
INSTALLMENT PURCHASE AGREEMENT

by and between the

SANTA CLARA VALLEY WATER DISTRICT

and the

SANTA CLARA VALLEY WATER DISTRICT
PUBLIC FACILITIES FINANCING CORPORATION

Dated as of [December 1, 2017]

relating to

\$ _____
SANTA CLARA VALLEY WATER DISTRICT
REVENUE CERTIFICATES OF PARTICIPATION
(WATER UTILITY SYSTEM IMPROVEMENT PROJECTS)
SERIES [2018A]

INSTALLMENT PURCHASE AGREEMENT

This INSTALLMENT PURCHASE AGREEMENT, made and entered into as of [December 1, 2017], by and between the SANTA CLARA VALLEY WATER DISTRICT, a flood control and water district organized and existing under the laws of the State of California (the "District"), and the SANTA CLARA VALLEY WATER DISTRICT PUBLIC FACILITIES FINANCING CORPORATION, a nonprofit public benefit corporation duly organized and existing under and by virtue of the laws of the State of California (the "Corporation").

W I T N E S S E T H:

WHEREAS, the District owns and operates that certain Water Utility System as described in this Installment Purchase Agreement;

WHEREAS, on February 23, 2016, the Board of Directors of the District 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 District proposes to finance certain facilities within the District Water Utility System commonly referred to as an advanced water treatment facility, including treatment facilities, transmission facilities for both groundwater recharge and direct potable reuse and related facilities, as more particularly described in Exhibit A hereto (collectively, the "Project");

WHEREAS, the Corporation has agreed to assist the District to finance the Project;

WHEREAS, the District and the Corporation have duly authorized the execution of this Agreement;

WHEREAS, 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 delivery of this Installment Purchase 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 Installment Purchase Agreement; and

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

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any report or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the

terms defined herein. Unless the context otherwise requires, all capitalized terms used herein and not defined herein shall have the meanings ascribed thereto in the Trust Agreement or in the Water Utility Parity System Master Resolution.

Authorized District Representative

The term “Authorized District Representative” means the Chair of the Board of Directors or Chief Financial Officer, Treasury/Debt Officer of the District or such other officer or employee of the District or other person who has been designated as such representative by resolution of the Board of Directors of the District.

Continuing Disclosure Agreement

The term “Continuing Disclosure Agreement” means the Continuing Disclosure Agreement, by and between the District and U.S. Bank National Association, as dissemination agent, relating to the Certificates, as originally executed and as it may from time to time be amended or supplemented in accordance therewith.

Corporation

The term “Corporation” means the Santa Clara Valley Water District Public Facilities Financing Corporation.

Event of Default

The term “Event of Default” means an event described in Section 8.1.

Installment Payment Date

The term “Installment Payment Date” means the Business Day prior to June 1 and December 1 of each year, commencing the Business Day prior to _____, 2018.

Installment Payments

The term “Installment Payments” means the Installment Payments scheduled to be paid by the District under and pursuant hereto.

Installment Purchase Agreement

The term “Installment Purchase Agreement” means this Installment Purchase Agreement, dated as of [December 1, 2017], by and between the District and the Corporation, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

Law

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

Net Proceeds

The term “Net Proceeds” means, when used with respect to any insurance, self-insurance or condemnation award, the proceeds from such award remaining after payment of all expenses (including attorneys fees) incurred in the collection of such proceeds.

Project

The term “Project” means those certain advanced water treatment facilities, including treatment facilities, transmission facilities for both groundwater recharge and direct potable reuse and related facilities, as more particularly described in Exhibit A attached hereto.

Purchase Price

The term “Purchase Price” means the amount to be paid by the District to the Corporation for the purchase of the Project under the terms hereof, as provided in Section 4.1 hereof.

Acquisition and Construction Fund

The term “Acquisition and Construction Fund” means the fund referred to by that name established pursuant to Section 3.4.

Special Counsel

The term “Special Counsel” means a firm of attorneys which are nationally recognized as experts in the area of municipal finance.

Water Utility Parity System Master Resolution

The term “Water Utility Parity System Master Resolution” shall have the meaning ascribed thereto in the second WHEREAS clause in this Installment Purchase Agreement.

Section 1.2. Definitions in the Water Utility Parity System Master Resolution. Except as otherwise herein defined and unless the context otherwise requires, each of the capitalized terms used in this Installment Purchase Agreement shall have the same meaning set forth therefor in the Water Utility Parity System Master Resolution. With respect to any defined term which is given a different meaning under this Installment Purchase Agreement than under the Water Utility Parity System Master Resolution as used herein it shall have the meaning described herein.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations by the District. The District makes the following representations:

(a) The District is a flood control and water district organized and existing under the laws of the State of California.

(b) The District has full legal right, power and authority to enter into this Installment Purchase Agreement and carry out its obligations hereunder, to carry out and consummate all transactions contemplated by this Installment Purchase Agreement, and the District has complied with the provisions of the Law in all matters relating to such transactions.

(c) By proper action, the District has duly authorized the execution, delivery and due performance of this Installment Purchase Agreement.

(d) The execution and delivery of this Installment Purchase Agreement and the consummation of the transactions herein contemplated will not violate any provision of law, any order of any court or other agency of government, or any indenture, material agreement or other instrument to which the District is now a party or by which it or any of its properties or assets is bound, or be in conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under any such indenture, agreement or other instrument, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the District.

(e) The District has determined that it is necessary and proper within the terms of the Law that the District acquire the Project in the manner provided for in this Installment Purchase Agreement, to provide essential water services and facilities to the persons residing within the areas benefited by such improvements.

Section 2.2. Representations and Warranties by the Corporation. The Corporation makes the following representations and warranties:

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

(b) The Corporation has full legal right, power and authority to enter into this Installment Purchase Agreement and to carry out and consummate all transactions contemplated by this Installment Purchase Agreement, and the Corporation has complied with the provisions of the law in all matters relating to such transactions.

(c) By proper action, the Corporation has duly authorized the execution, delivery and due performance of this Installment Purchase Agreement.

(d) The execution and delivery of this Installment Purchase Agreement and the consummation of the transactions herein contemplated will not violate any provision of law, any order of any court or other agency of government, or any indenture, material agreement or other instrument to which the Corporation is now a party or by which it or any of its properties or assets is bound, or be in conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under any such indenture, agreement or other instrument, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Corporation.

ARTICLE III

ACQUISITION AND/OR CONSTRUCTION, SALE AND CONVEYANCE OF THE PROJECT

Section 3.1 Acquisition and/or Construction, Sale and Conveyance of the Project. (a) The Corporation hereby agrees to acquire and/or construct the Project for and to sell and convey the Project to the District. In order to implement this provision, the Corporation hereby appoints the District as its agent for the purpose of acquisition and construction of the Project and, subject to such construction, the District hereby agrees to enter into such construction contracts and purchase orders as may be necessary, as agent for the Corporation, to provide for the acquisition and construction of the Project. The District hereby further agrees that it will cause the acquisition and construction of the Project to be diligently prosecuted with all practical dispatch and in an expeditious manner.

After the execution and delivery of the Certificates and the deposit of the proceeds of such Certificates with the Trustee, the District shall, as agent of Corporation, use its best efforts to cause the acquisition and construction of the Project to be completed as soon as possible, unforeseeable delays beyond the reasonable control of the District only excepted.

(b) The District may add, delete or substitute other improvements for the facilities listed in Exhibit A hereto, but only if the District first files with the Corporation and Trustee a statement of the District;

(1) identifying the improvements to be substituted and the improvements to be added; and

(2) stating that the estimated costs of construction, acquisition and installation of the added, deleted or substituted improvements are not less than such costs for the previously planned and/or the Corporation has sufficient funds advanced by the District or Certificates proceeds to construct and/or acquire the substituted or added improvements; and

(3) stating that such added, deleted or substituted improvements will not reduce the Installment Payments payable hereunder or adversely affect the payment of principal and interest evidenced by the Certificates.

Notwithstanding the foregoing, it is hereby expressly understood and agreed that the Corporation shall be under no liability of any kind or character whatsoever for the payment of any cost or expenses incurred by the District for the acquisition and construction of the Project and that all such costs and expenses shall be paid by the District.

Section 3.2. Purchase and Sale of the Project. In consideration for the Installment Payments as set forth in Section 4.2, the Corporation agrees to sell, and hereby sells, to the District, and the District agrees to purchase, and hereby purchases, from the Corporation, the Project at the Purchase Price specified in Section 4.1 hereof and otherwise in the manner and in accordance with the provisions of this Agreement.

Section 3.3. Title. All right, title and interest in each component of the Project shall vest in the District immediately upon acquisition thereof. Such vesting shall occur without further action by the Corporation or the District and the Corporation shall, if requested by the District or, if

necessary to assure such automatic vesting, deliver any and all documents required to assume such vesting.

Section 3.4. Acquisition and Construction Fund. There is hereby established with the District the Acquisition and Construction Fund. Amounts on deposit in the Acquisition and Construction Fund may be used and withdrawn by the District for the payment for the payment of Costs of Issuance, for the costs of the acquisition or construction of the Project or to reimburse the District for previous costs expended in the acquisition or construction of the Project.

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

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

ARTICLE IV

INSTALLMENT PAYMENTS

Section 4.1. Purchase Price.

(a) The Purchase Price to be paid by the District hereunder to the Corporation is the sum of the principal amount of the District's obligations hereunder plus the interest to accrue on the unpaid balance of such principal amount from the effective date hereof over the term hereof, subject to prepayment as provided in Article VII.

(b) The principal amount of the payments to be made by the District hereunder is set forth in Exhibit B hereto.

(c) The interest to accrue on the unpaid balance of such principal amount is as specified in Section 4.2 and Exhibit B hereto, and shall be paid by the District as and constitute interest paid on the principal amount of the District's obligations hereunder.

Section 4.2. Installment Payments.

(a) The District shall, subject to any rights of prepayment provided in Article VII, pay to the Corporation, from available Water Utility System Revenues as provided in Section 3.1 hereof and in Section 2.2(b) of the Water Utility Parity System Master Resolution, the Purchase Price in Installment Payments to such date in the amounts and on the Installment Payment Dates to be determined upon execution and delivery of the Certificates. Upon execution and delivery of the Certificates, the Installment Payments are to be applied to the payment of the principal and interest evidenced and represented by the Certificates and Installment Payments shall be made in amounts that are sufficient, but no more than sufficient, to pay the scheduled payments of principal and interest evidenced and represented by the outstanding Certificates. If and to the extent that, on any Installment Payment Date, there are amounts on deposit in a fund established under the Trust

Agreement for the payment of principal and interest represented by the Certificates, which amounts are not being held for the payment of specific Certificates, said amounts shall be credited against the Installment Payment due on such date. If all or a portion of the Certificates are no longer outstanding as a result of prepayment, early retirement through purchase by the District or the Corporation or defeasance of such Certificates, the schedule of Installment Payments to be determined upon execution and delivery of the Certificates shall be deemed to have been modified so that the Installment Payments are sufficient, but no more than sufficient, to pay the scheduled payments of principal and interest evidenced and represented by the outstanding Certificates. Upon any such prepayment, purchase or defeasance, the District shall recalculate Installment Payments and shall provide the Trustee with a modified schedule of Installment Payments.

(b) Each Installment Payment to be paid upon execution and delivery of the Certificates shall be paid to the Trustee, as assignee of the Corporation, on or before the Business Day prior to the applicable Installment Payment Date, in lawful money of the United States of America, in funds which will be immediately available following payment. In lieu of depositing with such Trustee all cash to meet its Installment Payment due and payable on the next succeeding Installment Payment Date, the District may deposit with the Trustee, securities or investments, which will mature on or before the next succeeding Interest Payment Date in an amount which, together with the cash then available to pay the principal and interest represented by the Certificates, will be sufficient to pay the interest and principal due on said Interest Payment Date. In the event the District fails to make any of the payments required to be made by it under this section, such payment shall continue as an obligation of the District until such amount shall have been fully paid and, to the extent permitted by law, the District agrees to pay the same with interest accruing thereon at the rate of ten percent (10%) per annum.

(c) Upon execution and delivery of the Certificates, the obligation of the District to make the Installment Payments will become absolute and unconditional, and until such time as the Purchase Price shall have been paid in full (or provision for the payment thereof shall have been made pursuant to Article IX), the District shall not discontinue or suspend any Installment Payments required to be made by it under this section when due, whether or not the Project or any component thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such Installment Payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

ARTICLE V

WATER UTILITY SYSTEM REVENUES

Section 5.1. Pledge. The Installment Purchase Agreement is intended to be a “Contract” under the Water Utility Parity System Master Resolution and shall be secured by the pledge and the liens created in the Water Utility Parity System Master Resolution.

Section 5.2. Allocation. In order to carry out and effectuate the pledge contained in the Water Utility Parity System Master Resolution, upon execution and delivery of the Certificates, the District shall pay, in accordance with Section 2.2 of the Water Utility Parity System Master Resolution, from the Net Water Utility System Revenues to the Trustee, as assignee of the Corporation, the Installment Payments as and when due hereunder.

ARTICLE VI

COVENANTS OF THE DISTRICT

Section 6.1. Compliance with Installment Purchase Agreement and Water Utility Parity System Master Resolution. The District will punctually pay the Installment Payments in strict conformity with the terms hereof, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it, and will not terminate the Installment Purchase Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision of either or any failure of the Corporation to observe or perform any agreement, condition, covenant or term contained herein required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected herewith or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Corporation or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lock outs, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

The District will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Water Utility Parity System Master Resolution and in this Installment Purchase Agreement required to be observed and performed by it, and it is expressly understood and agreed by and between the parties to this Installment Purchase Agreement that, subject to Section 10.7 hereof, each of the agreements, conditions, covenants and terms contained the Water Utility Parity System Master Resolution and this Installment Purchase Agreement is an essential and material term of the purchase of and payment for the Project by the District pursuant to, and in accordance with, and as authorized under, the Law.

Section 6.2. Tax Covenants. The District covenants and agrees to contest by court action or otherwise any assertion by the United States of America or any department or agency thereof that the interest evidenced and represented by the Certificates is includable in gross income of the recipient under federal income tax laws. Notwithstanding any other provision of this Trust Agreement, absent an opinion of Special Counsel that the exclusion from gross income of interest evidenced and represented by the Certificates will not be adversely affected for federal income tax purposes, the District covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The District will take no action or refrain from taking any action or make any use of the proceeds of the Certificates or of any other moneys or property which would cause the Certificates to be “private activity bonds” within the meaning of Section 141 of the Code;

(b) Arbitrage. The District will make no use of the proceeds of the Certificates or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action which will cause the Certificates to be “arbitrage bonds” within the meaning of Section 148 of the Code.

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

(d) Information Reporting. The District will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code;

(e) Hedge Bonds. The District will make no use of the proceeds of the Certificates or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause either the Certificates to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the District takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest evidenced and represented by the Certificates for federal income tax purposes; and

(f) Miscellaneous. The District will take no action or refrain from taking any action inconsistent with its expectations stated in that certain Tax Certificate executed by the District in connection with the execution and delivery of the Certificates and will comply with the covenants and requirements stated therein and incorporated by reference herein.

Section 6.3. Against Encumbrances. The District will pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the District, in, upon, about or relating to the Project and will keep the Project free of any and all liens against any portion of the Project or the Corporation interest therein. In the event any such lien attaches to or is filed against any portion of the Project or the Corporation interest therein, the District will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if the District desires to contest any such lien it may do so. If any such lien shall be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the District will forthwith pay or cause to be paid and discharged such judgment. The District will, to the maximum extent permitted by law, indemnify and hold the Corporation harmless from, and defend each of them against, any claim, demand, loss, damage, liability or expense (including attorneys’ fees) as a result of any such lien or claim of lien against any portion of the Project or the Corporation interest therein.

Section 6.4. Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Water Utility System Revenues or any part thereof or on any funds in the hands of the District which might impair the security of the Installment Payments, but the District shall not be required to pay such claims if the validity thereof shall be contested in good faith.

Section 6.5. Compliance with Contracts. The District will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all contracts for the use of the Project and all other contracts affecting or involving the Project to the extent that the District is a party thereto.

Section 6.6. Protection of Security and Rights of the Corporation. The District will preserve and protect the security hereof and the rights of the Corporation to the Installment Payments hereunder and will warrant and defend such rights against all claims and demands of all persons.

Section 6.7. Additional Protection for Officers of the Corporation. The District will, to the maximum extent permitted by law, indemnify and hold the Corporation and each of its directors and officers harmless from, and defend each of them against, any claim, demand, loss, damage, liability or expense (including attorneys' fees) as a result of entering into this Installment Purchase Agreement.

Section 6.8. Further Assurances. The District will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Corporation of the rights and benefits provided to it herein.

Section 6.9. Continuing Disclosure. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of this Agreement, failure of the District to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Section. For purposes of this Section, "Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Certificate (including persons holding Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Certificate for federal income tax purposes.

ARTICLE VII

PREPAYMENT OF INSTALLMENT PAYMENTS

Section 7.1. Prepayment.

(a) The District may prepay from the Net Proceeds, on any date, all or any part of the principal amount of the unpaid Installment Payments at a prepayment price equal to the sum of the principal amount prepaid plus accrued interest with respect thereto to the date of prepayment without premium.

(b) The District may prepay the Installment Payments with respect to the Certificates in the order as directed in a written request of the District to the Trustee, as a whole or in part, on any date on or after December 1, 20__ from any available funds. The principal amount of such unpaid Installment Payments is payable at a prepayment price equal to the principal amount of such Installment Payments to be prepaid plus accrued interest with respect thereto to the date of prepayment without premium.

(c) The District may prepay the Installment Payments with respect to the Certificates in the order as directed in a written request of the District to the Trustee, as a whole or in part, on any date on or after December 1, 20__ from any available funds. The principal amount of such unpaid Installment Payments is payable at a prepayment price equal to the principal amount of

such Installment Payments to be prepaid plus accrued interest with respect thereto to the date of prepayment without premium.

Notwithstanding any such prepayment, the District shall not be relieved of its obligations hereunder, including its obligations under Article IV, until the Purchase Price shall have been fully paid (or provision for payment thereof shall have been provided to the written satisfaction of the Corporation).

Section 7.2. Method of Prepayment. Before making any prepayment pursuant to Section 7.1(a), the District may, within five (5) days following the event permitting the exercise of such right to prepay or creating such obligation to prepay, give written notice to the Corporation and the Trustee describing such event and specifying the date on which the prepayment of the Certificates will be paid, which date shall be not less than forty-five (45) days nor more than sixty (60) days from the date such notice is given, unless such prepayment must occur on an Interest Payment Date, in which case such date shall be the next Interest Payment Date with respect to which notice of prepayment may be timely given pursuant to the Trust Agreement.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF THE CORPORATION

Section 8.1. Events of Default. If one or more of the following Events of Default shall happen, that is to say --

(1) if default shall be made by the District in the due and punctual payment of any Installment Payment when and as the same shall become due and payable;

(2) if default shall be made by the District in the performance of any of the agreements or covenants required herein to be performed by it, and such default shall have continued for a period of thirty (30) days after the District shall have been given notice in writing of such default or, if such default is not reasonably susceptible to cure within thirty (30) days after notice thereof, such default shall have continued for a period of sixty (60) days; or

(3) if the District shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the District seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the District or of the whole or any substantial part of its property; or

(4) declaration of an “event of default” under any Contract or Bond as provided by the terms of such Contract or Bond.

Section 8.2. Remedies of the Corporation.

The Corporation shall have the right --

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the District or any member of the District's Board of Directors, officer or employee thereof, and to compel the District or any such member of the District's Board of Directors, officer or employee to perform and carry out its or his duties under the Law and the agreements and covenants required to be performed by it or him contained herein;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Corporation; or

(c) by suit in equity upon the happening of an Event of Default to require the District and any member of the District's Board of Directors, officers and employees to account as the trustee of an express trust.

Section 8.3. Non-Waiver. Nothing in this article or in any other provision hereof shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the Installment Payments to the Corporation at the respective due dates from the Water Utility System Revenues and the other amounts herein committed for such payment, or shall affect or impair the right of the Corporation, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein.

A waiver of any default or breach of duty or contract by the Corporation shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Corporation to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Corporation by the Law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Corporation.

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

Section 8.4. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Corporation is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by law.

ARTICLE IX

DISCHARGE OF OBLIGATIONS

Section 9.1. Discharge of Obligations.

(a) all or any portion of the Installment Payments shall have become due and payable in accordance herewith or a written notice of the District to prepay all or any portion of the Installment Payments shall have been filed with the Trustee; and

(b) there shall have been deposited with the Trustee at or prior to the Installment Payment Dates or date (or dates) specified for prepayment, in trust for the benefit of the Corporation or its assigns and irrevocably appropriated and set aside to the payment of all or any portion of the Installment Payments, sufficient moneys and Defeasance Securities, the principal of and interest on which when due will provide money sufficient to pay all principal, prepayment premium, if any, and interest of such Installment Payments to their respective Installment Payment Dates or prepayment date or dates as the case may be; and

(c) provision shall have been made for paying all fees and expenses of the Trustee;

then and in that event, the right, title and interest of the Corporation herein and the obligations of the District hereunder shall, with respect to all or such portion of the Installment Payments as have been so provided for, thereupon cease, terminate, become void and be completely discharged and satisfied (except for the right of the Corporation and the obligation of the District to have such moneys and such Defeasance Securities applied to the payment of such Installment Payments).

In such event, upon request of the District, the Trustee shall cause an accounting for such period or periods as may be requested by the District to be prepared and filed with the District and shall execute and deliver to the District all such instruments as may be necessary or desirable to evidence such total or partial discharge and satisfaction, as the case may be, and, in the event of a total discharge and satisfaction, the Trustee shall pay over to the District, after payment of all amounts due the Trustee pursuant to the Trust Agreement, as an overpayment of Installment Payments, all such moneys or such Defeasance Securities held by it pursuant hereto other than such moneys and such Defeasance Securities, as are required for the payment or prepayment of the Installment Payments, which moneys and Defeasance Securities shall continue to be held by the Trustee in trust for the payment of the Installment Payments and shall be applied by the Trustee to the payment of the Installment Payments of the District.

ARTICLE X

MISCELLANEOUS

Section 10.1. Liability of District Limited to Water Utility System Revenues. Notwithstanding anything contained herein, the District shall not be required to advance any moneys derived from any source of income other than as provided in the Water Utility Parity System Master Resolution for the payment of the Installment Payments or for the performance of any agreements or covenants required to be performed by it contained herein. The District may, however, but in no event shall be obligated to, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the District for such purpose.

The obligation of the District to make the Installment Payments is payable as provided in the Water Utility Parity System Master Resolution, and does not constitute a debt of the District or of the

State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

Section 10.2. Benefits of Installment Purchase Agreement Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the District, the Corporation or the assigns of the Corporation any right, remedy or claim under or pursuant hereto, and any agreement or covenant required herein to be performed by or on behalf of the District or the Corporation shall be for the sole and exclusive benefit of the other party.

Section 10.3. Amendments.

(a) This Agreement may be amended in writing as may be mutually agreed by the District and the Corporation, and upon execution and delivery of the Certificates, by the Owners of a majority in aggregate principal amount of Certificates outstanding; provided that upon execution and delivery of the Certificates, no such amendment shall (a) extend the payment date of any Installment Payment, or reduce the amount of any Installment Payment without the prior written consent of the Owner of each Certificate so affected, (b) reduce the percentage of Certificates the consent of the Owners of which is required for the execution of any amendment of this Installment Purchase Agreement or (c) reduce the percentage of the consent of the owners or holders of outstanding Bonds and Contracts of which is required to provide consent to any amendment or modification of the Water Utility Parity System Master Resolution as set forth in Section 10.3(b) below.

This Installment Purchase Agreement and the rights and obligations of the District and the Corporation hereunder may also be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding upon execution by the District and the Corporation, without the written consent of any Owners, but only to the extent permitted by law and only upon receipt of an unqualified opinion of Special Counsel selected by the District and approved by the Corporation to the effect that such amendment or supplement is permitted by the provisions of this Installment Purchase Agreement and is not inconsistent with this Installment Purchase Agreement and does not adversely affect the exclusion of interest on the Certificates received by the Owners from gross income for federal income tax purposes, and only for any one or more of the following purposes --

(1) to add to the covenants and agreements of the Corporation or the District contained in this Installment Purchase Agreement other covenants and agreements thereafter to be observed or to surrender any right or power herein reserved to or conferred upon the Corporation or the District, and which shall not materially adversely affect the interests of the Owners of the Certificates;

(2) to cure, correct or supplement any ambiguous or defective provision contained in this Installment Purchase Agreement or in regard to questions arising under this Installment Purchase Agreement, as the Corporation or the District may deem necessary or desirable and which shall not materially adversely affect the interests of the Owners of the Certificates; or

(3) to make such other amendments or modifications which shall not materially adversely affect the interests of the Owners of the Certificates.

The District shall promptly deliver, by first class mail, a copy of any amendment to this agreement to S&P.

(b) The Water Utility Parity System Master Resolution may be amended or modified by the District at any time by a supplemental resolution thereto, including but not limited to, modifications, amendments or supplements (i) to add to the agreements and covenants of the District other agreements and covenants to be observed, or to surrender any right or power therein reserved to the District, or (ii) to cure, correct or supplement any ambiguous or defective provision contained therein, or (iii) to resolve questions arising thereunder as the District may deem necessary or desirable, and which do not materially adversely affect the interests of the owners of outstanding Bonds and Contracts. Such amendments or modifications shall become binding with the written consent of the owners or holders of a majority of the aggregate principal amount of all outstanding Bonds and Contracts, without respect to whether a majority of the owners or holders of the aggregate principal amount of any individual series of Bonds or any individual Contract has so approved such amendment or modification. Written consent of such amendment or modification shall be filed by the District with the applicable Trustee for such outstanding Bonds or Contracts. The District shall give notice of any such amendment or supplement to each Rating Agency then rating the Certificates.

Section 10.4. Successor Is Deemed Included in all References to Predecessor. Whenever either the District or the Corporation is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the District or the Corporation, and all agreements and covenants required hereby to be performed by or on behalf of the District or the Corporation shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 10.5. Waiver of Personal Liability. No official, officer or employee of the District shall be individually or personally liable for the payment of the Installment Payments, but nothing contained herein shall relieve any official, officer or employee of the District from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 10.6. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to "Articles," "Sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith" and other words of similar import refer to the Installment Purchase Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

Section 10.7. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the District or the Corporation shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof.

Section 10.8. Assignment. This Installment Purchase Agreement and any rights hereunder may be assigned by the Corporation, as a whole or in part, without the necessity of obtaining the prior consent of the District. The assignment of this Installment Purchase Agreement to the Trustee shall be done solely in its capacity as Trustee under the Trust Agreement.

Section 10.9. Net Contract. The Installment Purchase Agreement shall be deemed and construed to be a net contract, and the District shall pay absolutely net during the term hereof the Installment Payments and all other payments required hereunder, free of any deductions and without abatement, diminution or setoff whatsoever.

Section 10.10. California Law. This Installment Purchase Agreement shall be construed and governed in accordance with the laws of the State of California.

Section 10.11. Notices. All written notices to be given hereunder shall be given by first class mail, postage prepaid, courier or hand delivery to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other party in writing from time to time, namely:

If to the
District: Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, California 95118
Attention: Treasury/Debt Officer

If to the
Corporation: Santa Clara Valley Water District
Public Facilities Financing Corporation
c/o Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, California 95118
Attention: District Counsel

Section 10.12. Effective Date. This Installment Purchase Agreement shall become effective upon its execution and delivery, and shall terminate when the Purchase Price shall have been fully paid or when there are no longer any Certificates Outstanding.

Section 10.13. Execution in Counterparts. This Installment Purchase Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed and attested this Agreement by their officers thereunto duly authorized as of the day and year first written above.

SANTA CLARA VALLEY WATER DISTRICT

By: _____
Authorized Officer

(SEAL)

Attest:

Clerk of the Board of Directors

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

By: _____
President

(SEAL)

Attest:

Secretary

EXHIBIT A

DESCRIPTION OF THE PROJECT

The Project includes, but is not limited to, the following District facilities and projects related to the Advanced Purified Water Program, including treatment facilities, transmission facilities for both groundwater recharge and direct potable reuse and related facilities:

Project

SVAWP Expansion. Expansion of the Silicon Valley Advanced Purification Center to a capacity of approximately 16 to 32 million gallons per day. \$ _____

Ford Recharge Ponds Project. Construction of a 4,200 acre-feet/year groundwater recharge project and satellite advanced water purification facility. \$ _____

Mid-Basin Injection Wells Project. Construction of injection wells to be used in connection with the Los Gatos Recharge Ponds Project, the Westside Injection Wells Project and/or the Central Pipeline Project. \$ _____

Los Gatos Recharge Ponds Project. Construction of injection wells and conveyance pipelines to direct purified water to the McGlincey, Budd Avenue, Sunnyoaks, Camden, Oka and Page recharge ponds. \$ _____

Westside Injection Wells Project/Central Pipeline Project. Construction of pipeline and related facilities to expand the indirect potable reuse program to the District's Westside injection wells and connect directly to the District's Central Pipeline. \$ _____

Sunnyvale IPR Project. Construction of additional pipeline and related facilities to connect to Sunnyvale's Water Pollution Control Plant in order to deliver purified water for groundwater recharge. \$ _____

Estimated Total Cost \$ _____

EXHIBIT B

PURCHASE PRICE

1. The principal amount of payments to be made by the District hereunder is \$_____.
2. The installment payments of principal and interest with respect to the Certificates are payable in the amounts and on the Installment Payment Dates as follows:

<u>Installment Payment Date</u> <u>(One Business Day Prior To)</u>	<u>Installment Payments</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
		\$	\$

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