7.04 or 7.05 hereof), other than the covenants of Valley Water to make payments with respect to the Commercial Paper Notes when due as set forth in Section 7.01 and to file with the Issuing and Paying Agent when due,

such reports and certifications as Valley Water is required to file with the Issuing and Paying Agent hereunder.

Section 9.06 Authorized Representatives; Right of Issuing and Paying Agent to Rely on Documents. The Issuing and Paying Agent agrees to accept and act upon manual, electronic or facsimile transmission of written instructions and/or directions pursuant to this Issuing and Paying Agent Agreement provided, however, that: (a) subsequent to such facsimile transmission of written instructions and/or directions the Issuing and Paying Agent shall forthwith receive the originally executed instructions and/or directions, (b) such originally executed instructions and/or directions shall be signed by a person as may be designated and authorized to sign for the party signing such instructions and/or directions, and (c) the Issuing and Paying Agent shall have received a current incumbency certificate containing the specimen signature of such designated person.

With the delivery of this Issuing and Paying Agent Agreement, Valley Water is furnishing to Issuing and Paying Agent, and from time to time thereafter may furnish to Issuing and Paying Agent, and shall furnish to Issuing and Paying Agent upon Issuing and Paying Agent's request, certificates ("Incumbency Certificates") of a Valley Water officer certifying the incumbency and specimen signatures of officers or agents of Valley Water authorized to execute Commercial Paper Notes on behalf of Valley Water by manual, electronic or facsimile signature and/or to take other action hereunder on behalf of Valley Water (each an "Authorized Representative"). Until Issuing and Paying Agent receives and has a reasonable time to act upon a subsequent Incumbency Certificate of Valley Water, Issuing and Paying Agent is entitled to rely on the last such Incumbency Certificate delivered to Issuing and Paying Agent for purposes of determining the Authorized Representatives. Issuing and Paying Agent shall not have any responsibility to Valley Water to determine by whom or by what means a facsimile or electronic signature may have been affixed on the Commercial Paper Notes, or to determine whether any signature resembles the specimen signature(s) filed with Issuing and Paying Agent by a duly authorized officer of Valley Water. Any Commercial Paper Notes bearing the manual or facsimile signature of a person who is an Authorized Representative on the date such signature is affixed shall be binding on Valley Water after the authentication thereof by Issuing and Paying Agent notwithstanding that such person shall have died or shall have otherwise ceased to hold his office on the date such Commercial Paper Note is countersigned or delivered to Issuing and Paying Agent. Valley Water represents and warrants that each Authorized Representative may appoint other officers, employees and Issuing and Paying Agents of the Valley Water (an "Authorized Person") including without limitation any Dealers, to give notices and /or issuance instructions to Issuing and Paying Agent under this Issuing and Paying Agent Agreement, provided that notice of the appointment of each Authorized Person is delivered to Agent in writing. Each such appointment shall remain in effect unless and until revoked by Valley Water in a written notice to Agent.

Whenever in the administration of the duties imposed upon it by this Issuing and Paying Agent Agreement the Issuing and Paying Agent 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 Valley Water, and such Certificate shall be full warrant to the Issuing and Paying Agent for any action taken or suffered in good faith under the provisions of this Issuing and Paying Agent Agreement in reliance upon such Certificate, but in its discretion the Issuing and Paying Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable. The Issuing and Paying Agent may consult with counsel, including, without limitation, counsel of or to Valley Water, 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 unless it shall be proved that the Issuing and Paying Agent was negligent in ascertaining the pertinent facts. The Issuing and Paying Agent may also rely conclusively on any report or certification of any certified public accountant, investment banker, financial consultant, or other expert selected by Valley Water or selected by the Issuing and Paying Agent with due care in connection with matters required to be proven or ascertained in connection with its administration of the duties created hereby.

Issuing and Paying Agent shall incur no liability to Valley Water in acting hereunder upon instructions contemplated hereby which Issuing and Paying Agent believed in good faith to have been given by an Authorized Representative or an Authorized Person, as the case may be. Instructions transmitted via SPANS Online (as defined in Article 12 hereof) shall be the equivalent to the giving of a duly authorized written instruction which Issuing and Paying Agent may act upon without liability. In the event a discrepancy exists between any telephonic instructions and any other such instructions, the telephonic instructions as understood by Issuing and Paying Agent will be deemed to control.

Section 9.07 Indemnification of Issuing and Paying Agent. To the extent permitted by law, Valley Water agrees to indemnify, protect, save and keep harmless the Issuing and Paying Agent and its directors, officers, employees agents and affiliates (collectively, the “Indemnified Parties”) against any costs, expenses, fees (including reasonable legal fees), losses, damages, liabilities, penalties, costs and expenses of any kind or nature (including without limitation reasonable attorneys' fees, costs and expenses) which may be imposed on, incurred by, or asserted against, the Indemnified Parties at any time, whether direct, indirect or consequential, as a result of or arising from or in any way relating to any claim, demand, suit, action or proceeding (including any inquiry or investigation) by any person or entity, including without limitation Valley Water, any Dealer or any purchaser of Commercial Paper Notes, whether threatened or initiated, asserting a claim for any legal or equitable remedy against any person under any statute or regulation, including, but not limited to, any federal or state securities laws, or under any common law or equitable cause or otherwise, arising from or in connection with the negotiation, preparation, execution, performance or failure of performance in connection with this Issuing and Paying Agent Agreement or any transactions contemplated herein, whether or not any such Indemnified Party is a party to any such action, proceeding, suit or the target of any such inquiry or investigation (in the exercise or performance of its powers and duties under this Issuing and Paying Agent Agreement; provided, however, that Valley Water shall not be required to indemnify the Issuing and Paying Agent for costs, expenses, fees, losses and liabilities arising directly out of negligence, willful breach or misconduct of the Indemnified Parties, (as determined by a final non-appealable decision of a court of competent jurisdiction). In no event shall Valley Water or the Issuing and Paying Agent be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this Section 9.07. The indemnities contained in this Section 9.07 shall survive the termination of this Issuing and Paying Agent Agreement and the resignation or removal of the Issuing and Paying Agent.

Section 9.08 Resignation and Removal of Issuing and Paying Agent.

(a) Valley Water may remove the Issuing and Paying Agent at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Issuing and Paying Agent if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate amount of principal of the Commercial Paper Notes then Outstanding (or their attorneys duly authorized in writing) or if at any time the Issuing and Paying Agent shall cease to be eligible in accordance with subsection (d) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Issuing

and Paying Agent or its property shall be appointed, or any public officer shall take control or charge of the Issuing and Paying Agent or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Issuing and Paying Agent, and thereupon shall appoint a successor Issuing and Paying Agent by an instrument in writing.

(b) The Issuing and Paying Agent may at any time resign by giving written notice of such resignation to Valley Water, the Banks and the Dealer. Upon receiving such notice of resignation, Valley Water shall promptly appoint a successor Issuing and Paying Agent by an instrument in writing. Prior to any voluntary resignation or any sale, assignment, merger, consolidation or reorganization by the Issuing and Paying Agent, the Issuing and Paying Agent shall pay to Valley Water any and all amounts which will be payable by Valley Water to the Banks due to any resulting transfer of the Liquidity Facility.

(c) Any removal or resignation of the Issuing and Paying Agent and appointment of a successor Issuing and Paying Agent shall become effective upon acceptance of appointment by the successor Issuing and Paying Agent. If no successor Issuing and Paying Agent shall have been appointed and have accepted appointment within sixty (60) days of giving notice of removal or notice of resignation as aforesaid, the resigning Issuing and Paying Agent, any Owner (on behalf of himself or herself and all other Owners) or any Bank may petition any court of competent jurisdiction for the appointment of a successor Issuing and Paying Agent, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Issuing and Paying Agent. Any successor Issuing and Paying Agent appointed under this Issuing and Paying Agent Agreement, shall signify its acceptance of such appointment by executing and delivering to Valley Water and to its predecessor Issuing and Paying Agent a written acceptance thereof, and thereupon such successor Issuing and Paying Agent, without any further District Act, deed or conveyance, shall become vested with all the moneys, properties, rights, powers, duties and obligations of such predecessor Issuing and Paying Agent (and including all rights, powers and duties in connection with the Liquidity Facilities), with like effect as if originally named Issuing and Paying Agent herein; but, nevertheless at the Request of Valley Water or the request of the successor Issuing and Paying Agent, such predecessor Issuing and Paying Agent 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 Issuing and Paying Agent all the right, title and interest of such predecessor Issuing and Paying Agent in and to any property held by it under this Issuing and Paying Agent Agreement (including the Liquidity Facilities) and shall pay over, transfer, assign and deliver to the successor Issuing and Paying Agent any money or other property subject to the conditions herein set forth. Upon request of the successor Issuing and Paying Agent, Valley Water shall execute and deliver any and all instruments, including the current Liquidity Facilities in place, as may be reasonably required for more fully and certainly vesting in and confirming to such successor Issuing and Paying Agent all such moneys, estates, properties, rights, powers, duties and obligations. Upon acceptance of appointment by a successor Issuing and Paying Agent as provided in this subsection, Valley Water shall give notice of the succession of such Issuing and Paying Agent hereunder by mail to the Banks and the Dealers.

(d) Any Issuing and Paying Agent appointed under the provisions of this Section 9.08 in succession to the Issuing and Paying Agent shall be a trust company or bank having the powers of a trust company having a combined capital and surplus of at least fifty million dollars (\$50,000,000), subject to supervision or examination by federal or state authority, and having a Corporate Trust Office in New York, New York. 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 Issuing and Paying Agent shall cease to be eligible in accordance with the provisions of this subsection (d), the Issuing and Paying Agent shall resign promptly in the manner and with the effect specified in this Section 9.08.

Section 9.09 Merger or Consolidation. Any company into which the Issuing and Paying Agent 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 Issuing and Paying Agent may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under subsection (d) of Section 9.08 hereof, shall be the successor to such Issuing and Paying Agent without the execution or filing of any paper or any further District Act, anything herein to the contrary notwithstanding.

ARTICLE X

MODIFICATION OR AMENDMENT OF THIS ISSUING AND PAYING AGENT AGREEMENT

Section 10.01 Amendments or Modifications Without Consent of Owners. This Issuing and Paying Agent Agreement and the rights and obligations of Valley Water, of the Issuing and Paying Agent and of the Owners of the Commercial Paper Notes may be modified or amended at any time by a Supplement, which Valley Water and Issuing and Paying Agent may enter into without the consent of any Owners but only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of Valley Water in this Issuing and Paying Agent Agreement contained other covenants and agreements thereafter to be observed or to surrender any right or power herein reserved to or conferred upon Valley Water;

(2) to make provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in this Issuing and Paying Agent Agreement;

(3) to facilitate the delivery of the Commercial Paper Notes in registered form, including a system of book-entry registration, or to discontinue the issuance of Commercial Paper Notes in book-entry only form and to issue the Commercial Paper Notes in fully certificated form;

(4) to supplement the security for the Commercial Paper Notes, replace or provide additional or alternate liquidity or credit facilities, or change the form of the Commercial Paper Notes or make such other changes in the provisions hereof as Valley Water may deem necessary or desirable and which shall not materially and adversely affect the interests of the Owners of the Commercial Paper Notes;

(5) in connection with Commercial Paper Notes which are or which are to be issued as Tax-Exempt, to make such provisions as are necessary or appropriate to maintain the exclusion of interest on such Commercial Paper Notes from gross income for purposes of federal income taxation;

(6) for any other purpose that does not materially and adversely affect the interests of the Owners of the Commercial Paper Notes or the Banks, including, without limitation, to provide for changes requested by a Rating Agency in order to obtain or maintain a credit rating for any Series or subseries of Commercial Paper Notes; and

(7) to provide for any modification or amendment of this Issuing and Paying Agent Agreement which will only apply to the Commercial Paper Notes to be issued after the effective date of such modification or amendment.

Notwithstanding any other provision hereof, no modification or amendment hereto affecting the rights, remedies or security of any Bank hereunder shall be entered into without the prior written consent of such Bank.

Section 10.02 Amendments or Modifications With Consent of Owners. This Issuing and Paying Agent Agreement and the rights and obligations of Valley Water, the Owners of the Commercial Paper Notes and the Issuing and Paying Agent may also be modified or amended at any time by a Supplement, which Valley Water and the Issuing and Paying Agent may enter into with the written consent of the Banks and the Owners of a majority in aggregate principal amount of the Commercial Paper Notes (or, if such Supplement is only applicable to a Series or subseries of Commercial Paper Notes, the Owners of a majority in aggregate principal amount of such Series or subseries of Commercial Paper Notes) then Outstanding and which shall have been filed with the Issuing and Paying Agent; provided, that if such modification or amendment will, by its terms, not take effect so long as any Commercial Paper Notes of any particular maturity remain Outstanding, the consent of the Owners of such Commercial Paper Notes shall not be required and such Commercial Paper Notes shall not be deemed to be Outstanding for the purpose of any calculation of Commercial Paper Notes Outstanding under this Section 10.02.

No such modification or amendment shall (A) extend the fixed maturity of any Commercial Paper Note, or reduce the amount of principal thereof, or extend the time of payment provided for any Commercial Paper Note, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Commercial Paper Note so affected, or (B) reduce the aforesaid percentage of principal the consent of the Owners of which is required to effect any such modification or amendment, or reduce or restrict the pledge made pursuant to Section 6.01 hereof without the consent of the Owners of all of the Commercial Paper Notes then Outstanding and all of the Banks providing Liquidity Facilities. It shall not be necessary for the consent of the Owners to approve the particular form of any Supplement, but it shall be sufficient if such consent shall approve the substance thereof.

Section 10.03 Effect of Supplement. From and after the time any Supplement becomes effective pursuant to this Article, this Issuing and Paying Agent Agreement shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Issuing and Paying Agent Agreement of Valley Water, the Banks, the Issuing and Paying Agent, and all Owners of Commercial Paper Notes Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and

conditions of any such Supplement shall be deemed to be part of the terms and conditions of this Issuing and Paying Agent Agreement for any and all purposes.

Section 10.04 Amendment of Particular Notes. The provisions of this Article shall not prevent any Owner from accepting any amendment as to the particular Commercial Paper Notes held by him, provided that due notation thereof is made, or caused to be made, on such Commercial Paper Notes by Valley Water.

ARTICLE XI

DEFEASANCE

Section 11.01 Payment of Notes. Commercial Paper Notes of any Series or subseries or portion thereof may be paid by Valley Water in any of the following ways:

(i) by paying or causing to be paid the principal of and interest on such Outstanding Commercial Paper Notes, as and when the same become due and payable;

(ii) by depositing with the Issuing and Paying Agent, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 11.03 hereof) to pay such Outstanding Commercial Paper Notes; or

(iii) by delivering to the Issuing and Paying Agent, for cancellation by it, such Outstanding Commercial Paper Notes.

If Valley Water shall pay all Series for which any Commercial Paper Notes are Outstanding and also pay or cause to be paid all other sums payable hereunder by Valley Water and provided that the applicable Bank(s) shall have been paid in full all amounts then owing under any Liquidity Facilities, then and in that case, at the election of Valley Water (evidenced by a Certificate of Valley Water, filed with the Issuing and Paying Agent and each of the Banks, signifying the intention of Valley Water to discharge all such indebtedness and this Issuing and Paying Agent Agreement), and notwithstanding that any Commercial Paper Notes shall not have been surrendered for payment, this Issuing and Paying Agent Agreement and the pledge pursuant to Section 6.01 hereof made under this Issuing and Paying Agent Agreement and all covenants, agreements and other obligations of Valley Water under this Issuing and Paying Agent Agreement shall cease, terminate, become void and be completely discharged and satisfied, and no additional Commercial Paper Notes shall be issued hereunder. In such event, upon the Request of Valley Water, the Issuing and Paying Agent shall cause an accounting for such period or periods as may be requested by Valley Water to be prepared and filed with Valley Water and shall execute and deliver to Valley Water all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Issuing and Paying Agent shall pay over, transfer, assign or deliver to Valley Water all moneys or securities or other property held by it pursuant to this Issuing and Paying Agent Agreement which are not required for the payment of Commercial Paper Notes not theretofore surrendered for such payment; provided that in all events moneys in the Rebate Fund shall be subject to the provisions of Sections 7.04 and 7.05 hereof.

Section 11.02 Discharge of Liability on Commercial Paper Notes. Upon the irrevocable deposit with the Issuing and Paying Agent, escrow agent or other fiduciary, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 11.03 hereof) to pay any Outstanding Commercial Paper Note, then (provided that the applicable Bank has been paid in full

all amounts then owing under the related Liquidity Facility) all liability of Valley Water in respect of such Commercial Paper Note shall cease, terminate and be completely discharged, provided that the Owner thereof shall thereafter be entitled to the payment of the principal of and interest on such Commercial Paper Note, and Valley Water shall remain liable for such payment, but only out of such money or securities deposited as aforesaid for such payment, subject, however, to the provisions of Section 11.04 hereof and the continuing duties of the Issuing and Paying Agent hereunder including, without limitation, the provisions of Section 2.07 hereof.

Valley Water may at any time surrender to the Issuing and Paying Agent for cancellation by it any Commercial Paper Notes previously issued and delivered, which Valley Water may have acquired in any manner whatsoever, and such Commercial Paper Notes, upon such surrender and cancellation, shall be deemed to be paid and retired.

Section 11.03 Deposit of Money or Securities with Issuing and Paying Agent. Whenever it is provided or permitted herein that there be deposited with or held in trust money or securities in the necessary amount to pay any Commercial Paper Notes, the money or securities so to be deposited or held may include money or securities held by the Issuing and Paying Agent in the funds and accounts (other than the Bank Note Payment Account) established pursuant to this Issuing and Paying Agent Agreement and shall be:

(i) lawful money of the United States of America in an amount equal to the principal amount of such Commercial Paper Notes and all unpaid interest thereon to maturity; or

(ii) noncallable and non-prepayable investment securities consisting of (1) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed as to full and timely payment by, the United States of America, (2) any certificates, receipts, securities or other obligations (excluding mutual funds and unit investment trusts) evidencing ownership of, or the right to receive, a specified portion of one or more interest payments or principal payments, or any combination thereof, to be made on any bond, note, or other obligation described above in clause (1), the principal of and interest on which when due will, in the opinion of an independent certified public accountant delivered to the Issuing and Paying Agent (upon which opinion the Issuing and Paying Agent may conclusively rely), provide money sufficient to pay the principal of and all unpaid interest to maturity, on the Commercial Paper Notes to be paid, as such principal and interest become due; provided, in each case, that the Issuing and Paying Agent, escrow agent or other fiduciary shall have been irrevocably instructed (by the terms of this Issuing and Paying Agent Agreement or by a Request of Valley Water) to apply such money to the payment of such principal and interest with respect to such Commercial Paper Notes.

Section 11.04 Payment of Commercial Paper Notes After Discharge of Agreement. Provided that the applicable Banks have been paid in full all amounts then owing under the Liquidity Facilities and the Liquidity Facilities have terminated, any moneys held by the Issuing and Paying Agent in trust for the payment of the principal of, or interest on, any Commercial Paper Notes and remaining unclaimed for two (2) years after the principal of all of the Commercial Paper Notes has become due and payable, if such moneys were so held at such date, or two (2) years after the date of deposit of such moneys if deposited after said date when all of the Commercial Paper Notes became due and payable, shall be transferred to the State and become subject to the escheat laws of the State free from the trusts created by this Issuing and Paying Agent Agreement, and all liability of the Issuing and Paying Agent with respect to such moneys shall thereupon cease.

ARTICLE XII

MISCELLANEOUS

Section 12.01 Successor Is Deemed Included in All References to Predecessor. Whenever in this Issuing and Paying Agent Agreement either Valley Water or the Issuing and Paying Agent is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Issuing and Paying Agent Agreement contained by or on behalf of Valley Water or the Issuing and Paying Agent shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 12.02 Notices. Except as otherwise specifically provided herein, all notices and documents required of and provided for under this Issuing and Paying Agent Agreement shall be in writing and shall be 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 effective when received at the following addresses or at such other address as a party may designate in a notice delivered to the other party hereto in accordance herewith:

If to Valley Water:

Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, California 95118
Attention: Treasury and Debt Officer
Telephone: (408) 265-2600
E-mail: csun@valleywater.org

If to the Issuing and Paying Agent for administrative matters:

U.S. Bank Trust Company, National Association
100 Wall Street, Suite 600,
New York, New York 10005
Attention: Global Corporate Trust Services
Telephone: (212) 779-225-8163
E-mail: maria.cepedaholly@usbank.com and mmi.processing@usbank.com

All communications to Agent by or on behalf of Valley Water or a Dealer, by writing or telephone, which relate to the completion, delivery or payment of any Commercial Paper Note, are to be delivered to Issuing and Paying Agent via SPANS Online or directed to Commercial Paper Operations at the address or telephone number indicated below or to such other address or telephone number as Agent specifies to Company in writing.

U.S. Bank Trust Company, National Association
111 Fillmore Ave E
St. Paul, MN 55107

Attention: Money Market Operations
Telephone No.: (651) 466-5617
Email address: mmi.processing@usbank.com

If to the Banks:

See Exhibit F

If to the Dealers:

See Exhibit F

Section 12.03 Notice to Rating Agencies. The Issuing and Paying Agent shall give notice to each Rating Agency of: (i) any supplements or amendments to or termination of this Issuing and Paying Agent Agreement, (ii) any expiration, substitution, termination or extension of the term of, any Liquidity Facility for the Commercial Paper Notes, (iii) any substitution of the Dealer, (iv) any acceleration or defeasance or payment in full of the Commercial Paper Notes, and (v) the appointment of a successor Issuing and Paying Agent, initially at each respective address given below, or at such other address as may be furnished to Valley Water from time to time by each Rating Agency:

[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

Standard & Poor's Ratings Services
55 Water Street, 38th Floor
New York, NY 10041
Attn: Municipal Structured Surveillance
E-mail: pubfin_structured@standardandpoors.com

Fitch Ratings, Inc.
33 Whitehall Street
New York, NY 10004
E-mail: pubfinsurv@fitchratings.com]

Section 12.04 Waiver of Notice. Whenever in this Issuing and Paying Agent Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 12.05 Authorized Representatives. Valley Water agrees to furnish, from time to time, to the Issuing and Paying Agent a certificate certifying the incumbency and specimen signatures of Authorized Representatives. Until the Issuing and Paying Agent receives a subsequent incumbency certificate of Valley Water, the Issuing and Paying Agent is entitled to rely on the last such certificate delivered to it for purposes of determining the Authorized Representatives of Valley Water.

Section 12.06 Evidence of Rights of Owners. Any request, consent or other instrument required or permitted by this Issuing and Paying Agent Agreement to be signed and executed by Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Owners in person or by an agent or agents duly appointed in writing. Proof

of the execution of any such request, consent or other instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Issuing and Paying Agent Agreement and shall be conclusive in favor of the Issuing and Paying Agent and of Valley Water if made in the manner provided in this Section 12.06.

The ownership of Commercial Paper Notes shall be proved by the registration books held by the Issuing and Paying Agent pursuant to Section 2.06 hereof. The Issuing and Paying Agent may establish a record date as of which to measure consent of the Owners in order to determine whether the requisite consents are received.

Any request, consent, or other instrument or writing of the Owner of any Commercial Paper Note shall bind every future Owner of the same Commercial Paper Note and the Owner of every Commercial Paper Note issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Issuing and Paying Agent or Valley Water in accordance therewith or reliance thereon.

Section 12.07 Disqualified Notes. In determining whether the Owners of the requisite aggregate principal amount of Commercial Paper Notes have concurred in any demand, request, direction, consent or waiver under this Issuing and Paying Agent Agreement, Commercial Paper Notes which are owned or held by or for the account of Valley Water, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, Valley Water shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Commercial Paper Notes so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section 12.07 if the pledgee shall establish to the satisfaction of the Issuing and Paying Agent the pledgee's right to vote such Commercial Paper Notes and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, Valley Water. In case of a dispute as to such right, any decision by the Issuing and Paying Agent taken upon the advice of counsel shall be full protection to the Issuing and Paying Agent.

Section 12.08 Limitation on Bank Rights. Any provisions herein requiring notice to or from a Bank or the consent of a Bank prior to any action by the Issuing and Paying Agent or Valley Water shall have no force or effect (1) following the later of (i) the expiration of the related Liquidity Facility and (ii) the repayment of all monetary obligations owing to such Bank under the applicable Liquidity Facility or (2) during any period in which such Bank is continuing to dishonor a conforming request for Advance under its Liquidity Facility.

Section 12.09 Destruction or Delivery of Canceled Notes. Whenever in this Issuing and Paying Agent Agreement provision is made for the cancellation by the Issuing and Paying Agent and the delivery to Valley Water of any Commercial Paper Notes, the Issuing and Paying Agent may, in its sole discretion, in lieu of such cancellation and delivery, destroy such Commercial Paper Notes, and deliver a certificate of such destruction to Valley Water.

Section 12.10 Money Held for Particular Notes. The money held by the Issuing and Paying Agent for the payment of the interest or principal due on any date with respect to particular Commercial Paper Notes shall, pending such payment, be set aside on its books and held in trust by it for the Owners of the Commercial Paper Notes entitled thereto, and for the purposes hereof such principal of and interest on such Commercial Paper Notes, due after such date, shall no longer be considered to be unpaid.

Section 12.11 Funds and Accounts. Any fund required by this Issuing and Paying Agent Agreement to be established and maintained by the Issuing and Paying Agent may be established and maintained in the accounting records of the Issuing and Paying Agent, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds shall at all times be maintained in accordance with customary standards of the corporate trust industry, to the extent practicable, and with due regard for the protection of the security of the Commercial Paper Notes and the rights of every Owner thereof.

Section 12.12 Waiver of Set-off, Offset Lien or Counterclaims. The Issuing and Paying Agent hereby waives to the fullest extent possible under applicable law any and all rights of set-off, offset, lien or counterclaim it may have with respect to any amounts held by it hereunder by reason of any claim it may have against Valley Water, the Bank or any other person.

Section 12.13 Payments or Actions on Non-Business Days. If a payment date is not a Business Day at the place of payment or if any action to be taken hereunder is required to occur on a date that is not a Business Day, then such payment may be made or such action may be taken on the next succeeding Business Day with the same effect as if the payment were made or the action were taken on the stated date, and no interest shall accrue for the intervening period.

Section 12.14 Waiver of Personal Liability. No Board member, officer, agent or employee of Valley Water or the Issuing and Paying Agent shall be individually or personally liable for the payment of the principal of or interest on the Commercial Paper Notes or Bank Notes or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such Board member, officer, agent or employee of Valley Water or the Issuing and Paying Agent from the performance of any official duty provided by law or by this Issuing and Paying Agent Agreement.

Section 12.15 Benefit of Agreement. Nothing herein, expressed or implied, is intended to or shall be construed to confer upon or to give to any person or party other than Valley Water, the Issuing and Paying Agent, the Banks and the Owners of the Commercial Paper Notes and owners of the Bank Notes any rights, remedies or claims hereunder or by reason hereof or any covenant, condition or stipulation thereof, and no other person shall acquire or have any right under or by virtue hereof. The Banks shall each be an express third-party beneficiary of this Issuing and Paying Agent Agreement entitled to enforce the provisions hereof.

Section 12.16 Severability of Invalid Provisions. If any one or more of the provisions contained in this Issuing and Paying Agent Agreement or in the Commercial Paper Notes shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Issuing and Paying Agent Agreement and such invalidity, illegality or unenforceability shall not affect any other provision of this Issuing and Paying Agent Agreement, and this Issuing and Paying Agent Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. Valley Water hereby declares that it would have executed and delivered this Issuing and Paying Agent Agreement and each and every other Section, subsection, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Commercial Paper Notes and the Bank Notes pursuant hereto irrespective of the fact that any one or more Sections, subsections, paragraphs, sentences, clauses or phrases of this Issuing and Paying Agent Agreement may be held illegal, invalid or unenforceable.

Section 12.17 Identifying Information. The parties acknowledge that a portion of the identifying information set forth herein is being requested by Issuing and Paying Agent in connection with the USA Patriot Act, Pub.L.107-56 (the “Act”), and each agrees to provide any additional information requested by Issuing and Paying Agent in connection with the Act or any other legislation or regulation to which Issuing and Paying Agent is subject, in a timely manner.

Section 12.17 Section 12.18 Governing Law. This Issuing and Paying Agent Agreement shall be construed and governed in accordance with the laws of the State of California.

Section 12.18 Section 12.19 Execution in Counterparts. This Issuing and Paying Agent Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

Section 12.20 SPANS Online.

(a) Valley Water and each Authorized Representative may use the U.S. Bank Securities Processing Automated Notes System Online (“SPANS Online”) instruction and reporting communication service to transmit instructions to Issuing and Paying Agent or obtain reports with respect to the Commercial Paper Notes. Valley Water may, by separate agreement between Valley Water and one or more of its Authorized Persons, authorize the Authorized Person to directly access SPANS Online for the purposes of transmitting instructions to Issuing and Paying Agent or obtaining reports with respect to the Commercial Paper Notes. Valley Water acknowledges that (i) some or all of the services utilized in connection with SPANS Online are furnished by SS&C Technologies, Inc. (“SS&C”), (ii) SPANS Online is provided to Valley Water “AS IS” without warranties or representations of any kind whatsoever, and (iii) SPANS Online is proprietary and confidential property disclosed to Valley Water in confidence and may be utilized only on the SPANS Online Terms and Conditions as set forth in the SPANS Online website and for purposes set forth in this Issuing and Paying Agent Agreement.

(b) To permit the use of SPANS Online to transmit instructions and/or obtain reports with respect to the Commercial Paper Notes, Issuing and Paying Agent will supply Valley Water with a customer identification number and initial passwords. Valley Water may thereafter change its passwords directly through SPANS Online. Valley Water will keep all information relating to its identification number and passwords strictly confidential and will be responsible for the maintenance of adequate security over its customer identification number and passwords. Instructions transmitted over SPANS Online and received by Issuing and Paying Agent pursuant to this Issuing and Paying Agent Agreement shall be deemed conclusive evidence that such instructions are correct and complete and that the issuance or redemption of the Commercial Paper Notes directed thereby has been duly authorized by Valley Water.

Section 12.19 Electronic Transmission; Electronic Signatures. The Issuing and Paying Agent shall not have any duty to confirm that the person sending any notice, instruction or other communication (a “Notice”) by electronic transmission (including by e-mail, facsimile transmission, web portal or other electronic methods) is, in fact, a person authorized to do so. Electronic signatures believed by Issuing and Paying Agent to comply with the ESIGN Act of 2000 or other applicable law (including electronic images of handwritten signatures and digital signatures provided by DocuSign, Orbit, Adobe Sign or any other digital signature provider acceptable to Agent) shall be deemed original signatures for all purposes. Valley Water assumes all risks arising out of the use of electronic signatures and electronic methods to send Notices to Issuing and Paying Agent, including without limitation the

risk of the Issuing and Paying Agent acting on an unauthorized Notice, and the risk of interception or misuse by third parties. Notwithstanding the foregoing, The Issuing and Paying Agent may in any instance and in its sole discretion require that an original document bearing a manual signature be delivered to Issuing and Paying Agent in lieu of, or in addition to, any such electronic Notice.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have executed this Issuing and Paying Agent Agreement by their duly authorized officers as of the date set forth above.

SANTA CLARA VALLEY WATER DISTRICT

By: _____
Darin Taylor
Chief Financial Officer

ATTEST:

By: _____
Michele L. King
Clerk of the Board of Directors

U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION,
as Issuing and Paying Agent

By: _____
Authorized Officer

EXHIBIT A

FORMS OF COMMERCIAL PAPER NOTES

**SANTA CLARA VALLEY WATER DISTRICT
COMMERCIAL PAPER NOTES
(TAX-EXEMPT)/(TAXABLE) [SUB]SERIES ____**

No.: _____	Dated Date: _____
Principal Amount: _____	Maturity Date: _____
Interest to Maturity: _____	Number of Days: _____
Due at Maturity: _____	Interest Rate (%): _____
Place of Payment: _____	Payee: _____

FOR VALUE RECEIVED, SANTA CLARA VALLEY WATER DISTRICT (“Valley Water”), an agency duly organized and existing under and pursuant to the District Act, FOR VALUE RECEIVED hereby promises to pay, but only from the sources hereinafter identified and stated, to the Payee identified above, on the Maturity Date specified above the Principal Amount specified above and to pay interest, if any, on said Principal Amount at said Maturity Date from the Note Date specified above to said Maturity Date at the per annum Interest Rate specified above, if any (calculated on the basis of a 365/366-day-year for Commercial Paper Notes designated as Tax-Exempt and a 360-day year containing twelve 30-day months for Commercial Paper Notes designated as Taxable and, in each case, the actual number of days elapsed), upon presentation and surrender at the principal corporate trust office of the Issuing and Paying Agent executing the Certificate of Authentication endorsed hereon and appearing below, or its successor at the principal corporate trust office of such successor. For payment of this Commercial Paper Note on the Maturity Date hereof, this Commercial Paper Note must be presented to the Issuing and Paying Agent no later than 2:15 p.m., New York City time, on such day. If a Commercial Paper Note is presented for payment after 2:15 p.m., New York City time, payment therefor shall be made by the Issuing and Paying Agent on the next succeeding business day without the accrual of additional interest thereon. The principal of and interest on this Commercial Paper Note are payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

This Commercial Paper Note is one of a duly authorized issue of commercial paper notes of Valley Water (hereinafter called the “Commercial Paper Notes”) of the Series, subseries and other designation as set forth on the face hereof, to be issued from time to time by Valley Water in the aggregate principal amount Outstanding at any time not to exceed the amounts set forth below, under and pursuant to the District Act, and pursuant to the Issuing and Paying Agent Agreement, dated as of December 1, 2024 (as it may be supplemented and amended from time to time, the “Issuing and Paying Agent Agreement”), by and between Valley Water and the Issuing and Paying Agent. This Commercial Paper Note is designated as a “Commercial Paper Note” of the subseries hereinabove provided. The Commercial Paper Notes issued from time to time may include multiple subseries and be of varying denominations, dates, maturities and interest rates, and may otherwise vary as provided in the Issuing and Paying Agent Agreement. Such Issuing and Paying Agent Agreement provides that Valley Water may issue additional notes and incur other indebtedness under the terms and conditions set forth in the Issuing and Paying Agent Agreement.

The Commercial Paper Notes are issued for the purposes described in the Issuing and Paying Agent Agreement. Under the Issuing and Paying Agent Agreement, the aggregate principal amount of Commercial Paper Notes of Valley Water which may be executed, authenticated and delivered is not limited except that the aggregate principal amount of all Commercial Paper Notes Outstanding at any time, together with all other evidences of indebtedness of Valley Water issued and outstanding pursuant to Section 25.6 of the District Act, including all amounts drawn on available bank lines of credit related thereto, if any, and the interest thereon shall not exceed the limitations under Section 25.6 of the District Act.

Copies of the Issuing and Paying Agent Agreement are on file with and available for inspection at the offices of the Issuing and Paying Agent, at the above address, and at the offices of Valley Water. Reference is made to the Issuing and Paying Agent Agreement for a description of the provisions relating, among other things, to the terms of and security for the Commercial Paper Notes, the respective rights, limitation of rights, obligations, duties, immunities and remedies of Valley Water, the Issuing and Paying Agent and the registered owners of the Commercial Paper Notes and to the terms and conditions under which the Commercial Paper Notes are issued and may be issued thereunder, and, by the acceptance of this Commercial Paper Note, the owner hereof assents to all provisions of the Issuing and Paying Agent Agreement. Unless otherwise defined herein, all capitalized terms herein shall have the same meanings as such terms are given in the Issuing and Paying Agent Agreement.

The rights and obligations of Valley Water and of the registered owners of the Commercial Paper Notes may be modified or amended at any time in the manner, to the extent, and upon the terms provided in the Issuing and Paying Agent Agreement.

The Commercial Paper Notes are general obligations of Valley Water payable from revenues, charges, taxes, and assessments levied for purposes of Valley Water. The Commercial Paper Notes are additionally payable from Net Water Utility System Revenues (as defined in the Water Utility Parity System Master Resolution), on a subordinate basis to all payment of Bonds and Contracts (as defined in the Water Utility Parity System Master Resolution). The pledge of Net Water Utility System Revenues shall be irrevocable until all of the Commercial Paper Notes and the Bank Notes have been paid and retired and any related obligations of Valley Water under any liquidity or credit agreement (including any Liquidity Facility) relating thereto.

This Commercial Paper Note shall be paid from the proceeds of borrowings made by Valley Water as Advances under a Liquidity Facility which are to be deposited by the Issuing and Paying Agent into a designated account therefor held by the Issuing and Paying Agent. Amounts held by the Issuing and Paying Agent in the related funds and accounts for each Series and subseries of Commercial Paper Notes of Valley Water are pledged under the Issuing and Paying Agent Agreement to secure the payment of the principal of and interest on the Commercial Paper Notes and the Bank Notes of such Series and subseries and all other amounts payable to the Bank under the related Liquidity Facility, each in accordance with their terms, subject only to the provisions of the Issuing and Paying Agent Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein.

The Commercial Paper Notes are payable solely from the sources hereinabove identified securing the payment thereof and do not constitute a legal or equitable pledge, charge, lien or encumbrance upon any other property of Valley Water. No owner of this Commercial Paper Note

shall ever have the right to compel any exercise of the taxing power of Valley Water to pay this Commercial Paper Note or the interest hereon.

It is hereby certified and recited that any and all acts, conditions and things required to exist, to happen and to be performed, precedent to and in the incurring of the indebtedness evidenced by this Commercial Paper Note, and in the issuing of this Commercial Paper Note, do exist, have happened and have been performed in due time, form and manner, as required by the Constitution and statutes of the State of California, and that this Commercial Paper Note, together with all other short-term indebtedness of Valley Water, is within every debt and other limit prescribed by the Constitution and the statutes of the State of California, and is not in excess of the amount of Commercial Paper Notes permitted to be issued under the Issuing and Paying Agent Agreement.

This Commercial Paper Note shall not be entitled to any benefit under the Issuing and Paying Agent Agreement, or become valid or obligatory for any purpose, until the Certificate of Authentication hereon shall have been manually signed by the Issuing and Paying Agent.

IN WITNESS WHEREOF, THE SANTA CLARA VALLEY WATER DISTRICT has caused this Commercial Paper Note to be signed in its name and on its behalf by the Chief Financial Officer and attested by the Clerk of the Board of Directors (the signatures of said officers may be by facsimile), and said officials by the execution hereof do adopt as and for their own proper signatures the signatures appearing on each of the Commercial Paper Notes, all as of the Dated Date specified above.

SANTA CLARA VALLEY WATER DISTRICT

By: _____
Title: Chief Financial Officer

ATTEST:

By: _____
Title: Clerk of the Board of Directors

CERTIFICATE OF AUTHENTICATION

This Commercial Paper Note is one of the Commercial Paper Notes delivered pursuant to and described in the within mentioned Issuing and Paying Agent Agreement.

U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION,
as Issuing and Paying Agent

By: _____
Authorized Officer

Date of Authentication: _____

[FORM OF ASSIGNMENT]

For value received _____ hereby sell, assign and transfer unto _____ the within Note and hereby irrevocably constitute and appoint _____ attorney, to transfer the same on the books kept for the registration thereof, with full power of substitution in the premises.

NOTE: The signature to this Assignment must correspond with the name on the face of the within registered note in every particular, without alteration or enlargement or any change whatsoever.

Dated: _____

Signature Guaranteed by:

NOTE: Signature must be guaranteed by an eligible guarantor institution.

EXHIBIT B
FORMS OF MASTER NOTES

[Insert DTC Forms to Follow]

EXHIBIT C
CERTIFICATE AGREEMENT

[Insert IPA DTC Certificate Agreement to Follow]

EXHIBIT D

FORM OF ISSUANCE REQUEST

ISSUANCE REQUEST AND DIRECTION
OF THE
SANTA CLARA VALLEY WATER DISTRICT

Part I: Terms of the Notes

The undersigned _____, the _____ of the Santa Clara Valley Water District, an agency duly organized and validly existing pursuant to the Santa Clara Valley Water District Act, as amended and supplemented from time-to-time, (the “District Act”) does hereby request U.S. Bank Trust Company, National Association, as issuing and paying agent (the “Issuing and Paying Agent”) under the Issuing and Paying Agent Agreement, dated as of December 1, 2024 (the “Issuing and Paying Agent Agreement”), by and between Valley Water and the Issuing and Paying Agent, to issue Santa Clara Valley Water District Commercial Paper Notes as follows:

[expand as needed]

<i>Series</i>	<i>Subseries</i>	<i>Tax Status</i>	<i>Liquidity Provider</i>	<i>Purpose</i>	<i>Principal Amount</i>	<i>Maturity Date</i>
(Tax-Exempt):				Renewal (Roll-Over) Notes:	\$	
				New Money Notes:	\$	
				Subtotal:	\$	
(Taxable):				Renewal (Roll-Over) Notes:	\$	
				New Money Notes:	\$	
				Subtotal:	\$	
				Total:	\$	

Upon receipt of proceeds of the Commercial Paper Notes from the Dealers, you are hereby authorized and directed to transfer \$_____ from the proceeds of the Commercial Paper Notes as follows: _____.

All capitalized terms used in this Issuance Request and not otherwise defined herein shall have the meanings assigned to such terms in the Issuing and Paying Agent Agreement.

Part II: Certifications of Valley Water

The undersigned does hereby certify as follows:

1. The Commercial Paper Notes hereby requested to be issued are being issued for purposes authorized by Section 2.02 of this Issuing and Paying Agent Agreement.

2. All actions on the part of Valley Water necessary for the valid issuance of the Commercial Paper Notes hereby requested to be issued have been taken, and such Commercial Paper Notes will be valid obligations of Valley Water enforceable in accordance with their terms.

3. After the issuance of the Commercial Paper Notes hereby requested to be issued and the application of the proceeds thereof, the aggregate principal amount of the Commercial Paper Notes Outstanding will not exceed the amount that at the time is authorized to be Outstanding as provided in the District Act and the Issuing and Paying Agent Agreement.

4. Liquidity Facilities supporting the full principal amount of the Commercial Paper Notes to be Outstanding upon the issuance of the Commercial Paper Notes hereby requested to be issued are in full force and effect.

5. The interest rates, if any, borne by the Commercial Paper Notes hereby requested to be issued or the yield to maturity of the Commercial Paper Notes hereby requested to be issued does not exceed the Maximum Rate.

6. Unless the Commercial Paper Notes hereby requested to be issued are Taxable as provided in Part I hereof, the facts, estimates, circumstances and representations set forth or made (as the case may be) in the Tax Certificate continue to exist and are reaffirmed as of the date hereof.

7. The terms of the Commercial Paper Notes hereby requested to be issued do not exceed 270 days and the maturity dates of such Commercial Paper Notes do not extend beyond the applicable Liquidity Facility Expiration Date.

8. Valley Water has not been notified by Bond Counsel that their opinion with respect to the validity of the Commercial Paper Notes of such Series or subseries and, if the interest on such Series or subseries of Commercial Paper Notes is Tax-Exempt, has not been notified by Bond Counsel that its opinion with respect to the tax treatment of the interest thereon, delivered prior to the initial issuance of such Series or subseries of Commercial Paper Notes has been revised or withdrawn or, if any such revisions or withdrawal has occurred, a revised opinion or a substitute opinion acceptable to the Dealer has been delivered.

9. No Event of Default under Section 8.01 of the Issuing and Paying Agent Agreement has occurred and is continuing as of the date hereof.

10. All of the conditions precedent to the issuance of such Commercial Paper Notes set forth in the applicable Liquidity Facility and in Section 3.01 of the Issuing and Paying Agent Agreement have been satisfied.

IN WITNESS WHEREOF, this Issuance Request is executed and delivered this day of _____, _____.

SANTA CLARA VALLEY WATER DISTRICT

By: _____
Authorized Representative

EXHIBIT E

CERTIFICATE OF INCUMBENCY OF AUTHORIZED REPRESENTATIVES

SANTA CLARA VALLEY WATER DISTRICT
COMMERCIAL PAPER NOTES (TAX-EXEMPT)
COMMERCIAL PAPER NOTES (TAXABLE)

CLERK’S CERTIFICATE OF INCUMBENCY

I, _____, the duly appointed Clerk of the Board of Directors of Santa Clara Valley Water District (“Valley Water”) do hereby certify that attached hereto as Attachment A is a list with the genuine signature and true and correct title of each of the officers of Valley Water authorized to District Act for Valley Water as an Authorized Representative thereof in connection with Valley Water’s Commercial Paper Notes (Tax-Exempt) and Commercial Paper Notes (Taxable) (collectively, the “Commercial Paper Notes”) issued pursuant to the Issuing and Paying Agent Agreement, dated as of December 1, 2024 (the “Issuing and Paying Agent Agreement”), by and between Valley Water and U.S. Bank Trust Company, National Association, as Issuing and Paying Agent, and that said list is in full force and effect on and after the date hereof until a new list is hereinafter delivered to you.

Capitalized terms used herein not otherwise defined herein shall have the meanings ascribed thereto in the Issuing and Paying Agent Agreement.

IN WITNESS WHEREOF, I have hereunto signed my name.

Dated: _____, 2024

I, Darin Taylor, Chief Financial Officer of the Santa Clara Valley Water District, do hereby certify that Michele L. King is the duly appointed Clerk of the Board of Directors of the Santa Clara Valley Water District and that the signature appearing above and on Attachment A hereto is each her genuine signature.

IN WITNESS WHEREOF, I have hereunto signed my name.

Darin Taylor
Dated: _____, 2024

ATTACHMENT A

INCUMBENCY OF AUTHORIZED REPRESENTATIVES OF VALLEY WATER

Pursuant to the Issuing and Paying Agency Agreement, dated as of December 1, 2024 (the “Issuing and Paying Agent Agreement”) by and between Valley Water and U.S. Bank National Association as Issuing and Paying Agent for the Commercial Paper Notes, the following individuals are Authorized Representatives of Valley Water authorized to District Act for Valley Water in connection with the Commercial Paper Notes.

<i>Name</i>	<i>Title</i>	<i>Signature</i>
_____	Chief Executive Officer	_____
_____	District Counsel	_____
_____	Clerk of the Board of Directors	_____
_____	Chief Financial Officer	_____
_____	Treasury and Debt Officer	_____

EXHIBIT F

**SERIES AND SUBSERIES OF COMMERCIAL PAPER NOTES,
DEALERS, LIQUIDITY FACILITIES AND APPLICABLE BANKS**

The Series and subseries designations of the Commercial Paper Notes, as well as the Dealers therefor and the Bank or Banks providing the Liquidity Facility supporting such Series or subseries of Commercial Paper Notes, are set forth below.¹

<i>Series</i>	<i>Subseries of Notes</i>	<i>Principal Amount</i>	<i>Dealers</i>	<i>Dealer Notice Address</i>	<i>Bank Providing Liquidity Facility</i>	<i>Liquidity Facility Effective Date</i>	<i>Liquidity Facility Expiration Date</i>	<i>Bank Notice Address</i>
Commercial Paper Notes (Tax-Exempt):		Not to exceed \$_____		(see attached page F-2)				(see attached page F-2)
		Not to exceed \$_____		(see attached page F-2)				(see attached page F-2)
Commercial Paper Notes (Taxable):				(see attached page F-2)				(see attached page F-2)

¹ As provided in Section 1.02(e) of the Issuing and Paying Agent Agreement, subseries of Commercial Paper Notes, Banks, Liquidity Facilities and Dealers may be added to, or deleted from, the Issuing and Paying Agent Agreement without the need to amend the Issuing and Paying Agent Agreement, upon delivery by an Authorized Representative of Valley Water to the Issuing and Paying Agent of a new Exhibit F replacing this Exhibit F.

**ATTACHMENT TO EXHIBIT F:
BANK AND DEALER NOTICE ADDRESSES**

BANKS:

SERIES:

[BANK], acting through its [-----] Branch

With respect to
credit matters:

Attention: _____

Telephone: (____) ____-____

Telecopy: (____) ____-____

E-mail: _____

With a copy to:

Attention: _____

Telephone: (____) ____-____

Telecopy: (____) ____-____

With respect to
the Letter of Credit:

Attention: _____

Telephone: (____) ____-____

Telecopy: (____) ____-____

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