

---

REIMBURSEMENT AGREEMENT

Dated as of December 1, 2024

by and between

SANTA CLARA VALLEY WATER DISTRICT

and

SUMITOMO MITSUI BANKING CORPORATION,  
acting through its New York Branch

Relating to

\$250,000,000  
Santa Clara Valley Water District  
Commercial Paper Notes,  
Series A (Tax-Exempt) and Series B (Taxable)

---

# TABLE OF CONTENTS

Page

## ARTICLE I

### DEFINITIONS AND ACCOUNTING TERMS

Section 1.01.	Defined Terms .....	2
Section 1.02.	Other Interpretive Provisions .....	14
Section 1.03.	Accounting Terms .....	14
Section 1.04.	Rounding .....	15
Section 1.05.	Times of Day .....	15
Section 1.06.	Letter of Credit Amounts .....	15
Section 1.07.	Incorporated Agreement Provisions .....	15

## ARTICLE II

### LETTER OF CREDIT

Section 2.01.	Issuance of Letter of Credit .....	15
Section 2.02.	Letter of Credit Drawings.....	16
Section 2.03.	Reimbursement of Certain Drawings under the Letter of Credit; Mandatory Prepayment; Interest .....	16
Section 2.04.	Reimbursement of Drawings Other Than Drawings Creating Advances Under the Letter of Credit .....	18
Section 2.05.	Reimbursement of Advances Other Than Advances Creating Term Loans .....	18
Section 2.06.	Fees.....	18
Section 2.07.	Method of Payment; Etc.....	18
Section 2.08.	Termination of Letter of Credit; Substitute Credit Facility.....	19
Section 2.09.	Computation of Interest and Fees.....	19
Section 2.10.	Payment Due on Non-Business Day to Be Made on Next Business Day .....	19
Section 2.11.	Late Payments; Default Rate.....	19
Section 2.12.	Source of Funds.....	19
Section 2.13.	Extension of Stated Expiration Date .....	19
Section 2.14.	Applicability of ISP.....	20
Section 2.15.	Security.....	20
Section 2.16.	Issuance Generally .....	21
Section 2.17.	Stop-Issuance Instructions; Final Drawing Notice.....	21

## ARTICLE III

### TAXES AND YIELD PROTECTION AND ILLEGALITY

Section 3.01.	Net of Taxes, Etc .....	22
Section 3.02.	Increased Costs.....	23
Section 3.03.	Margin Regulations .....	25

**TABLE OF CONTENTS (continued)**

	<u>Page</u>
Section 3.04. Maximum Rate; Payment of Fee.....	25
Section 3.05. Survival .....	25

**ARTICLE IV**

**CONDITIONS PRECEDENT**

Section 4.01. Conditions Precedent to Effectiveness .....	25
Section 4.02. Conditions Precedent to Advances.....	28
Section 4.03. Conditions Precedent to Term Loans .....	29

**ARTICLE V**

**REPRESENTATIONS AND WARRANTIES**

Section 5.01. Representations of Valley Water.....	29
--	----

**ARTICLE VI**

**AFFIRMATIVE COVENANTS**

Section 6.01. Financial Records .....	34
Section 6.02. Notice of Default .....	35
Section 6.03. Budgets .....	35
Section 6.04. Reports to Trustees; Offering Memorandums .....	35
Section 6.05. Other Information.....	36
Section 6.06. Compliance with Obligations and Laws .....	36
Section 6.07. Litigation .....	36
Section 6.08. Licenses, Permits, Etc .....	37
Section 6.09. Books and Records .....	37
Section 6.10. Use of Proceeds .....	37
Section 6.11. Maintenance of Existence .....	37
Section 6.12. Notice of Adverse Change .....	37
Section 6.13. Dealer, Paying Agent and Other Agents .....	37
Section 6.14. Other Matters.....	38
Section 6.15. Maintenance of Insurance .....	38
Section 6.16. Investments.....	38
Section 6.17. Substitution of Letter of Credit .....	38
Section 6.18. Incorporation by Reference .....	39
Section 6.19. Issuance of Commercial Paper Notes.....	39
Section 6.20. Security Interests .....	39
Section 6.21. Financial Covenants .....	40
Section 6.22. Ratings.....	42
Section 6.23. Book-Entry Eligibility.....	42
Section 6.24. Sanctions; Anti-Corruption Laws.....	42
Section 6.25. Bond Counsel Opinion .....	42

**TABLE OF CONTENTS (continued)**

Page

**ARTICLE VII**

**NEGATIVE COVENANTS**

Section 7.01.	Amendments.....	42
Section 7.02.	Arbitrage; Margin Stock.....	42
Section 7.03.	Dealers; Paying Agent.....	43
Section 7.04.	Compliance with Laws.....	43
Section 7.05.	Bank Information .....	43
Section 7.06.	Immunity from Jurisdiction.....	43
Section 7.07.	No Partial Substitution .....	43
Section 7.08.	Subordinate Obligations .....	43
Section 7.09.	Termination .....	43
Section 7.10.	Investment Policy .....	43
Section 7.11.	Liens .....	44
Section 7.12.	Application of Certificate Proceeds .....	44
Section 7.13.	Swap Termination Payments.....	44
Section 7.14.	Sanctions; Anti-Corruption Use of Proceeds .....	44

**ARTICLE VIII**

**EVENTS OF DEFAULT AND REMEDIES**

Section 8.01.	Events of Default.....	44
Section 8.02.	Remedies .....	47

**ARTICLE IX**

**MISCELLANEOUS**

Section 9.01.	Amendments, Etc .....	47
Section 9.02.	Notices; Effectiveness; Electronic Communication.....	48
Section 9.03.	No Waiver; Cumulative Remedies; Enforcement; Conflict.....	49
Section 9.04.	Liability of the Bank; Indemnification .....	49
Section 9.05.	Payments Set Aside .....	51
Section 9.06.	Successors and Assigns .....	51
Section 9.07.	Counterparts; Integration; Effectiveness .....	52
Section 9.08.	Survival of Representations and Warranties .....	52
Section 9.09.	Severability.....	52
Section 9.10.	Governing Law; Consent to Jurisdiction, Venue and Service of Process .....	52
Section 9.11.	Waiver of Jury Trial; Judicial Reference .....	53
Section 9.12.	No Advisory or Fiduciary Responsibility .....	53
Section 9.13.	Electronic Execution of Assignments and Certain Other Documents .....	54
Section 9.14.	Government Regulations .....	54
Section 9.15.	Assignment to Federal Reserve Bank .....	54
Section 9.16.	Unconditional Obligations .....	55

## TABLE OF CONTENTS (continued)

	<u>Page</u>
Section 9.17. Expenses and Taxes.....	55
Section 9.18. Modification, Amendment, Waiver, Etc .....	56
Section 9.19. Dealing with Valley Water and/or the Dealers .....	56
Section 9.20. Table of Contents; Headings .....	56
Section 9.21. Right of Setoff; Other Collateral .....	56
Section 9.22. Redactions .....	56
Schedule I — Certain Addresses for Notice	
Exhibit A — Letter of Credit	
Exhibit B — Form of Bank Note	
Exhibit C — Form of Stop-Issuance Instruction	
Exhibit D — Form Compliance Certificate	
Exhibit E — Parity Obligations and Subordinate Obligations as of Closing Date	

## **REIMBURSEMENT AGREEMENT**

This REIMBURSEMENT AGREEMENT (as amended, modified, restated or supplemented from time to time, this “Agreement”) is dated as of December 1, 2024, by and between the SANTA CLARA VALLEY WATER DISTRICT, a flood control and water district of the State of California (“Valley Water”) and SUMITOMO MITSUI BANKING CORPORATION, acting through its New York Branch, and its successors and assigns, as the issuer of the hereinafter defined Letter of Credit (in such capacity, the “Bank”).

### **WITNESSETH:**

WHEREAS, on February 23, 2016, the Board of Directors (the “Board”) 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 Valley Water, by Resolution No. \_\_\_\_\_, adopted on October \_\_, 2024 (as more particularly defined herein, 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 that certain Issuing and Paying Agent Agreement (as more particularly defined herein, the “Issuing and Paying Agent Agreement”) to provide for the issuance of such short-term indebtedness in the form of Commercial Paper Notes, Series A (Tax-Exempt) and Commercial Paper Notes, Series B (Taxable) and the authentication and delivery thereof (as more particularly defined herein, the “Tax-Exempt Commercial Paper Notes” and the “Taxable Commercial Paper Notes” 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 the 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 requested that the Bank issue, and the Bank has agreed to issue, its Letter of Credit (as hereinafter defined) in an initial aggregate amount of \$268,750,000 (such amount being in a principal amount of \$250,000,000 plus an amount equal to 270 days interest on such amount at an assumed rate of ten percent (10%) per annum on the basis of a 360 day year) to support the Commercial Paper Notes (as hereinafter defined).

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

## ARTICLE I

### DEFINITIONS AND ACCOUNTING TERMS

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

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

“Affiliate” means, with respect to a Person, any Person (whether for-profit or not-for-profit), which “controls,” or is “controlled” by, or is under common “control” with such Person. For purposes of this definition, a Person “controls” another Person when the first Person possesses or exercises directly, or indirectly through one or more other affiliates or related entities, the power to direct the management and policies of the other Person, whether through the ownership of voting rights, membership, the power to appoint members, trustees or directors, by contract, or otherwise.

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

“Amortization End Date” means, with respect to any Term Loan, the earliest to occur of: (i) the third (3rd) anniversary of the applicable Advance Maturity Date, (ii) the third (3rd) anniversary of the Stated Expiration Date, (iii) the date on which a Substitute Credit Facility becomes effective in substitution of the Letter of Credit with respect to the Commercial Paper Notes, (iv) the date on which the Stated Amount is permanently reduced to zero or the Letter of Credit is otherwise terminated in accordance with its terms (other than as a result of the Letter of Credit terminating on the Stated Expiration Date), including as a result of the occurrence of an Event of Default, (iv) the end of the term of the commercial paper program in respect of the Commercial Paper Notes as determined in accordance with the Issuing and Paying Agent Agreement or any resolution of Valley Water, (v) the date on which the Bank Note matures in accordance with its terms or is accelerated or otherwise paid, prepaid, defeased or cancelled in accordance with the Issuing and Paying Agent Agreement, or (vi) the date on which Valley Water issues new commercial paper notes (including Commercial Paper Notes) or bonds to fund the full repayment of such Advance.

“Amortization Period” has the meaning set forth in Section 2.03(a)(v) hereof.

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

“Bank Note” has the meaning set forth in Section 2.03(d) hereof.

“Bank Rate” means the rate of interest per annum with respect to an Advance (a) for any day commencing on the date the related Drawing is made to and including the 30th day next succeeding the date such Drawing is made, equal to the Base Rate; and (b) for any day commencing on the 31st day next succeeding the date such Drawing is made to and thereafter, equal to the sum of the Base Rate from time to time in effect plus one percent (1.00%); provided, however, that immediately and automatically upon the occurrence of an Event of Default (and without any notice given with respect thereto) and during the continuance of such Event of Default, “Bank Rate” shall mean the Default Rate; and provided further that, at no time shall the Bank Rate be less than the applicable rate of interest on any outstanding Commercial Paper Notes.

“Base Rate” means, for any day, the highest of (i) the Prime Rate in effect on such day plus two percent (2.00%), (ii) the Federal Funds Rate in effect on such day plus three percent (3.00%), (iii) the SIFMA Rate in effect on such day plus three percent (3.00%), and (iv) seven and one-half of one percent (7.50%). Each change in the Base Rate shall take effect simultaneously with the corresponding change or changes in the Prime Rate or Federal Funds Rate, as the case may be. Each determination of the Base Rate by the Bank shall be conclusive and binding on Valley Water absent manifest error.

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

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

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

“Closing Date” means December 9, 2024, the date on which the Letter of Credit is issued.

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

“Commercial Paper Note Payment Account” has the same meaning given to such term in the Issuing and Paying Agent Agreement.

“Commercial Paper Notes” means collectively, the Tax-Exempt Commercial Paper Notes and the Taxable Commercial Paper Notes.

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

“Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting



power, by contract or otherwise. “Controlling” and “Controlled” have meanings correlative thereto. Without limiting the generality of the foregoing, a Person shall be deemed to be Controlled by another Person if such other Person possesses, directly or indirectly, power to vote 10% or more of the securities having ordinary voting power for the election of directors, managing general partners or the equivalent.

“CP Resolution” means Resolution No. [\_\_\_\_], adopted by the Board of Directors of Valley Water on [\_\_\_\_], 2024, as amended, supplemented or otherwise modified pursuant to the terms hereof and thereof.

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

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

“Dealer Agreement” means, as the context requires, (a) the Dealer Agreement, dated as of [\_\_\_\_] 1, 2024, between Valley Water and Barclays Capital, Inc., as amended, restated and supplemented from time to time, in accordance with the terms hereof and thereof, (b) the Dealer Agreement, dated as of [\_\_\_\_] 1, 2024, between Valley Water and BofA Securities, Inc, as amended, restated and supplemented from time to time, in accordance with the terms hereof and thereof, or (c) the Dealer Agreement, dated as of [\_\_\_\_] 1, 2024, between Valley Water and J.P. Morgan Securities LLC, as amended, restated and supplemented from time to time, in accordance with the terms hereof and thereof.

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

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

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

“Default Rate” means a fluctuating interest rate per annum equal to the sum of the Base Rate from time to time in effect plus four percent (4.00%).

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

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

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

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

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

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

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

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

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

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

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

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

Rate by the Bank shall be conclusive and binding on Valley Water, absent manifest error. Notwithstanding anything herein to the contrary, if the Federal Funds Rate as determined as provided above would be less than zero percent (0.0%) on any day, then the Federal Funds Rate shall be deemed to be zero percent (0.0%) for such day.

“Fee Letter” means that certain Fee Letter dated as of the Closing Date, between Valley Water and the Bank, as the same may be amended, restated and supplemented from time to time.

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

“FCPA” has the meaning set forth in Section 5.01(w)(ii) hereof.

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

“Fitch” means Fitch, Inc. and any successor rating agency.

“GAAP” means generally accepted accounting principles in the United States as in effect from time to time, applied by Valley Water on a basis consistent with Valley Water’s most recent financial statement furnished to the Bank.

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

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

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

“Indemnatee” has the meaning set forth in Section 9.04(b) hereof.

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

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

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

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

“Issuing and Paying Agent Agreement” means that certain Issuing and Paying Agent Agreement dated as of December 1, 2024 between Valley Water and the Paying Agent, as amended, supplemented, restated and otherwise modified from time to time in accordance with the terms thereof and hereof.

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

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

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

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

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

“Material Adverse Change” or “Material Adverse Effect” means any event that (i) causes a material adverse change in or a material adverse effect on (a) the validity or enforceability of any of the Related Documents, (b) the validity, enforceability or perfection of the pledge of and lien on the Net Water Utility System Revenues to secure the payment of principal and interest on the Commercial Paper Notes, the Bank Note and the Loans, (c) any of the rights, security, interest or remedies available to the Bank under this Agreement or the other Related Documents or (ii) could reasonably be expected to have a material adverse effect on the ability of Valley Water to timely perform its obligations under the Related Documents.

“Maximum CP Rate” means the lesser of (a) 10% per annum and (b) the Maximum Rate.

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

“Moody’s” means Moody’s Investors Service, Inc. and any successor rating agency.

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

“Notice of Extension” has the meaning set forth in Section 2.13(d) hereof.

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

“OFAC” has the meaning set forth in Section 5.01(w)(i) hereof.

“Offering Memorandum” means the Commercial Paper Offering Memorandum dated December [ ], 2024, relating to the Commercial Paper Notes, and any supplements and amendments thereto.

“Original Agreement” has the meaning set forth in the Recitals hereof.

“Other Taxes” has the meaning specified in Section 3.01(a) hereof.

“Owner” has the same meaning given to such term in the Issuing and Paying Agent Agreement.

“Paired Obligations” means any Subordinate Obligations (or portion thereof) designated as Paired Obligations in the resolution, indenture, trust agreement or other security document authorizing the issuance or execution and delivery thereof, (i) the principal of which is of equal amount maturing and to be redeemed or prepaid (or cancelled after acquisition thereof) on the same dates and in the same amounts, and (ii) the interest rates which, taken together, were intended

to result in a fixed interest rate obligation of Valley Water for all or a portion of the term of such Subordinate Obligations, all as certified by an Experienced Banker or Advisor.

“Parity Debt Service” has the meaning given to “Debt Service” in the Water Utility Parity System Master Resolution.

“Parity Obligation Documents” means the resolution, indenture, trust agreement or other security document authorizing the issuance or execution and delivery of, or providing for payment of, any Parity Obligations.

“Parity Obligations” means, collectively, Bonds and Contracts.

“Participant” has the meaning set forth in Section 9.06(b) hereof.

“Patriot Act” has the meaning set forth in Section 9.14(a) hereof.

“Paying Agent” means a corporation or banking entity designated to act as the Paying Agent pursuant to the terms of the Issuing and Paying Agent Agreement. As of the Closing Date, U.S. Bank Trust Company, National Association is the Paying Agent.

“Payment Documents” has the meaning set forth in the Letter of Credit.

“Payment Office” means the office or offices, account or accounts of the Bank set forth in the Fee Letter.

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

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

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

“Prime Rate” means, for any day, the prime rate reported in The Wall Street Journal (or the average prime rate if a high and a low prime rate are therein reported) for U.S. dollar loans, and the Prime Rate shall change without notice with each change in such prime rate as of the date such change is reported. If The Wall Street Journal ceases to establish or publish a prime rate from which the Prime Rate is then determined, the applicable variable rate from which the Prime Rate is determined thereafter shall be instead the rate per annum established by the Bank from time to time as its “prime rate” for U.S. dollar loans, or its equivalent, as is in effect on such day, any change in such rate to be effective on the date such change is effective for the Bank’s purposes, it being understood that such rate shall not necessarily be the best or lowest rate of interest available to the Bank’s best or most preferred prime, large commercial customers. Each determination of the Prime Rate by the Bank shall be conclusive and binding on Valley Water absent manifest error. Notwithstanding anything herein to the contrary, if the Prime Rate as determined as provided

above would be less than zero percent (0.0%) on any day, then the Prime Rate shall be deemed to be zero percent (0.0%) for such day.

“Project(s)” means, as the context may require, any additions, betterments, extensions or improvements authorized to be financed under the District Act, financed in whole or in part from the proceeds of Commercial Paper Notes.

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

“Rate Stabilization Fund” has the same meaning given to such term in the Water Utility Parity System Master Resolution.

“Rating Agency” means Moody’s, Fitch or S&P, as the context may require.

“Reduction Fee” has the meaning set forth in the Fee Letter.

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

“Related Documents” means this Agreement, the Letter of Credit, the Fee Letter, the Bank Note, the Issuing and Paying Agent Agreement, each of the Resolutions, the Commercial Paper Notes, the Dealer Agreements, the Offering Memorandum and any other agreement or instrument relating thereto.

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

“Resolutions” means the Water Utility Parity System Master Resolution and the CP Resolution.

“S&P” means S&P Global Ratings, a S&P Global business, and any successor rating agency.

“Sanctions” has the meaning set forth in Section 5.01(w)(i) hereof.

“SIFMA Rate” means, on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Bloomberg and published or made available by the Securities Industry and Financial Markets Association or any Person acting in cooperation with or under the sponsorship of the Securities Industry and Financial Markets Association and acceptable to the Bank and effective from such date. In the event Bloomberg no longer produces an index satisfying the requirements of the preceding sentence, the SIFMA Rate (a/k/a, the “SIFMA Municipal Swap Index”) shall be deemed to be the S&P Municipal Bond 7 Day High Grade Rate Index, or if either such index is not available, such other similar national index as reasonably designated by the Bank. Notwithstanding anything

herein to the contrary, if the SIFMA Rate as determined as provided above would be less than zero percent (0.0%), then the SIFMA Rate shall be deemed to be zero percent (0.0%).

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

“State” means the State of California.

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

“Stated Expiration Date” means the date set forth in the Letter of Credit as the date on which the Letter of Credit is stated to expire (i.e., initially, December 9, 2029), unless terminated in accordance with the terms of the Letter of Credit or as extended from time to time pursuant to the terms of the Letter of Credit and this Agreement.

“Stop-Issuance Instruction” means the written instruction, in the form attached as Exhibit C hereto, given by the Bank to Valley Water and the Paying Agent pursuant to Section 2.17 hereof or Section 8.02(b) hereof.

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

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

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

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

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

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

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



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

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

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

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

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

“Subordinate Obligations” means the Commercial Paper Notes, the Bank Note and all other Debt of Valley Water secured by or payable from Net Water Utility System Revenues on a parity with the Commercial Paper Notes and the Bank Note.

“Substitute Credit Facility” has the meaning set forth in the Issuing and Paying Agent Agreement.

“Swap Contract” means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing

(including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a “Master Agreement”), including any such obligations or liabilities under any Master Agreement.

“Tax-Exempt Commercial Paper Notes” means Commercial Paper Notes designated as “Santa Clara Valley Water District Commercial Paper Notes, Series A (Tax-Exempt).”

“Taxable Commercial Paper Notes” means Commercial Paper Notes designated as “Santa Clara Valley Water District Commercial Paper Notes, Series B (Taxable)”

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

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

“Term Loan Rate” means the rate of interest per annum with respect to a Term Loan equal to the sum of the Base Rate from time to time in effect plus two percent (2.00%); provided, however, that immediately and automatically upon the occurrence of an Event of Default (and without any notice given with respect thereto) and during the continuance of such Event of Default, “Term Loan Rate” shall mean the Default Rate; and provided further that, at no time shall the Term Loan Rate be less than the applicable rate of interest on any outstanding Commercial Paper Notes.

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

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

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

“Valley Water” has the meaning set forth in the introductory paragraph hereof.

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

“Water Utility Parity System Master Resolution” means Resolution No. 16-10 adopted by Valley Water on February 23, 2016, as amended, supplemented, or otherwise modified from time to time in accordance with the terms thereof and hereof.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## ARTICLE II

### LETTER OF CREDIT

Section 2.01. Issuance of Letter of Credit. Subject to the terms and conditions of, and relying upon the representations and warranties set forth in, this Agreement or incorporated herein by reference, the Bank shall issue the Letter of Credit substantially in the form of Exhibit A hereto. The Letter of Credit shall be in the original stated amount of \$268,750,000 (calculated as the sum of the maximum principal amount of the Commercial Paper Notes supported by the Letter of Credit (i.e., \$250,000,000) plus interest thereon at a maximum rate of ten percent (10%) per annum for a period of two hundred seventy (270) days calculated on the basis of a year of 360 days) (the "Original Stated Amount").

Section 2.02. Letter of Credit Drawings. The Paying Agent is authorized to make Drawings under the Letter of Credit in accordance with its terms. Valley Water hereby directs the Bank to make payments under the Letter of Credit in the manner therein provided. Valley Water hereby irrevocably approves reductions and reinstatements of the Stated Amount with respect to the Letter of Credit as provided in the Letter of Credit.

Section 2.03. Reimbursement of Certain Drawings under the Letter of Credit; Mandatory Prepayment; Interest. (a)(i) If the conditions precedent set forth in Section 4.02 hereof are satisfied at the time of payment by the Bank of any Drawing, the amount of such Drawing (or the portion thereof) which is not reimbursed by Valley Water to the Bank on the date of such Drawing shall automatically constitute an advance made by the Bank to Valley Water on the date and in an amount equal to the amount of such Drawing (or portion thereof) which is not so reimbursed by Valley Water to the Bank (individually an “Advance” and, collectively, the “Advances”).

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

(iii) Valley Water promises to pay or cause to be paid to the Bank the principal portion of each Advance on the earliest of the following dates (the “Advance Maturity Date”): (i) the ninetieth (90th) day following the date on which the related Drawing was made, (ii) the Termination Date and (iii) the Business Day when Commercial Paper Notes (or other commercial paper notes) or bonds are issued, the proceeds of which could be used to repay such Advance; provided that if the conditions precedent set forth in Section 4.03 hereof are satisfied on the applicable Advance Maturity Date, the related Advance shall be converted to a loan (a “Term Loan”) to Valley Water.

(iv) Subject to Section 2.11 hereof, Valley Water also promises to pay to the Bank interest on the unpaid principal amount of each Advance from the date the related Drawing is made until it is paid in full as provided herein, at a rate per annum equal to the Bank Rate from time to time in effect, and such interest shall be payable monthly in arrears on the first Business Day of each calendar month for the immediately preceding calendar month (commencing on the first Interest Payment Date to occur after the making of the related Drawing), and on the date that the final principal or interest portion of such Advance is payable as herein provided.

(v) Unless otherwise paid in full on one of the dates provided above, the principal portion of each Term Loan shall be payable by Valley Water in equal (or as nearly equal as possible) quarterly installments (“Quarterly Principal Payments”), with the first Quarterly Principal Payment payable on the 90th day immediately succeeding the applicable Advance Maturity Date, the subsequent Quarterly Principal Payments other than the final Quarterly Principal Payment payable on the first Business Day of each third calendar month thereafter, and with the final Quarterly Principal Payment payable on the Amortization End Date (the period commencing on the date such installment is initially payable and ending on the Amortization End Date is referred to as the “Amortization Period”). Each Quarterly Principal Payment other than the final Quarterly Principal Payment shall be that amount of principal which will result in equal (as nearly as possible) aggregate Quarterly Principal Payments over the applicable Amortization Period. The final

Quarterly Principal Payment shall be that amount of principal equal to the entire then outstanding principal amount of such Term Loan due and payable on the Amortization End Date.

(vi) Subject to Section 2.11 hereof, Valley Water also promises to pay to the Bank interest on the unpaid principal amount of each Term Loan from the Advance Maturity Date until it is paid in full as provided herein, at a rate per annum equal to the Term Loan Rate from time to time in effect, and such interest shall be payable monthly in arrears on the first Business Day of each calendar month for the immediately preceding calendar month (commencing on the first Interest Payment Date to occur after the Advance Maturity Date), and on the date that the final principal or interest portion of such Term Loan is payable as herein provided.

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

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

(d) All Reimbursement Obligations shall be made against and evidenced by Valley Water's promissory note payable to the order of the Bank in the principal amount of the Original Stated Amount, such note to be executed by Valley Water and delivered by Valley Water to the Bank on the Closing Date in the form of Exhibit B attached hereto with appropriate insertions (the "Bank Note"). All Reimbursement Obligations due and owing to the Bank and all payments and prepayments on the account of the principal of and interest on each Reimbursement Obligation by or on behalf of Valley Water shall be recorded by the Bank on its books and records, in accordance with its customary practice, which books and records shall, absent manifest error, be conclusive as to amounts due and owing by Valley Water hereunder, under the Fee Letter and under the Bank Note; provided that the failure to record or any error in recording any such amount shall not limit, extinguish or in any way modify the obligation of Valley Water to repay Loans or Reimbursement Obligations. The Bank may, but shall not be required to, complete the schedule attached to the Bank Note to reflect the making and status of Loans due and owing hereunder and thereunder; provided that the failure to make or any error in making any such endorsement on such schedule shall not limit, extinguish or in any way modify the obligation of Valley Water to repay Loans or Reimbursement Obligations. Valley Water shall pay principal and interest on the Bank Note on the dates and at the rates provided for in Sections 2.03 and 2.04 hereof.

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

Section 2.04. Reimbursement of Drawings Other Than Drawings Creating Advances Under the Letter of Credit. Unless the conditions precedent contained in Section 4.02 hereof are satisfied on the date of payment by the Bank of a Drawing, Valley Water agrees to reimburse the Bank for the full amount of such Drawing immediately upon payment by the Bank of such Drawing and on the date of each such payment. If Valley Water does not make such reimbursement to the Bank with respect to such Drawing on such date, such Reimbursement Obligation shall bear interest at the Default Rate and be payable upon demand.

Section 2.05. Reimbursement of Advances Other Than Advances Creating Term Loans. Unless the conditions precedent contained in Section 4.03 hereof are satisfied on the Advance Maturity Date, Valley Water agrees to reimburse the Bank for the full amount of the related Advance immediately upon such date. If Valley Water does not make such reimbursement to the Bank with respect to such Advance on such date, such Advance shall bear interest at the Default Rate and be payable upon demand.

Section 2.06. Fees. Valley Water hereby agrees to perform the obligations provided for in the Fee Letter, including, without limitation, the payment of any and all fees, expenses and other amounts provided for therein, at the times and in the amounts set forth in the Fee Letter. Without limiting the generality of the foregoing, in the event that the Letter of Credit is terminated or the Stated Amount is reduced and is not subject to reinstatement, Valley Water shall pay to the Bank the Termination Fee and/or Reduction Fee, if any, at the times and in the amounts set forth in and as required by the Fee Letter. The terms and provisions of the Fee Letter are hereby incorporated herein by reference as if fully set forth herein. All references to amounts or obligations due hereunder or in this Agreement shall be deemed to include all amounts and obligations (including without limitation fees and expenses) under the Fee Letter. All fees paid under this Agreement and the Fee Letter shall be fully earned when due and nonrefundable when paid.

Section 2.07. Method of Payment; Etc. All payments to be made by Valley Water under this Agreement and the Fee Letter shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff and shall be delivered to or made through the Federal Reserve Wire System to the Payment Office of the Bank (or at such other address or location

specified to Valley Water in writing by the Bank) not later than 3:00 p.m. on the date when due and shall be made in lawful money of the United States of America in freely transferable and immediately available funds. All payments received by the Bank after 3:00 p.m. shall be deemed to have been on the next succeeding Business Day and any applicable interest or fee shall continue to accrue.

Section 2.08. Termination of Letter of Credit; Substitute Credit Facility. Notwithstanding any provisions of this Agreement to the contrary, Valley Water agrees not to terminate or permanently reduce the Letter of Credit, except upon (i) the payment by Valley Water to the Bank of the Termination Fee or Reduction Fee, if and as applicable, (ii) the payment to the Bank of all fees, expenses and other Obligations payable hereunder and under the Fee Letter, including, without limitation, all principal and accrued interest due and owing on any Loan or any amount due under the Bank Note and (iii) Valley Water providing the Bank with thirty (30) days prior written notice of its intent to terminate or permanently reduce the Letter of Credit; provided that all payments to the Bank referred to in clause (i) and (ii) above shall be made immediately available funds; provided further, however, that any such termination of the Letter of Credit shall be in compliance with the terms and conditions of the Resolutions. Valley Water agrees that any termination of the Letter of Credit as a result of the provision of any Substitute Credit Facility will require, as a condition thereto, that Valley Water or the issuer of any Substitute Credit Facility will provide funds on the date of such termination or provision, which funds will be sufficient to pay in full at the time of termination of the Letter of Credit all Obligations due and owing to the Bank hereunder.

Section 2.09. Computation of Interest and Fees. Fees payable hereunder and under the Fee Letter shall be calculated on the basis of a year of 360 days and the actual number of days elapsed. All computations of interest payable by Valley Water under this Agreement shall be made on the basis of a year of 365 and the actual number of days elapsed. Interest shall accrue during each period during which interest is computed from and including the first day thereof to but excluding the last day thereof.

Section 2.10. Payment Due on Non-Business Day to Be Made on Next Business Day. If any sum becomes payable pursuant to this Agreement or the Fee Letter on a day which is not a Business Day, the date for payment thereof shall be extended, without penalty, to the next succeeding Business Day, and such extended time shall be included in the computation of interest and fees.

Section 2.11. Late Payments; Default Rate. If any Obligation is not paid when due, such Obligation shall bear interest until paid in full at a rate per annum equal to the Default Rate, payable on demand. Upon the occurrence of any Event of Default, all Obligations shall bear interest until paid in full at a rate per annum equal to the Default Rate, payable upon demand.

Section 2.12. Source of Funds. All payments made by the Bank pursuant to the Letter of Credit shall be made from funds of the Bank, and not from the funds of any other Person.

Section 2.13. Extension of Stated Expiration Date. (a) Valley Water may by written notice to the Bank within a time period no greater than 120 days and no less than 60 days prior to the then current Stated Expiration Date in effect (such current Stated Expiration Date without



regard to such requested extension, the “Existing Expiration Date”), request that the Bank consent to the extension of the Existing Expiration Date. The Bank will make reasonable efforts to respond to such request in writing within thirty (30) days after receipt of all information necessary, in the Bank’s reasonable judgment, to permit the Bank to make an informed credit decision. In the event the Bank fails to definitively respond to such request within such period of time, the Bank shall be deemed to have refused to grant the extension requested. The Bank may, in its sole and absolute discretion, decide to accept or reject any such proposed extension. The consent of the Bank, if granted, shall be conditioned upon the preparation, execution and delivery of documentation in form and substance reasonably satisfactory to the Bank and consistent with this Agreement. If such an extension request is accepted by the Bank in its absolute discretion, the then current Stated Expiration Date for the Letter of Credit shall be extended to the date agreed to by Valley Water and the Bank.

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

(c) Any such extension of the Existing Expiration Date shall be subject to such additional terms and modifications, including payment of extension fees to the Bank, as shall be agreed to between the Bank and Valley Water. The Bank and Valley Water hereby acknowledge that certain modifications of the terms of this Agreement and the other Related Documents that are mutually acceptable to the Bank and Valley Water may be made in connection with any extension of the Existing Expiration Date in a manner consistent with the terms and conditions set forth in the Issuing and Paying Agent Agreement.

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

Section 2.14. Applicability of ISP. The rules of ISP shall apply to the Letter of Credit.

Section 2.15. Security. The Commercial Paper Notes and the Bank Note are 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, and are additionally secured by a pledge of Net Water Utility System Revenues, the Water Utility System Revenue Fund, the Rate Stabilization Fund, the Special Purpose Funds, and all amounts on deposit in the Water Utility System Revenue Fund, the Rate Stabilization Fund, the Special Purpose Funds,

on a subordinate basis to the Parity Obligations, all as and to the extent provided in the Issuing and Paying Agent Agreement. Additionally, Valley Water hereby pledges its Net Water Utility System Revenues, the Water Utility System Revenue Fund, the Rate Stabilization Fund, the Special Purpose Funds, and all amounts on deposit in the Water Utility System Revenue Fund, the Rate Stabilization Fund, the Special Purpose Funds, to the payment of all Reimbursement Obligations hereunder, subordinate only to Parity Obligations. All Obligations of Valley Water hereunder and under the Fee Letter other than Reimbursement Obligations are payable from Current Water Utility System Revenues in the Water Utility System Revenue Fund as Maintenance and Operation Costs in the payment priority described in Section 2.2(a) of the Water Utility Parity System Master Resolution. The Parity Obligations are the only Debt that is secured by and/or payable from Net Water Utility System Revenues on a basis senior to the Commercial Paper Notes and the Bank Note. The Subordinate Obligations (other than the Commercial Paper Notes and the Bank Note) are the only Debt that is secured by and/or payable from Net Water Utility System Revenues on a parity with the Commercial Paper Notes and the Bank Note. All Reimbursement Obligations hereunder are evidenced by the Bank Note. The Bank Note constitutes a “Bank Note” under the Issuing and Paying Agent Agreement. The Letter of Credit constitutes a “Liquidity Facility” under the Issuing and Paying Agent Agreement.

Section 2.16. Issuance Generally. Valley Water may instruct the Paying Agent to authenticate or deliver Commercial Paper Notes only in accordance with the terms of and subject to the conditions set forth in the Resolutions and the Issuing and Paying Agent Agreement.

Section 2.17. Stop-Issuance Instructions; Final Drawing Notice. Commercial Paper Notes may be issued from time to time prior to the Stated Expiration Date in accordance herewith and with the terms of and subject to the conditions set forth in the Resolutions and the Issuing and Paying Agent Agreement so long as (i) the Paying Agent is not in receipt of a Stop-Issuance Instruction then in effect given by the Bank pursuant to this Section 2.17 or Section 8.02(b) hereof and not rescinded, and (ii) the Paying Agent is not in receipt of the Final Drawing Notice in substantially the form attached to the Letter of Credit as Annex H-1. The Bank may deliver a Stop-Issuance Instruction at any time when: (i) an Event of Default shall have occurred and be continuing; or (ii) the representations and warranties of Valley Water set forth in Article V hereof shall, in the reasonable opinion of the Bank, no longer be true and correct in any material respect. The Bank may deliver the Final Drawing Notice at any time when an Event of Default shall have occurred and be continuing. A Stop-Issuance Instruction or the Final Drawing Notice shall be effective when received by the Paying Agent; provided, however, that a Stop-Issuance Instruction or the Final Drawing Notice received by the Paying Agent after 10:00 a.m., New York City time, on any day on which Commercial Paper Notes are being issued shall be effective on the next succeeding day. A Stop-Issuance Instruction or the Final Drawing Notice may be given by facsimile or electronic mail transmission, confirmed in writing within twenty-four (24) hours, but the failure to so confirm such Stop-Issuance Instruction or the Final Drawing Notice in writing shall not render such Stop-Issuance Instruction or the Final Drawing Notice ineffective. The Bank will furnish a copy of any Stop-Issuance Instruction or the Final Drawing Notice to Valley Water and the Dealers promptly following delivery thereof to the Paying Agent, but the failure to furnish any such copy shall not render ineffective such Stop-Issuance Instruction or the Final Drawing Notice. Should the Paying Agent receive CP trade instructions prior to receipt of the Stop-Issuance Instruction or the Final Drawing Notice, the 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 Paying Agent receives the Stop Issuance Instruction or the Final Drawing Notice by 10:00 a.m., New York City time).

### ARTICLE III

#### TAXES AND YIELD PROTECTION AND ILLEGALITY

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

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

(b) Indemnity. Valley Water shall, to the fullest extent permitted by law and subject to the provisions hereof, indemnify the Bank for the full amount of Taxes and Other Taxes including any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 3.01 paid by the Bank or any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted; provided that Valley Water shall not be obligated to indemnify the Bank for any

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

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

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

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

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

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

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

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

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

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

Participant, or any corporation controlling the Bank to Valley Water and shall be conclusive (absent manifest error) as to the amount thereof.

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

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

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

Section 3.05. Survival. All of Valley Water’s obligations under this Article III shall survive the termination of the Letter of Credit and repayment of all Obligations hereunder.

## ARTICLE IV

### CONDITIONS PRECEDENT

Section 4.01. Conditions Precedent to Effectiveness. As conditions precedent to the obligation of the Bank to enter into this Agreement, Valley Water shall provide to the Bank on the Closing Date, each in form and substance satisfactory to the Bank and the Bank’s counsel, Hawkins Delafield & Wood LLP (hereinafter, “Bank Counsel”):

(a) Approvals; Related Documents; Parity Obligation Documents. The Bank shall have received (1) executed originals of this Agreement, the Fee Letter and the Bank Note duly executed by Valley Water and copies of all action taken by Valley Water (including, without limitation, the Resolution) approving the execution and delivery by Valley Water of this Agreement, the Fee Letter and the Bank Note, in each case, certified by an authorized official of Valley Water as complete and correct and in full force and effect on the Closing Date, and (2) executed or certified copies, as applicable, of each of the other Related Documents (except the Commercial Paper Notes) to which Valley Water is a party, together with a certificate of the Secretary of Valley Water, dated the Closing Date, stating that such Related Documents and approvals are complete and correct and in full force and effect on the Closing Date and have not been amended, repealed, rescinded, or supplemented in any manner, except for such amendments made in accordance with the express terms of such Related Documents for which Valley Water has provided notice to the Bank prior to the Closing Date.

(b) Certificate and Incumbency of Valley Water Officials. The Bank shall have received (1) an incumbency and specimen signature certificate of Valley Water in respect of each of the officials who is authorized to (i) sign this Agreement, the Fee Letter, the Bank Note and the other Related Documents (to which Valley Water is a party) on behalf of Valley Water and (ii) take actions for Valley Water under this Agreement, the Fee Letter, the Bank Note and the other Related Documents (to which Valley Water is a party) with respect to the Commercial Paper Notes and (2) a certificate of an authorized representative of Valley Water, dated the Closing Date, certifying that (A) each of Valley Water's representations and warranties contained herein and the other Related Documents to which Valley Water is a party is true and correct on and as of the Closing Date as though made on and as of such date and (B) Valley Water has not received notice from the Rating Agencies that the long term unenhanced ratings of the Parity Obligations have been withdrawn, reduced or suspended since the dated date of the evidence of ratings delivered to the Bank pursuant to Section 4.01(l) hereof, as well as certifying as to the matters addressed in Section 4.01(h) and 4.01(i) hereof.

(c) Opinion of Bond Counsel. The Bank shall have received a written opinion of bond counsel, addressed to the Bank, dated the Closing Date and in form and substance satisfactory to the Bank and Bank Counsel to the effect that (a) this Agreement, the Fee Letter and the Bank Note have been duly authorized, executed and delivered by Valley Water and are the valid and binding obligations of Valley Water enforceable in accordance with their respective terms, except as may be limited by the valid exercise of judicial discretion and the constitutional powers of the United States of America and to valid bankruptcy, insolvency, reorganization or moratorium or other similar laws applicable to Valley Water and equitable principles relating to or affecting creditors' rights generally from time to time; (b) the execution and delivery by Valley Water of this Agreement, the Fee Letter and the Bank Note does not violate the constitution or laws of the State; (c) Valley Water has taken all actions, and has obtained any approvals, necessary to the authorization, execution, delivery and performance by Valley Water of this Agreement, the Fee Letter and the Bank Note; and (d) the Bank Note is a general obligation of Valley Water in accordance with Section 25.6(b) of the District Act and is payable from revenues, charges, taxes and assessments levied for purposes of Valley Water and is additionally secured by a pledge of Net Water Utility System Revenues, the Water Utility System Revenue Fund, the Rate Stabilization Fund, the Special Purpose Funds, and all amounts on deposit in the Water Utility System Revenue Fund, the Rate Stabilization Fund, the Special Purpose Funds, on a subordinate

basis to the Parity Obligations, all as and to the extent provided in the Issuing and Paying Agent Agreement. In addition, if and to the extent bond counsel delivers a final approving opinion with respect to the Commercial Paper Notes dated the Closing Date, the Bank shall have received a letter from Bond Counsel authorizing the Bank to rely on such final approving opinion.

(d) Opinion of Counsel to Valley Water. The Bank shall have received written opinion of counsel to Valley Water, addressed to the Bank, dated the Closing Date and in the form and substance satisfactory to the Bank and Bank Counsel.

(e) Bank Note. The Bank shall have received an executed Bank Note payable to the Bank.

(f) Bank Note CUSIP Number and Rating. The Bank shall have received a CUSIP number and long-term rating from at least one Rating Agency of at least Investment Grade shall be assigned to the Bank Note and any additional documentation the Bank may request that will allow the Bank Note to be pledged as collateral to the federal banking regulators.

(g) Governmental Approvals. The Bank shall have received true and correct copies of all Governmental Approvals, if any, necessary for Valley Water to execute, deliver and perform the Related Documents to which it is a party and to authorize Valley Water to induce the issuance of the Letter of Credit.

(h) No Default, Etc. (A) No Default or Event of Default shall have occurred and be continuing as of the date hereof or will result from the execution, delivery, and performance by Valley Water of this Agreement, the Fee Letter, the Bank Note or any Related Document to which Valley Water is a party or the issuance of the Letter of Credit, (B) the representations and warranties made by Valley Water in Article V hereof shall be true and correct in all material respects on and as of the Closing Date, as if made on and as of such date, and (C) all conditions precedent to the effectiveness of the Agreement set forth in this Section 4.01 have been satisfied.

(i) Legality; Material Adverse Change. The Bank shall have determined (in its sole discretion) that (i) none of the making of any Drawings or Advances, the issuance of the Letter of Credit or the consummation of any of the transactions contemplated by the Issuing and Paying Agent Agreement, the Commercial Paper Notes, the Bank Note, this Agreement or the Fee Letter will violate any law, rule, guideline or regulation applicable to Valley Water, the Bank, this Agreement or any other Related Document; and (ii) no material adverse change in the ratings, financial condition, business, assets, liabilities or prospects of Valley Water shall have occurred since June 30, 2023, except as disclosed in writing to the Bank prior to the Closing Date, which would be reasonably likely to result in a Material Adverse Effect; and (iii) there has been no material adverse change in the laws, rules or regulations (or their interpretation or administration) that, in any case, may adversely affect the consummation of the transactions contemplated hereby or by any Related Document.

(j) Paying Agent. The Bank shall have received (i) an incumbency and specimen signature certificate of the Paying Agent in respect of each of the officials who is authorized to sign any documents contemplated by the Letter of Credit or the Issuing and Paying Agent Agreement on behalf of the Paying Agent and take actions for the Paying Agent under the Letter



of Credit and the Issuing and Paying Agent Agreement with respect to the Commercial Paper Notes and (ii) a certificate of the Paying Agent, as to such matters as the Bank may reasonably request.

(k) Fees, Etc. The Bank shall have received payment of the fees, costs and expenses set forth herein and in the Fee Letter that are payable on the Closing Date (including without limitation, payment of the fees and expenses of the Bank's domestic and foreign counsels) or alternative arrangements satisfactory therefor have been made with the Bank.

(l) Ratings. The Bank shall have received satisfactory evidence that Moody's and Fitch shall have assigned (i) a short-term rating of at least "P-1" and "A-1," respectively, on the Commercial Paper Notes and (ii) an underlying rating of "Aa1" and "AA+," respectively, on the long-term, unenhanced Parity Obligations of Valley Water.

(m) Subordinate Obligations; Parity Obligations. The Bank shall have received written confirmation from Valley Water that (i) the Subordinate Obligations (other than the Commercial Paper Notes and the Bank Note) are the only Debt that is secured by and/or payable from Net Water Utility System Revenues on a parity with the Commercial Paper Notes and the Bank Note, (ii) the only outstanding Subordinate Obligations, as of the Closing Date, other than the Commercial Paper Notes and the Bank Note, are listed on Exhibit E hereto, (iii) the Parity Obligations are the only Debt that is secured by and/or payable from Net Water Utility System Revenues on a basis senior to the Commercial Paper Notes and the Bank Note, and (iv) the only Parity Obligations, as of the Closing Date, are listed on Exhibit E hereto.

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

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

Section 4.02. Conditions Precedent to Advances. Following any payment by the Bank under the Letter of Credit pursuant to a Drawing, an Advance shall be made available to Valley Water only if on the date of payment of such Drawing by the Bank (a) the representations and warranties contained in Article V of this Agreement are true and correct in all material respects, and deemed made, as of such date; and (b) no event has occurred and is continuing, or would result from such payment, which constitutes a Default or Event of Default.

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

event has occurred and is continuing, or would result from the Bank honoring such Drawing and/or making such Advance, which constitutes a Default or Event of Default.

Section 4.03. Conditions Precedent to Term Loans. Amounts owed by Valley Water for any Advance remaining unpaid on their respective Advance Maturity Date shall be converted to Term Loans if, and only if, on the Advance Maturity Date (i) the representations and warranties contained in Article V of this Agreement are true and correct in all material respects as of such date and (ii) no event has occurred and is continuing, or would result from such payment, which constitutes a Default or Event of Default.

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

## ARTICLE V

### REPRESENTATIONS AND WARRANTIES

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

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

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

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

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

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

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

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

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

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

(f) Litigation. Except as disclosed to the Bank in writing prior to the Closing Date or in the Offering Memorandum as in effect on the Closing Date, there is no action, suit, investigation or proceeding, injury or investigation before or by any court, public board or body pending or threatened against or affecting Valley Water, in which an adverse determination could have a Material Adverse Effect.

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

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

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

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

(k) Tax-Exempt Status. Valley Water has not taken any action or omitted to take any action, and knows of no action taken or omitted to be taken by any other Person, which action, if taken or omitted, would adversely affect the exclusion of interest on the Tax-Exempt Commercial Paper Notes from gross income for Federal income tax purposes or the exemption of such interest from the State's personal income tax.

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

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

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

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

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

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

(r) Security. The Commercial Paper Notes and the Bank Note are 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, and are additionally secured by a pledge of Net Water Utility System Revenues, the Water Utility System Revenue

Fund, the Rate Stabilization Fund, the Special Purpose Funds, and all amounts on deposit in the Water Utility System Revenue Fund, the Rate Stabilization Fund, the Special Purpose Funds, on a subordinate basis to the Parity Obligations, all as and to the extent provided in the Issuing and Paying Agent Agreement. Additionally, Valley Water has pledged hereunder its Net Water Utility System Revenues, the Water Utility System Revenue Fund, the Rate Stabilization Fund, the Special Purpose Funds, and all amounts on deposit in the Water Utility System Revenue Fund, the Rate Stabilization Fund, the Special Purpose Funds, to the payment of all Reimbursement Obligations hereunder, subordinate only to Parity Obligations. All Obligations of Valley Water hereunder and under the Fee Letter other than Reimbursement Obligations are payable from Current Water Utility System Revenues in the Water Utility System Revenue Fund as Maintenance and Operation Costs in the payment priority described in Section 2.2(a) of the Water Utility Parity System Master Resolution. The Parity Obligations are the only Debt that is secured by and/or payable from Net Water Utility System Revenues on a basis senior to the Commercial Paper Notes and the Bank Note. The Subordinate Obligations (other than the Commercial Paper Notes and the Bank Note) are the only Debt that is secured by and/or payable from Net Water Utility System Revenues on a parity with the Commercial Paper Notes and the Bank Note. All Reimbursement Obligations hereunder are evidenced by the Bank Note. The Bank Note constitutes a “Bank Note” under the Issuing and Paying Agent Agreement. The Letter of Credit constitutes a “Liquidity Facility” under the Issuing and Paying Agent Agreement.

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

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

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

(v) Investment Company. Valley Water is not an “investment company” or a company “controlled” by an “investment company,” as such terms are defined in the Investment Company Act of 1940, as amended.

(w) Sanctions; Anti-Corruption.

(i) None of Valley Water or any member of its Board of Directors, officer, employee, agent, or affiliate of Valley Water is an individual or entity (“person”) that is, or is owned or controlled by persons that are: (i) the subject of any sanctions administered or enforced by the U.S. Department of the Treasury’s Office of Foreign Assets Control (“OFAC”), the U.S. Department of State, the United Nations Security Council, the

European Union, Her Majesty's Treasury, or other relevant sanctions authority (collectively, "Sanctions"), or (ii) located, organized or resident in a country or territory that is the subject of Sanctions (including, currently, Crimea, the so-called Luhansk People's Republic, the so-called Donetsk People's Republic, Cuba, Iran, North Korea and Syria).

(ii) Valley Water and the members of its Board of Directors, its officers and employees and, to the knowledge of Valley Water, the agents of Valley Water, are in compliance with all applicable Sanctions and with the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder (the "FCPA") and any other applicable anti-corruption law, in all material respects. Valley Water has instituted and maintain policies and procedures designed to promote and achieve continued compliance with applicable Sanctions, the FCPA and any other applicable anti-corruption laws.

## ARTICLE VI

### AFFIRMATIVE COVENANTS

Valley Water covenants and agrees that it will do the following unless and until the Letter of Credit shall have terminated and all Obligations shall have been paid in full, unless the Bank shall otherwise consent in writing:

#### Section 6.01. Financial Records.

(a) maintain financial records and furnish to the Bank as soon as available, but in any event not later than two hundred forty (240) days after the end of each fiscal year of Valley Water, audited financial statements of Valley Water prepared in accordance with generally accepted accounting principles for governmental entities consistently applied including (i) a balance sheet as of the end of each fiscal year, (ii) the related statements of operations and changes in equity, (iii) statements of cash flows for such fiscal year, setting forth in each case, in comparative form, the figures for the previous fiscal year, all certified and accompanied by an unqualified opinion of an independent certified public accounting firm to the effect that such audited financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis and fairly present the financial condition of Valley Water as at their date and the results of its operations for the period then ended. In addition, Valley Water shall provide to the Bank, concurrently with the financial statements described above, a certificate of an authorized representative of Valley Water (substantially in the form of Exhibit D hereto) to the effect that such person has reviewed Valley Water's obligations hereunder and under the other Related Documents and (x) demonstrating compliance with Section 6.21 hereof (substantially in the form of Schedule 2 to Exhibit D hereto) and stating that (y) no Default or Event of Default hereunder has occurred and is continuing and (z) no default or event of default has occurred under any other Related Document or, if for any reason such statements cannot be made, so stating and describing the relevant circumstances and what action Valley Water has taken or proposes to take with respect thereto;

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

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

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

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

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

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

Section 6.04. Reports to Trustees; Offering Memorandums. (a) Contemporaneously with the delivery to each "Trustee" (as defined in the Water Utility Parity System Master Resolution), Valley Water shall deliver to the Bank the reports described in Section 4.7 of the Water Utility



Parity System Master Resolution and, within ten (10) days after the initial sale or subsequent remarketing of any securities which constitute Debt of Valley Water, copies of all official statements or other offering memorandum prepared for or in connection with any such sale or remarketing transaction regarding such Debt of Valley Water.

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

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

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

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

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

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

Section 6.10. Use of Proceeds. Valley Water shall use the proceeds of the Commercial Paper Notes for the purposes set forth in the Resolutions and the other Related Documents.

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

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

Section 6.13. Dealer, Paying Agent and Other Agents. Valley Water shall immediately notify the Bank of any resignation of the Paying Agent or any of the Dealers. Valley Water shall at all times maintain one or more Dealers and a Paying Agent acceptable to the Bank pursuant to the terms of the Related Documents. Valley Water agrees to (x) instruct the Paying Agent to authenticate or deliver Commercial Paper Notes and (y) cause the applicable Dealers (subject to the terms of the applicable Dealer Agreements) to use their best efforts to sell Commercial Paper Notes, in each case, up to the Maximum CP Rate applicable to the Commercial Paper Notes in order to repay maturing Commercial Paper Notes. If a Dealer fails to perform its duties under a

Dealer Agreement or any Advance remains outstanding for a period of thirty (30) consecutive calendar days or any Dealer fails to sell Commercial Paper Notes, the proceeds of which are intended to be used to pay the Advance, after being directed to do so by Valley Water (subject to the provisions of the applicable Dealer Agreement) at the written direction of the Bank Valley Water shall cause the related Dealer (that has been unable to sell Commercial Paper Notes or fails to perform its duties) to be replaced with a Dealer satisfactory to the Bank within thirty (30) calendar days of the receipt of such written direction; provided that so long as the remaining Dealer(s) for the Commercial Paper Notes are satisfactory to the Bank, it shall be sufficient for Valley Water only to remove the Dealer that has been unable to sell rollover Commercial Paper Notes or fails to perform its duties. Each Dealer Agreement shall provide that the related Dealer may not resign until the earlier of (a) the related Dealer providing at least thirty (30) days' prior written notice to Valley Water, the Paying Agent and the Bank and (b) provided Valley Water has decided to replace the related Dealer with a new dealer, the date on which a successor dealer has been appointed and accepted its appointment; provided that upon mutual agreement between Valley Water and a Dealer that such Dealer may resign upon less than thirty (30) days' prior written notice to Valley Water, such shorter time period shall also be agreed to by the Bank.

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

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

Section 6.16. Investments. Promptly upon any change therein, Valley Water shall deliver to the Bank a copy of Valley Water's current Investment Policy.

Section 6.17. Substitution of Letter of Credit.

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

(b) Valley Water agrees that on the effective date of such Substitute Credit Facility or refinancing, redemption or defeasance, as the case may be, Valley Water shall

(i) pay in full all Reimbursement Obligations at par plus interest (at the applicable rate pursuant to the terms hereof, including the Bank Rate, the Term Loan Rate or Default Rate, as applicable) through the date repaid, whether through application of the proceeds of Commercial Paper Notes supported by such Substitute Credit Facility or other funds for such refinancing, redemption or defeasance, or otherwise, as the case may be, (ii) pay in full all other amounts due under this Agreement, the Fee Letter and the Bank Note (including, without limitation, all Excess Interest and unpaid interest thereon), and (iii) provide for the surrender (and cancellation) of the Letter of Credit to the Bank.

Section 6.18. Incorporation by Reference. Valley Water agrees that it will, for the benefit of the Bank, perform, comply with, abide by and be restricted by all of the agreements, covenants, obligations and undertakings of Valley Water contained in the Related Documents, which, together with the related definitions and ancillary provisions, are incorporated herein by reference and made a part hereof to the same extent with the same force and effect as if the same had been herein set forth in their entirety, and such agreements, covenants, obligations and undertakings will be deemed to continue in effect for the benefit of the Bank, without regard or giving effect to any amendment or modification of such provisions or any waiver of compliance therewith, no such amendment, modification or waiver to in any manner constitute an amendment, modification or waiver of the provisions thereof as incorporated herein except to the extent agreed to by the Bank in writing. In addition, Valley Water shall take all such action as may be reasonably requested by the Bank to strictly enforce the obligations under the Related Documents of each of the other parties thereto.

Section 6.19. Issuance of Commercial Paper Notes.

(a) Valley Water shall not instruct the Paying Agent to authenticate or deliver any Commercial Paper Note if, immediately after the authentication and delivery of, and receipt of payment for, such Commercial Paper Note, the aggregate principal amount of Commercial Paper Notes then to be Outstanding, together with interest to accrue thereon to maturity (including, Commercial Paper Notes the interest rate of which may vary, the maximum amount of interest thereon), would exceed the Stated Amount.

(b) Valley Water shall provide prior notice to the Bank of each issuance of Commercial Paper Notes by providing a copy of any advance notice delivered to the Paying Agent and/or the Dealers with respect to Valley Water's intent to instruct the Paying Agent to authenticate or deliver such Commercial Paper Notes.

(c) At any time that bond counsel delivers a final approving opinion with respect to the Commercial Paper Notes, Valley Water shall cause bond counsel to deliver to the Bank a letter from bond counsel authorizing the Bank to rely on such final approving opinion.

Section 6.20. Security Interests. (a) Valley Water shall at all times keep the Net Water Utility System Revenues and every part thereof free and clear of all pledges and security interests except the pledges granted in or permitted by the Resolutions and this Agreement and shall maintain the pledge of the Net Water Utility System Revenues to the Bank as a pledge of all right, title and interest of Valley Water in the Net Water Utility System Revenues and all rights of Valley Water to receive any amount of the Net Water Utility System Revenues, subject only to the

rights of the owners of the Commercial Paper Notes and any other “Commercial Paper Notes” (as defined in the Issuing and Paying Agent Agreement) outstanding under the Resolutions.

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

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

(ii) Valley Water shall not transfer or make any payments from the Water Utility System Revenues Fund for any other purpose of the Water Utility System or any other lawful purpose of Valley Water pursuant to Sections 2.2(h) and (i), respectively, of the Water Utility Parity System Master Resolutions unless Valley Water reasonably determines that (i) there will be at least sufficient Current Water Utility System Revenues to make the transfers in Sections 2.2(a), (b), (c), (d) and (e) of the Water Utility Parity System Master Resolution for the remainder of such Fiscal Year, (ii) there will be Net Water Utility System Revenues for the remainder of such Fiscal Year and after making all other transfers and payments from the Water Utility System Revenue Fund required under Sections 2.2(a), (b), and (c) of the Water Utility Parity System Master Resolution for the remainder of such Fiscal Year, equal to at least 1.25 times Parity Debt Service for the remainder of such Fiscal Year, and (iii) there will be Net Water Utility System Revenues remaining after payment of Parity Debt Service for the remainder of such Fiscal Year and after making all other transfers and payments from the Water Utility System Revenue Fund required under Sections 2.2(a), (b), (c), (d) and (e) of the Water Utility Parity System Master Resolution for the remainder of such Fiscal Year, equal to at least 1.10 times Subordinate Debt Service for the remainder of such Fiscal Year.

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

Section 6.21. Financial Covenants. (a) Valley Water shall maintain all financial covenants contained in Valley Water’s other Debt instruments, including but not limited to those contained in Section 4.9 of the Water Utility Parity System Master Resolution.

(b) To the fullest extent permitted by law, Valley Water will fix and prescribe rates, fees and charges for the Water Service at the commencement of each Fiscal Year, which, together with other Current Water Utility System Revenues or Net Water Utility System Revenues, as applicable, are reasonably expected to be at least sufficient to yield during each Fiscal Year (i) Current Water Utility System Revenues in an amount sufficient to meet the Maintenance and

Operation Costs and Parity Debt Service for the then current Fiscal Year, (ii) Net Water Utility System Revenues for such Fiscal Year and after making all other transfers and payments from the Water Utility System Revenue Fund required under Sections 2.2(a), (b), and (c) of the Water Utility Parity System Master Resolution for such Fiscal Year, shall be at least 1.25 times Parity Debt Service for such Fiscal Year, and (iii) Net Water Utility System Revenues remaining after payment of Parity Debt Service for such Fiscal Year and after making all other transfers and payments from the Water Utility System Revenue Fund required under Sections 2.2(a), (b), (c), (d) and (e) of the Water Utility Parity System Master Resolution for such Fiscal Year shall be at least 1.10 times Subordinate Debt Service for such Fiscal Year. Valley Water may make adjustments from time to time in such rates, fees and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates, fees and charges then in effect unless the Current Water Utility System Revenues or Net Water Utility System Revenues, as applicable, are reasonably expected to be sufficient to meet the requirements of this section.

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

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

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

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

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

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

Section 6.23. Book-Entry Eligibility. Valley Water covenants that at all times from and including the Closing Date until and including the Stated Expiration Date, Valley Water shall cause the Commercial Paper Notes to be eligible for, and to be registered with, DTC's book-entry delivery services and that such registration with DTC shall not be discontinued without the Bank's prior written consent.

Section 6.24. Sanctions; Anti-Corruption Laws. Valley Water will maintain in effect policies and procedures designed to promote compliance by Valley Water, the members of its Board of Directors and its officers, employees, and agents with applicable Sanctions and with the FCPA and any other applicable anti-corruption laws.

Section 6.25. Bond Counsel Opinion. On or prior to the first date following the Closing Date on which Commercial Paper Notes are issued, Valley Water shall cause to be delivered to the Bank (i) a copy of the final approving opinion of bond counsel delivered to Valley Water in respect of the Commercial Paper Notes, substantially in the form attached to the Offering Memorandum, and (ii) a letter from bond counsel authorizing the Bank to rely on the foregoing approving opinion.

## ARTICLE VII

### NEGATIVE COVENANTS

Unless and until the Letter of Credit shall have terminated and all Obligations shall have been paid in full, Valley Water shall not directly or indirectly do any of the following, unless the Bank shall have otherwise consented in writing:

Section 7.01. Amendments. Valley Water shall not consent to or amend, supplement, extend, modify, waive, revise or otherwise alter or terminate, or permit any party to amend, supplement, extend, modify, waive, revise or otherwise alter or terminate any Related Document.

Section 7.02. Arbitrage; Margin Stock. Valley Water shall not (i) invest the proceeds of the Tax-Exempt Commercial Paper Notes in any way that would violate the Code or cause the Tax-Exempt Commercial Paper Notes to be "arbitrage bonds," (ii) knowingly take any action or omit to take any action if such action or omission would adversely affect the exclusion of interest evidenced by the Tax-Exempt Commercial Paper Notes from gross income of the holders thereof for Federal income tax purposes or (iii) use, or permit the use of, the proceeds of any credit extension, whether directly or indirectly, and whether immediately, incidentally or ultimately, to

purchase or carry margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System) or to extend credit to others for the purpose of purchasing or carrying margin stock or to refund indebtedness originally incurred for such purpose, in each case in violation of, or for a purpose which violates, or would be inconsistent with, Regulation T, U or X of the Board of Governors of the Federal Reserve System.

Section 7.03. Dealers; Paying Agent. Without the prior written consent of the Bank, Valley Water shall not remove, appoint or permit the appointment of a successor Dealer or Paying Agent. The Bank shall respond to a written request for consent described in the foregoing sentence within thirty (30) days of its receipt of the same. Valley Water shall not take any action, or cause a Dealer or the Paying Agent to take any action under the Related Documents inconsistent with the rights of the Bank under this Agreement.

Section 7.04. Compliance with Laws. Valley Water shall not violate any law, rule, regulation, or governmental order to which it is subject, which violation could reasonably be expected to result in a Material Adverse Effect.

Section 7.05. Bank Information. Valley Water shall not include any information concerning the Bank in the Offering Memorandum or other offering document unless the Bank shall have approved in writing of the description of the Bank contained in such document or the Offering Memorandum.

Section 7.06. Immunity from Jurisdiction. To the fullest extent permitted by law, Valley Water shall not assert any immunity it may have as a public entity under the laws of the State of California from lawsuits with respect to this Agreement, the Fee Letter or any other Related Document. Any such suits shall be subject to all substantive and procedural requirements of California law.

Section 7.07. No Partial Substitution. Valley Water shall not permit a Substitute Credit Facility to become effective with respect to less than all of the Commercial Paper Notes without the prior written consent of the Bank.

Section 7.08. Subordinate Obligations. Valley Water shall not take any action which would result in the Obligations not being Subordinate Obligations ranking equal in right of payment with all other Subordinate Obligations of Valley Water. Valley Water shall not take any action which would result in any Debt other than the Parity Obligations being secured by or payable from Net Water Utility System Revenues on a basis senior to the Commercial Paper Notes and the Bank Note.

Section 7.09. Termination. Valley Water shall not, so long as any Loan, the Bank Note or any Obligations hereunder remain unpaid, terminate this Agreement or any other Related Document or replace this Agreement with a Substitute Credit Facility.

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



Section 7.11. Liens. Valley Water shall not, directly or indirectly, encumber, incur, create, suffer or assume or permit to exist any Lien on any Net Water Utility System Revenues which could reasonably be expected to materially adversely affect the interests, rights, remedies or security of the Bank under this Agreement and/or the Bank Note; provided, however, that nothing herein shall prevent Valley Water from incurring obligations secured by a pledge of Net Water Utility System Revenues on a basis subordinate to the Lien granted in support of the Commercial Paper Notes and the Bank Note.

Section 7.12. Application of Certificate Proceeds. (a) Valley Water shall not take or omit to take any action, which action or omission will in any way result in the proceeds from the sale of the Commercial Paper Notes being applied in a manner other than as provided in this Agreement and the Resolutions.

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

(c) Valley Water shall not take or omit to take any action, which action or omission will in any way result in the proceeds of any Loan being applied for any purpose other than to pay principal of and interest on Commercial Paper Notes on their respective maturity dates.

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

Section 7.14. Sanctions; Anti-Corruption Use of Proceeds. Valley Water will not, directly or indirectly, use the proceeds of any advance or extension of credit hereunder or under the Letter of Credit, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other Person, (i) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of the FCPA or any other applicable anti-corruption law, or (ii) (A) to fund any activities or business of or with any Person, or in any country or territory, that, at the time of such funding, is the subject of Sanctions, or (B) in any other manner that would result in a violation of Sanctions by any Person (including any Person participating in any advance or extension of credit hereunder or under the Letter of Credit, whether as the Bank, participant, underwriter, advisor, investor or otherwise).

## ARTICLE VIII

### EVENTS OF DEFAULT AND REMEDIES

Section 8.01. Events of Default. If any of the following events shall occur, each such event shall be an “Event of Default”:

(a) Valley Water shall fail to pay (i) any principal of or interest on any Loan or the Bank Note as and when due hereunder, (ii) any Letter of Credit Fee or (iii) any other Obligations (other than Obligations described in the foregoing clause (i) or (ii) of this Section 8.01(a)) within three (3) calendar days of when due hereunder or under the Fee Letter;

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

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

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

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

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

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

(h) any material provision of this Agreement or any of the Related Documents or the pledge of, lien on or security interest in the Net Water Utility System Revenues shall cease to be valid and binding, or Valley Water shall contest or repudiate any such provision, or Valley Water

or any agent or trustee on its behalf shall deny that it has any or further liability under this Agreement or any of the Related Documents to which it is a party;

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

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

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

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

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

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

(o) any provision of the District Act is repealed, reenacted, amended or otherwise modified (including, without limitation, by legislative or judicial action) or any other legislation is enacted, repealed, reenacted, amended or otherwise modified, and in the event of a repeal,

reenactment, amendment, modification or enactment, such repeal, reenactment, amendment, modification or enactment, in the sole judgment of the Bank, could reasonably be expected to result in a Material Adverse Effect; or Valley Water's existence shall terminate or dissolve;

(p) any Material Adverse Change or Material Adverse Effect shall have occurred and be continuing; or

(q) there shall be appointed or designated with respect to Valley Water, an entity such as an organization, board, commission, authority, agency or body to declare a financial emergency or similar state of financial distress with respect to it or there shall be declared by it or by any legislative or regulatory body with competent jurisdiction over it, the existence of a state of financial emergency or similar state of financial distress in respect of it.

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

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

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

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

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

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

## ARTICLE IX

### MISCELLANEOUS

Section 9.01. Amendments, Etc. No amendment or waiver of any provision or term of this Agreement, the Fee Letter or the Letter of Credit, and no consent to any departure by Valley Water or any other party therefrom, shall be effective unless in writing signed by the Bank

and Valley Water and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment to or waiver of any term or provision of any Related Document incorporated herein by reference shall have the effect of amending or otherwise modifying any corresponding term or provision incorporated into this Agreement unless the Bank has consented to such amendment or waiver, as applicable, in writing.

Section 9.02. Notices; Effectiveness; Electronic Communication.

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

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

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

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

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

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

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

Section 9.04. Liability of the Bank; Indemnification.

(a) Liability of Bank. Valley Water assumes all risks of the acts or omissions of each of the Paying Agent and the Dealers and their agents in respect of their use of this Agreement or any amounts made available by the Bank under the Letter of Credit. No Indemnitee (as hereinafter defined) shall be liable or responsible for: (i) the use which may be made of this Agreement or any amounts made available by the Bank under the Letter of Credit or for any acts or omissions of the Paying Agent or the Dealers or their agents in connection therewith; (ii) the validity, sufficiency or genuineness of documents, or of any endorsement(s) thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; (iii) the lack of validity or enforceability of this Agreement, the Commercial Paper Notes, the Related Documents or any other agreement or instrument relating thereto (other than the validity or enforceability as against the Bank of any agreement to which the Bank is a party); or (iv) any other circumstances whatsoever in making or failing to make payment under the Letter of Credit, except only that Valley Water shall have a claim against the Bank, and the Bank shall be liable to Valley Water to the extent, but only to the extent, of any direct, as opposed to consequential, damages suffered by Valley Water which Valley Water proves were solely and directly caused by the Bank's gross negligence or willful failure to make payment under the Letter of Credit in accordance with the terms hereof as determined by a final, non-appealable judgment from a court of competent jurisdiction. In furtherance and not in limitation of the foregoing, the Bank may accept documents that the Bank in good faith determines appear on their face to be in order, without responsibility

for further investigation, regardless of any notice or information to the contrary. Valley Water assumes all risks associated with the acceptance by the Bank of documents received by telecommunication, it being agreed that the use of telecommunication devices is for the benefit of Valley Water and that the Bank assumes no liabilities or risks with respect thereto.

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

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

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

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

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

Section 9.06. Successors and Assigns.

(a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that Valley Water may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Bank. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, participants to the extent provided in subsection (b) of this Section and, to the extent expressly contemplated hereby, the Related Parties of the Bank) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Participations. The Bank shall have the right to grant participations in the Letter of Credit to one or more banking institutions (each a "Participant"), and such Participants, so long as such Participant maintains a medium ESG rating, shall be entitled to the benefits of this Agreement, the Bank Note and any Related Documents, including, without limitation, Article III and Section 9.04 hereof, to the same extent as if they were a direct party hereto; provided, however, that no such participation by any such participant shall in any way affect the obligation of the Bank under the Letter of Credit; and provided further that no participant shall be entitled to any greater rights than those set forth in this Section 9.06(b).

(c) Limitations upon Participant Rights. No such participant shall be entitled to receive payment hereunder of any amount greater than the amount which would have been payable had the Bank not granted a participation to such Participant, unless the sale of the participation to such Participant is made with Valley Water's prior written consent.

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



Section 9.07. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other Related Documents constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or other electronic imaging means shall be effective as delivery of a manually executed counterpart of this Agreement.

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

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

Section 9.10. Governing Law; Consent to Jurisdiction, Venue and Service of Process.

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

(b) Pursuant to, and in accordance with, Section 5-1402 of the New York General Obligations Law (or any successor statute thereto), Valley Water and the Bank irrevocably (a) agree that any suit, action or other legal proceeding arising out of or relating to this Agreement or the Fee Letter may be brought in the nonexclusive jurisdiction of a court of record in the State of New York located in the Borough of Manhattan or in the United States District Court for the Southern District of the State of New York located in the Borough of Manhattan, (b) consent to the jurisdiction of each such court in any such suit, action or proceeding, and (c) waive any objection which it may have to the laying of venue of any such suit, action or proceeding in any of such courts and any claim that any such suit, action or proceeding has been brought in an inconvenient forum. Valley Water and the Bank also irrevocably consent to the service of any and

all process in any such action or proceeding by the mailing of copies of such process to the respective address set forth for such party in Section 9.02(a) hereof. The Bank also (a) agrees that any suit, action or other legal proceeding arising out of or relating to this Agreement or the Fee Letter may be brought in the nonexclusive jurisdiction of a court of record in the State, (b) consents to the jurisdiction of each such court in any such suit, action or proceeding, and (c) waives any objection which it may have to the laying of venue of any such suit, action or proceeding in any of such courts and any claim that any such suit, action or proceeding has been brought in an inconvenient forum. Valley Water and the Bank agree that a final judgment in any suit, action or proceeding shall be conclusive and may be enforced in appropriate jurisdictions by suit on the judgment or in any other manner provided by law. All mailings under this Section 9.10(b) shall be by certified mail, return receipt requested.

Nothing in this Section 9.10(b) shall affect the right of the Bank to serve legal process in any other manner permitted by law or affect the right of the Bank to bring any suit, action or proceeding against Valley Water or its property in the courts of any other jurisdiction.

Section 9.11. Waiver of Jury Trial; Judicial Reference. (a) EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER RELATED DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). IF AND TO THE EXTENT THAT THE FOREGOING WAIVER OF THE RIGHT TO A JURY TRIAL IS UNENFORCEABLE FOR ANY REASON IN SUCH FORUM, VALLEY WATER AND THE BANK HEREBY CONSENT TO THE ADJUDICATION OF ANY AND ALL CLAIMS PURSUANT TO JUDICIAL REFERENCE AS PROVIDED IN CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 638, AND THE JUDICIAL REFEREE SHALL BE EMPOWERED TO HEAR AND DETERMINE ANY AND ALL ISSUES IN SUCH REFERENCE WHETHER FACT OR LAW. EACH PARTY HERETO (I) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (II) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER RELATED DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

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

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

Section 9.14. Government Regulations.

(a) USA Patriot Act. The Bank hereby notifies Valley Water that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the “Patriot Act”), it is required to obtain, verify and record information that identifies Valley Water, which information includes the name and address of Valley Water and other information that will allow the Bank to identify Valley Water in accordance with the Patriot Act. Valley Water shall, promptly following a request by the Bank, provide all documentation and other information that the Bank reasonably requests in order to comply with its ongoing obligations under applicable law or regulation, including, without limitation, “know your customer” and anti-money laundering rules and regulations, including the Patriot Act, and shall comply, and cause any of its subsidiaries to comply, with all applicable Bank Secrecy Act (“BSA”) laws and regulations, as amended.

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

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

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

- (a) any lack of validity or enforceability of this Agreement, the Fee Letter, the Letter of Credit or, to the extent permitted by law, the Commercial Paper Notes, the Resolutions or any other Related Document;
- (b) any amendment or waiver of or any consent to departure from the terms of the Resolutions or all or any of the other Related Documents to which the Bank has not consented in writing;
- (c) the existence of any claim, counterclaim, set-off, recoupment, defense, or other right which any Person may have at any time against the Bank, Valley Water, the Paying Agent, the Dealers, or any other Person, whether in connection with this Agreement, the Resolutions, the other Related Documents, or any other transaction related thereto;
- (d) any statement or any other document presented pursuant hereto or pursuant to the Letter of Credit which the Bank in good faith determines to be valid, sufficient or genuine and which subsequently proves to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever;
- (e) payment by the Bank of a Drawing against presentation of a request which the Bank in good faith determines to be valid, sufficient or genuine and which subsequently is found not to comply with the terms of the Letter of Credit or this Agreement;
- (f) the Bank or any of its branches or affiliates being the beneficiary of the Letter of Credit;
- (g) the Bank or any correspondent honoring a drawing against a Payment Document up to the Stated Amount of the Letter of Credit even if such Payment Document claims an amount in excess of the Stated Amount of the Letter of Credit;
- (h) the Bank or any correspondent having previously paid against fraudulently signed or presented Payment Documents (whether or not Valley Water shall have reimbursed the Bank for such Drawing); and
- (i) any other circumstances or happening whatsoever whether or not similar to any of the foregoing.

Section 9.17. Expenses and Taxes. Valley Water will promptly pay (i) the reasonable fees and expenses of counsel to the Bank incurred in connection with the preparation, execution, delivery, and administration of this Agreement and the other Related Documents, (ii) the reasonable out-of-pocket expenses of the Bank incurred in connection with the preparation, execution, delivery, and administration of this Agreement and the other Related Documents, (iii) the reasonable fees and disbursements of counsel to the Bank with respect to advising such

Bank as to the rights and responsibilities under this Agreement and the Fee Letter, and (iv) all costs and expenses, if any, in connection with any amendment or the enforcement of this Agreement, the Fee Letter and any other documents which may be delivered in connection herewith or therewith, including in each case the fees and disbursements of counsel to the Bank. In addition, Valley Water shall pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing, and recording of this Agreement and the security contemplated by the Related Documents and any Related Documents and agrees to hold the Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees. In addition, Valley Water agrees to pay, after the occurrence of an Event of Default, all costs and expenses (including attorneys' fees and costs of settlement) incurred by the Bank in enforcing any obligations or in collecting any payments due from Valley Water hereunder or under the Fee Letter by reason of such Event of Default or in connection with any refinancing or restructuring of the credit arrangements provided under this Agreement in the nature of a "workout" or of any insolvency or bankruptcy proceedings. The obligations of Valley Water under this Section 9.17 shall survive the termination of this Agreement.

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

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

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

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

Section 9.22. Redactions. In the event Valley Water delivers or permits, authorizes or consents to the delivery of this Agreement and the Letter of Credit (including without limitation any amendments hereto and thereto) to a Dealer or any other Person for delivery to the Municipal

Securities Rulemaking Board pursuant to Rule G-34 of the Municipal Securities Rulemaking Commission (“Rule G-34”), Valley Water shall cooperate with the Bank to provide for the redaction of information permitted to be redacted under Rule G-34. Upon reasonable written request from a Dealer or Valley Water, the Bank agrees to use commercially reasonable efforts to provide copies of amendments, extensions and modifications of this Agreement and the Letter of Credit that a Dealer is required to file in accordance with Rule G-34(c), other than information which is permitted to be redacted in accordance with such Rule. Without the consent of the Bank, Valley Water will not make available the Fee Letter for filing pursuant to Rule G-34(c).

[SIGNATURE PAGES TO FOLLOW]

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

SANTA CLARA VALLEY WATER DISTRICT

Attest:

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

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

SUMITOMO MITSUI BANKING  
CORPORATION,  
acting through its New York Branch

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



**SCHEDULE I**

**CERTAIN ADDRESSES FOR NOTICES**

**DISTRICT:**

Santa Clara Valley Water District

[  
]  
[  
]

**BANK:**

For all notices:

Sumitomo Mitsui Banking Corporation, acting through its New York Branch  
277 Park Avenue  
New York, New York 10172  
Attention: General Manager - Public and Infrastructure Finance Group  
Telephone: (212) 224-4000  
Facsimile: (212) 224-5227  
Reference: SCVWD - Letter of Credit No. LG/MIS/NY-[  
]

For draws under the Letter of Credit:

Sumitomo Mitsui Banking Corporation, acting through its New York Branch  
277 Park Avenue, 6th Floor  
New York, New York 10172  
Attention: Trade Credit Services Department  
Telephone: (212) 224 4310  
Facsimile: (212) 224-4566

With a copy to:

Sumitomo Mitsui Banking Corporation, acting through its New York Branch  
277 Park Avenue  
New York, New York 10172  
Attention: General Manager - Public and Infrastructure Finance Group  
Telephone: (212) 224-4000  
Facsimile: (212) 224-5227  
Reference: SCVWD - Letter of Credit No. LG/MIS/NY-[  
]

**PAYING AGENT:**

U.S. Bank Trust Company, National Association

[  
]  
[  
]

**DEALERS:**

Barclays Capital Inc.

[  
\_\_\_\_\_]  
\_\_\_\_\_]

With a copy to:

Barclays Capital Inc.

[  
\_\_\_\_\_]  
\_\_\_\_\_]

BofA Securities, Inc.

[  
\_\_\_\_\_]  
\_\_\_\_\_]

J.P. Morgan Securities LLC

[  
\_\_\_\_\_]  
\_\_\_\_\_]

**EXHIBIT A**

**FORM OF LETTER OF CREDIT**

**SUMITOMO MITSUI BANKING CORPORATION,  
ACTING THROUGH ITS NEW YORK BRANCH  
277 PARK AVENUE  
NEW YORK, NY 10172  
ATTN: TRADE CREDIT SERVICES DEPARTMENT,  
FAX: 212-224-4566**

**IRREVOCABLE TRANSFERABLE DIRECT-PAY LETTER OF CREDIT  
NO. LG/MIS/NY-[\_\_\_\_\_]**

December 9, 2024

U.S. Bank Trust Company, National Association, as Paying Agent

[\_\_\_\_\_  
\_\_\_\_\_]

Ladies and Gentlemen:

1. At the request and for the account of our customer the Santa Clara Valley Water District (“Valley Water”), which has or will cause the issuance of the Santa Clara Valley Water District Commercial Paper Notes, Series A (Tax-Exempt) and Series B (Taxable) (collectively, the “Commercial Paper Notes”), Sumitomo Mitsui Banking Corporation, acting through its New York Branch (the “Bank”), hereby establishes, in favor of U.S. Bank Trust Company, National Association, as issuing and paying agent (the “Paying Agent”) acting for the benefit of the holders of the Commercial Paper Notes pursuant to that certain Issuing and Paying Agent Agreement (as amended, supplemented, restated and otherwise modified from time to time, the “Issuing and Paying Agent Agreement”) dated as of December 1, 2024, between Valley Water and the Paying Agent, pursuant to which the Commercial Paper Notes have been or will be issued from time to time, and pursuant to that certain Reimbursement Agreement, dated as of December 1, 2024 (as amended, supplemented or restated from time to time the “Reimbursement Agreement”), by and between Valley Water and the Bank, this Irrevocable Transferable Direct-Pay Letter of Credit (this “Letter of Credit”) in the maximum available amount of Two Hundred Sixty-Eight Million Seven Hundred Fifty Thousand Dollars (\$268,750,000) (calculated as the sum of the maximum principal amount of the Commercial Paper Notes, in an amount equal to \$250,000,000, plus interest thereon in an amount equal to \$18,750,000 (calculated at the maximum rate of ten percent (10%) per annum for a period of two hundred and seventy (270) days and based upon a year of three hundred sixty (360) days), hereinafter, as reduced or reinstated from time to time in accordance with the provisions hereof, the “Stated Amount”), which may be drawn upon by the Paying Agent to pay the unpaid principal amount of Commercial Paper Notes on their respective stated maturity dates, together with accrued and unpaid interest thereon. The Stated Amount may be permanently

reduced from time to time in accordance with paragraph 6 hereof. The Stated Amount of this Letter of Credit will be permanently reduced to the amount set forth on an Annex (Permanent Reduction of the Stated Amount of Letter of Credit) in the form of Annex B hereto from time to time delivered by you to the Bank; provided, however, that in no event shall the Stated Amount of this Letter of Credit be reduced to an amount less than the then outstanding principal amount of all Commercial Paper Notes outstanding plus all interest due on the stated maturity date thereof. Drawings (as herein defined) shall be made on or prior to the date any sum is due on the Commercial Paper Notes; provided that the Bank is not obligated to honor such Drawings until the respective stated maturity dates of such Commercial Paper Notes.

2. This Letter of Credit shall expire at 5:00 p.m. New York City time on the date (the “Termination Date”) which is the earliest to occur of: (a) December 9, 2029 (the “Stated Expiration Date”), as such date may be extended in a Notice of Extension from the Bank to the Paying Agent and Valley Water in the form attached hereto as Annex F; (b) the date of payment of a Drawing, not subject to reinstatement, which when added to all other Drawings honored hereunder which were not subject to reinstatement as provided herein, in the aggregate equals the Stated Amount on the date of issuance hereof as adjusted pursuant to the terms and conditions of this Letter of Credit; (c) the date on which the Bank receives a termination certificate signed by your duly authorized officer in the form of Annex C attached hereto appropriately completed (after we honor any properly presented and conforming Drawing, if any, on such date); (d) the date on which the Bank receives a termination certificate signed by your duly authorized officer in the form of Annex D attached hereto appropriately completed; or (e) the earlier of (i) the 15th calendar day (or if such date is not a Business Day, the immediately succeeding Business Day) after the date on which you receive notice from us in the form of Annex H-1 hereto (the “Final Drawing Notice”), and (ii) the date on which the Drawing (in the form of Annex H-2 hereto) resulting from the delivery of the Final Drawing Notice is honored hereunder. All Drawings hereunder shall be paid from immediately available funds of the Bank.

3. Funds under this Letter of Credit are available to you against your presentation of a drawing certificate in the form of Annex A or Annex H-2 hereto (a “Drawing”) which shall be made by facsimile to: Sumitomo Mitsui Banking Corporation, acting through its New York Branch, at facsimile number (212)224-4566, Attention: Trade Credit Services Department or at any other number or numbers which may be designated by the Bank by written notice delivered to you. Each Drawing so presented shall have all blanks appropriately filled in and shall be signed by a person who purports to be an authorized officer of the Paying Agent and each of the aforesaid certificates shall be either in the form of a letter on the letterhead of the Paying Agent or a communication by telecopy delivered or transmitted to the Bank. Any telecopy pursuant to which a Drawing is made hereunder shall be promptly confirmed by you to us by telephone (telephone number: ([ ]) [ ]-[ ]) or alternatively to ([ ]) [ ]-[ ]) (but such notice shall not be a condition to drawing hereunder and you shall have no liability for not doing so).

4. The Bank hereby agrees with you that, to the extent of its liability as provided herein, all demands for payment made under and in compliance with the terms of this Letter of Credit will be duly honored upon delivery or transmission of the certificate as specified in paragraph 3 hereof and if presented at the aforesaid office on or before the Termination Date. If a Drawing is made by you hereunder at or prior to 11:00 a.m., New York City time, on a Business Day and such Drawing conforms to the terms and conditions hereof, payment shall be made in the

amount specified in such Drawing in immediately available funds, no later than 1:30 p.m., New York City time, on the same Business Day. If a Drawing is made by you hereunder after 11:00 a.m., New York City time, on a Business Day and such Drawing conforms to the terms and conditions hereof, payment shall be made of the amount specified in such Drawing, in immediately available funds, not later than 1:30 p.m., New York City time, on the next succeeding Business Day. Payment under this Letter of Credit shall be made by the Bank by wire transfer of immediately available funds to U.S. Bank Trust Company, National Association, [\_\_\_\_\_]. Such account may be changed only by presentation to the Bank of a letter in form satisfactory to the Bank specifying a different account with the Paying Agent and executed by the Paying Agent. As used in this Letter of Credit, "Business Day" shall mean a day on which (a) banks located in Los Angeles, California, in New York, New York and in each of the cities in which the principal offices of the Paying Agent, the Bank and the Dealers (as defined in the Reimbursement Agreement) are located and the office of the Bank for Drawings hereunder (initially, New York, New York) are not required or authorized by law or executive order to close for business, and (b) The New York Stock Exchange is not closed.

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

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

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

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

9. (a) Upon our receipt of a termination certificate in the form of Annex D hereto indicating that all Commercial Paper Notes are wholly defeased or otherwise no longer outstanding

and that Valley Water does not intend to instruct the Paying Agent to authenticate or deliver any additional Commercial Paper Notes, this Letter of Credit shall expire as provided in paragraph 2(d) hereof. In connection with the termination of this Letter of Credit, this Letter of Credit shall be returned to us and marked “cancelled”.

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

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

11. Except as expressly stated herein, this Letter of Credit is governed by, and construed in accordance with, the terms of the International Standby Practices 1998, International Chamber of Commerce Publication No. 590 (the “ISP98”). As to matters not governed by ISP98, this Letter of Credit shall be governed by and construed in accordance with the laws of the State of New York, including, without limitation, the Uniform Commercial Code as in effect in the State of New York, without regard to conflict of laws. Unless otherwise specified herein, communications with respect to this Letter of Credit shall be in writing and shall be addressed to the Bank at Sumitomo Mitsui Banking Corporation, acting through its New York Branch, 277 Park Avenue, New York, NY 10172, Attn: Trade Credit Services Department, specifically referring to the number of this Letter of Credit. For telephone assistance, please contact the Bank at ([\_\_\_\_]) [\_\_\_\_]-[\_\_\_\_], and have the Letter of Credit number available. Any communication to the Bank (other than Drawings) shall be in writing delivered to the Bank at the address set forth in this paragraph 11 hereof.

12. This Letter of Credit is transferable in whole only to your successor as Paying Agent. Any such transfer (including any successive transfer) shall be subject to the Bank’s receipt of a signed transfer request signed by the transferor and by the transferee in the form of Annex E hereto together with the original Letter of Credit. Transfers to designated foreign nationals and/or specifically designated nationals are not permitted as being contrary to the U.S. Treasury Department or Foreign Assets Control Regulations. Upon our endorsement of such transfer, the transferee instead of the transferor shall, be entitled to all the benefits of and rights under this Letter of Credit in the transferor’s place; provided that, in such case, any certificates of the Paying Agent to be provided hereunder shall be signed by one who states therein that he is a duly authorized officer of the transferee.

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

Very truly yours,

SUMITOMO MITSUI BANKING  
CORPORATION, acting through its New York  
Branch, as the Bank

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

**ANNEX A TO  
SUMITOMO MITSUI BANKING CORPORATION,  
ACTING THROUGH ITS NEW YORK BRANCH  
IRREVOCABLE TRANSFERABLE DIRECT-PAY LETTER OF CREDIT  
NO. LG/MIS/NY-[\_\_\_\_\_]**

[Date]

Sumitomo Mitsui Banking Corporation, acting through its New York Branch  
277 Park Avenue  
New York, NY 10172  
Attention: Trade Credit Services Department

Re: Drawing Certificate

Ladies and Gentlemen:

U.S. Bank Trust Company, National Association (the “Paying Agent”) hereby certifies to Sumitomo Mitsui Banking Corporation, acting through its New York Branch (the “Bank”), with reference to Irrevocable Transferable Direct-Pay Letter of Credit No. LG/MIS/NY-[\_\_\_\_\_], dated December 9, 2024 (the “Letter of Credit”; any other capitalized terms used herein and not defined herein having their respective meanings set forth in the Letter of Credit or the therein defined Reimbursement Agreement, as the case may be), issued by the Bank in favor of the Paying Agent pursuant to the Reimbursement Agreement that:

1. The Paying Agent is the Paying Agent under the Issuing and Paying Agent Agreement, and is acting as agent for the owners of Commercial Paper Notes.
2. The Paying Agent is making a drawing under the Letter of Credit with respect to payment of the principal amount of, and interest on, the Commercial Paper Notes due on \_\_\_\_\_.
3. The amount demanded hereby is \$\_\_\_\_\_ (of which \$\_\_\_\_\_ represents the principal amount and \$\_\_\_\_\_ represents the interest amount), to be used for payment of principal of, and interest on, the Commercial Paper Notes. Said amount does not exceed the amounts permitted to be drawn under the Letter of Credit in accordance with the Letter of Credit.
4. The amount demanded hereunder was computed in accordance with the terms and conditions of the Commercial Paper Notes and the Issuing and Paying Agent Agreement.
5. The amount demanded hereby does not include any amount in respect of the Commercial Paper Notes registered in the name of Valley Water or, to the best



knowledge of the Paying Agent, any nominee for or any Person who owns such Commercial Paper Notes for the benefit of Valley Water.

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

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

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

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

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

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

cc: Santa Clara Valley Water District

**ANNEX B TO  
SUMITOMO MITSUI BANKING CORPORATION,  
ACTING THROUGH ITS NEW YORK BRANCH  
IRREVOCABLE TRANSFERABLE DIRECT-PAY LETTER OF CREDIT  
NO. LG/MIS/NY-[\_\_\_\_\_]**

[Date]

Sumitomo Mitsui Banking Corporation, acting through its New York Branch  
277 Park Avenue  
New York, NY 10172  
Attention: Trade Credit Services Department

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

Ladies and Gentlemen:

U.S. Bank Trust Company, National Association (the “Paying Agent”) hereby certifies to Sumitomo Mitsui Banking Corporation, acting through its New York Branch (the “Bank”), with reference to Irrevocable Transferable Direct-Pay Letter of Credit No. LG/MIS/NY-[\_\_\_\_\_], dated December 9, 2024

(the “Letter of Credit”; any other capitalized terms used herein and not defined herein having their respective meanings set forth in the Letter of Credit or the therein defined Reimbursement Agreement, as the case may be), issued by the Bank in favor of the Paying Agent that:

1. The Paying Agent is the Paying Agent under the Issuing and Paying Agent Agreement, and is acting as the agent for the owners of the Commercial Paper Notes.
2. The Paying Agent hereby notifies you that on or prior to the date hereof Valley Water has determined that the Stated Amount of the Letter of Credit shall be permanently reduced to \$\_\_\_\_\_ (of which \$\_\_\_\_\_ represents the principal amount and \$\_\_\_\_\_ represents the interest amount).
3. The Paying Agent hereby confirms that the aggregate principal amount of Commercial Paper Notes outstanding, together with the aggregate interest payable on such principal amount of such Commercial Paper Notes outstanding, as of the date hereof, does not exceed the Stated Amount of the Letter of Credit as so reduced.
4. If any Commercial Paper Notes are outstanding as of the date of this Annex B, Valley Water has informed us that it will not instruct the Paying Agent to authenticate or deliver additional Commercial Paper Notes unless after the issuance of such additional Commercial Paper Notes the aggregate principal amount of Commercial Paper Notes

outstanding, together with the aggregate interest payable thereon, shall be no greater than the Stated Amount of the Letter of Credit, as so permanently reduced pursuant to this Annex B.

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

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

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

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

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

cc: Santa Clara Valley Water District  
Barclays Capital, Inc.  
BofA Securities, Inc.  
J.P. Morgan Securities LLC

**ANNEX C TO  
SUMITOMO MITSUI BANKING CORPORATION,  
ACTING THROUGH ITS NEW YORK BRANCH  
IRREVOCABLE TRANSFERABLE DIRECT-PAY LETTER OF CREDIT  
NO. LG/MIS/NY-[\_\_\_\_\_]**

[Date]

Sumitomo Mitsui Banking Corporation, acting through its New York Branch  
277 Park Avenue  
New York, NY 10172  
Attention: Trade Credit Services Department

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

Ladies and Gentlemen:

U.S. Bank Trust Company, National Association (the “Paying Agent”) hereby certifies to Sumitomo Mitsui Banking Corporation, acting through its New York Branch (the “Bank”), with reference to Irrevocable Transferable Direct-Pay Letter of Credit No. LG/MIS/NY-[\_\_\_\_\_], dated December 9, 2024 (the “Letter of Credit”; any other capitalized terms used herein and not defined herein having their respective meanings set forth in the Letter of Credit or the therein defined Reimbursement Agreement, as the case may be), issued by the Bank in favor of the Paying Agent that:

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

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

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

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

cc: Santa Clara Valley Water District

**ANNEX D TO  
SUMITOMO MITSUI BANKING CORPORATION,  
ACTING THROUGH ITS NEW YORK BRANCH  
IRREVOCABLE TRANSFERABLE DIRECT-PAY LETTER OF CREDIT  
NO. LG/MIS/NY-[\_\_\_\_\_]**

[Date]

Sumitomo Mitsui Banking Corporation, acting through its New York Branch  
277 Park Avenue  
New York, NY 10172  
Attention: Trade Credit Services Department

Re: Termination of Letter of Credit (No Commercial Paper Notes Outstanding)

Ladies and Gentlemen:

U.S. Bank Trust Company, National Association (the “Paying Agent”) hereby certifies to Sumitomo Mitsui Banking Corporation, acting through its New York Branch (the “Bank”), with reference to Irrevocable Transferable Direct-Pay Letter of Credit No. LG/MIS/NY-[\_\_\_\_\_], dated December 9, 2024 (the “Letter of Credit”; any other capitalized terms used herein and not defined herein having their respective meanings set forth in the Letter of Credit or the therein defined Reimbursement Agreement, as the case may be), issued by the Bank in favor of the Paying Agent that:

1. The Paying Agent is the Paying Agent under the Issuing and Paying Agent Agreement.
2. All the Commercial Paper Notes are wholly defeased or no Commercial Paper Notes remain outstanding under the Issuing and Paying Agent Agreement.
3. Valley Water has notified us that it does not intend to instruct the Paying Agent to authenticate or deliver any additional Commercial Paper Notes and desires to terminate this Letter of Credit in accordance with terms of the Reimbursement Agreement.
4. Upon receipt by the Bank of this Annex D, the Letter of Credit shall terminate as provided in paragraph 2(d) of the Letter of Credit.
5. Accompanying this Annex D is the Letter of Credit, marked “cancelled”.
6. The undersigned is the duly authorized officer of the Paying Agent.

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

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

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

cc: Santa Clara Valley Water District



**ANNEX E TO  
SUMITOMO MITSUI BANKING CORPORATION,  
ACTING THROUGH ITS NEW YORK BRANCH  
IRREVOCABLE TRANSFERABLE DIRECT-PAY LETTER OF CREDIT  
NO. LG/MIS/NY-[\_\_\_\_\_]**

[Date]

Sumitomo Mitsui Banking Corporation, acting through its New York Branch  
277 Park Avenue  
New York, NY 10172  
Attention: Trade Credit Services Department

Re: Termination of Irrevocable Transferable Direct-Pay  
Letter of Credit No. LG/MIS/NY-[\_\_\_\_\_ ] dated December 9, 2024

Ladies and Gentlemen:

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

NAME OF TRANSFEREE

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

ADDRESS OF TRANSFEREE

\_\_\_\_\_  
\_\_\_\_\_

CITY, STATE/COUNTRY ZIP

\_\_\_\_\_

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

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

The original Letter of Credit, including amendments to this date, is attached and the undersigned Transferor requests that you endorse an acknowledgment of this transfer on the

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

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

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

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

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

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

(Signature Page Follows)

Sincerely yours,

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

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

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

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

**SIGNATURE GUARANTEED**

Signature(s) with title(s) conform(s) with that/those on file with us for this individual, entity or company and signer(s) is/are authorized to execute this agreement

\_\_\_\_\_  
(Print Name of Bank)

\_\_\_\_\_  
(Address of Bank)

\_\_\_\_\_  
(City, State, Zip Code)

\_\_\_\_\_  
(Print Name and Title of Authorized Signer)

\_\_\_\_\_  
(Authorized Signature)

\_\_\_\_\_  
(Telephone Number)

\_\_\_\_\_  
(Date)

Acknowledged:

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

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

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

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

**SIGNATURE GUARANTEED**

Signature(s) with title(s) conform(s) with that/those on file with us for this individual, entity or company and signer(s) is/are authorized to execute this agreement

\_\_\_\_\_  
(Print Name of Bank)

\_\_\_\_\_  
(Address of Bank)

\_\_\_\_\_  
(City, State, Zip Code)

\_\_\_\_\_  
(Print Name and Title of Authorized Signer)

\_\_\_\_\_  
(Authorized Signature)

\_\_\_\_\_  
(Telephone Number)

\_\_\_\_\_  
(Date)

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

SUMITOMO MITSUI BANKING  
CORPORATION, acting through its New York  
Branch

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

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

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

cc: Santa Clara Valley Water District

**ANNEX F TO  
SUMITOMO MITSUI BANKING CORPORATION,  
ACTING THROUGH ITS NEW YORK BRANCH  
IRREVOCABLE TRANSFERABLE DIRECT-PAY LETTER OF CREDIT  
NO. LG/MIS/NY-[\_\_\_\_\_]**

[Date]

U.S. Bank Trust Company, National Association, as Paying Agent

[\_\_\_\_\_]
[\_\_\_\_\_]

Re: Notice of Extension

Ladies and Gentlemen:

We refer to the Irrevocable Transferable Direct-Pay Letter of Credit No. LG/MIS/NY-[\_\_\_\_\_] (the "Letter of Credit") of Sumitomo Mitsui Banking Corporation, acting through its New York Branch. Any capitalized term used herein and not defined herein shall have its respective meaning as set forth in the Letter of Credit

The Stated Expiration Date is extended from \_\_\_\_\_ to \_\_\_\_\_.

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

Very truly yours,

SUMITOMO MITSUI BANKING  
CORPORATION, acting through its New York  
Branch

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

cc: Santa Clara Valley Water District  
Barclays Capital, Inc.  
BofA Securities, Inc.  
J.P. Morgan Securities LLC

**ANNEX G TO  
SUMITOMO MITSUI BANKING CORPORATION,  
ACTING THROUGH ITS NEW YORK BRANCH  
IRREVOCABLE TRANSFERABLE DIRECT-PAY LETTER OF CREDIT  
NO. LG/MIS/NY-[\_\_\_\_\_]**

[Date]

U.S. Bank Trust Company, National Association, as Paying Agent

[\_\_\_\_\_  
\_\_\_\_\_]

Re: Event of Default under Reimbursement Agreement

Ladies and Gentlemen:

The undersigned, authorized officer of Sumitomo Mitsui Banking Corporation, acting through its New York Branch (the “Bank”) with reference to that certain Irrevocable Transferable Direct-Pay Letter of Credit No. LG/MIS/NY-[\_\_\_\_\_], dated December 9, 2024 (the “Letter of Credit”; any capitalized term used herein and not defined shall have its respective meaning as set forth in the Letter of Credit or the therein defined Reimbursement Agreement, as the case may be), issued by the Bank in favor of U.S. Bank Trust Company, National Association, as Paying Agent, hereby certify that:

1. There exists an Event of Default under Section \_\_\_\_ of the Reimbursement Agreement and such Event of Default is continuing.
2. Upon receipt by you of this Annex G you are notified (i) that the Stated Amount of the Letter of Credit shall be permanently reduced to \$\_\_\_\_\_, representing the principal amount of Commercial Paper Notes currently outstanding and interest thereon, and shall be further permanently reduced following the maturity of any such Commercial Paper Notes and (ii) that the Stated Amount shall no longer be reinstated following any Drawings.

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

SUMITOMO MITSUI BANKING CORPORATION, acting through its New York Branch, as the Bank

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

cc: Santa Clara Valley Water District

**ANNEX H-1 TO  
SUMITOMO MITSUI BANKING CORPORATION,  
ACTING THROUGH ITS NEW YORK BRANCH  
IRREVOCABLE TRANSFERABLE DIRECT-PAY LETTER OF CREDIT  
NO. LG/MIS/NY-[\_\_\_\_\_]**

[Date]

U.S. Bank Trust Company, National Association, as Paying Agent

[\_\_\_\_\_  
\_\_\_\_\_]

Re: Final Drawing Notice

Ladies and Gentlemen:

Reference is made to Irrevocable Transferable Direct-Pay Letter of Credit No. LG/MIS/NY-[\_\_\_\_\_], dated December 9, 2024 (the “Letter of Credit”; established by Sumitomo Mitsui Banking Corporation, acting through its New York Branch (the “Bank”) in your favor as Beneficiary and as Paying Agent, and at the request of the account party, the Santa Clara Valley Water District (“Valley Water”), any other capitalized terms used herein and not defined herein having their respective meanings set forth in the Letter of Credit or the therein defined Reimbursement Agreement, as the case may be).

Please be advised that:

(1) An Event of Default under and as defined in the Reimbursement Agreement has occurred and is continuing.

(2) The Bank hereby instructs the Paying Agent, effective upon receipt of this Final Drawing Notice, to cease issuing Commercial Paper Notes.

(3) The Bank hereby notifies the Paying Agent that (i) effective upon receipt of this Final Drawing Notice, the Stated Amount available to be drawn under the Letter of Credit will not be reinstated in accordance with the Letter of Credit, (ii) the Paying Agent is instructed to make the final Drawing under the Letter of Credit to provide for the payment of Commercial Paper Notes issued in accordance with the Issuing and Paying Agent Agreement which are outstanding and are maturing or are hereafter to mature, and (iii) the Termination Date of the Letter of Credit will occur and the Letter of Credit will expire on the earlier of (a) date which is the 15th calendar day (or if such date is not a Business Day, the immediately succeeding Business Day) after the date of receipt by the Paying Agent of this notice, and (b) the date on which the Drawing resulting from the delivery of this notice is honored by us.



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

SUMITOMO MITSUI BANKING CORPORATION, acting through its New York Branch, as the Bank

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

cc: Santa Clara Valley Water District

**ANNEX H-2 TO  
SUMITOMO MITSUI BANKING CORPORATION,  
ACTING THROUGH ITS NEW YORK BRANCH  
IRREVOCABLE TRANSFERABLE DIRECT-PAY LETTER OF CREDIT  
NO. LG/MIS/NY-[\_\_\_\_\_]**

[Date]

Sumitomo Mitsui Banking Corporation, acting through its New York Branch  
277 Park Avenue  
New York, NY 10172  
Attention: Trade Credit Services Department

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

Ladies and Gentlemen:

The undersigned, a duly authorized officer of the undersigned Paying Agent (the “Paying Agent”), hereby certifies to Sumitomo Mitsui Banking Corporation, acting through its New York Branch (the “Bank”), with reference to Irrevocable Transferable Direct-Pay Letter of Credit No. LG/MIS/NY-[\_\_\_\_\_] dated December 9, 2024 (the “Letter of Credit,” any other capitalized terms used herein and not defined herein having their respective meanings set forth in the Letter of Credit or the therein defined Reimbursement Agreement, as the case may be), issued by the Bank in favor of the Paying Agent, as follows:

1. The undersigned is the Paying Agent under the Issuing and Paying Agent Agreement and is acting as the agent for the holders of the Commercial Paper Notes.
2. The Paying Agent has received the Final Drawing Notice in the form of a Final Drawing Notice in the form of Annex H-1 to the Letter of Credit.
3. The undersigned is making a Drawing under the Letter of Credit with respect to a payment of the principal of and accrued interest on Commercial Paper Notes issued in accordance with the Issuing and Paying Agent Agreement and which mature on or after the date of the Final Drawing Notice.
4. The amount of the Drawing is equal to \$\_\_\_\_\_, with \$\_\_\_\_\_ being drawn in respect of the payment of principal of maturing Commercial Paper Notes and \$\_\_\_\_\_ representing \_\_\_ days’ interest thereon. Such amounts were computed in compliance with the terms and conditions of the Commercial Paper Notes and the Issuing and Paying Agent Agreement. The amount of the Drawing being drawn in respect of the payment of principal of and interest payable to maturity of, the Commercial Paper Notes does not exceed the Stated Amount of the Letter

of Credit. The amount requested for payment hereunder has not been and is not the subject of a prior or contemporaneous request for payment under the Letter of Credit.

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

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

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

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

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

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

cc: Santa Clara Valley Water District

**EXHIBIT B**

**[FORM OF BANK NOTE]**

**BANK NOTE**

\$268,750,000 Maximum Principal Amount

December 9, 2024

FOR VALUE RECEIVED, the undersigned, SANTA CLARA VALLEY WATER DISTRICT (“Valley Water”), hereby promises to pay to the order of SUMITOMO MITSUI BANKING CORPORATION, acting through its New York Branch (the “Bank”), at its principal office at [\_\_\_\_\_], in the manner and on the dates provided in the hereinafter defined Agreement in lawful money of the United States of America and in immediately available funds, the principal amount equal to the aggregate unreimbursed amount of the Loans made by the Bank pursuant to the Agreement not to exceed Two Hundred Sixty-Eight Million Seven Hundred Fifty Thousand Dollars (\$268,750,000). In addition, without duplication, this Bank Note evidences all Reimbursement Obligations. Terms used herein and not otherwise defined herein shall have the meanings assigned to them in the Reimbursement Agreement, dated as of December 1, 2024 (as amended, restated and supplemented from time to time, the “Agreement”) between Valley Water and the Bank, as from time to time in effect.

Valley Water further promises to pay interest from the date hereof on the outstanding principal amount hereof and unpaid interest hereon from time to time at the rates and times and in all cases in accordance with the terms of the Agreement. The Bank may endorse its records relating to this Bank Note with appropriate notations evidencing the Loans under the Agreement and payments of principal hereunder as contemplated by the Agreement, as well as evidencing, without duplication, all Reimbursement Obligations.

This Bank Note is issued pursuant to, is entitled to the benefits of, and is subject to, the provisions of the Agreement and Resolution No. 16-10 providing for the allocation of water utility system revenues, adopted by Valley Water on February 23, 2016, as amended from time to time, and that certain Resolution No. [\_\_\_\_\_], adopted by the Board of Directors of Valley Water on [\_\_\_\_\_], 2024, as amended from time to time. The principal of this Bank Note is subject to prepayment in whole or in part in accordance with the terms of the Agreement.

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

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

ACCORDANCE WITH SECTION 25.6(B) OF THE DISTRICT ACT AND IS PAYABLE FROM REVENUES, CHARGES, TAXES AND ASSESSMENTS LEVIED FOR PURPOSES OF VALLEY WATER. VALLEY WATER HAS ADDITIONALLY PLEDGED THE NET WATER UTILITY SYSTEM REVENUES OF VALLEY WATER ON A PARITY WITH THE PAYMENT OF SUBORDINATE OBLIGATIONS OF VALLEY WATER TO THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THIS BANK NOTE, SUBORDINATE SOLELY TO PARITY OBLIGATIONS.

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

SANTA CLARA VALLEY WATER DISTRICT

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

Attest:

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

**EXHIBIT C**

**FORM OF STOP-ISSUANCE INSTRUCTION**

\$250,000,000

Santa Clara Valley Water District  
Commercial Paper Notes,  
Series A (Tax-Exempt) and Series B (Taxable)

[Date]

U.S. Bank Trust Company, National Association, as Paying Agent

[\_\_\_\_\_]

Santa Clara Valley Water District

[\_\_\_\_\_]

Dear Sir or Madam:

Reference is made to (i) the Reimbursement Agreement, dated as of December 1, 2024 (the “Agreement”), by and between the Santa Clara Valley Water District (“Valley Water”) and Sumitomo Mitsui Banking Corporation, acting through its New York Branch (the “Bank”); and (ii) the Issuing and Paying Agent Agreement, dated as of December 1, 2024 (as amended, supplemented, restated and otherwise modified from time to time, the “Issuing and Paying Agent Agreement”), between Valley Water and U.S. Bank Trust Company, National Association, as Paying Agent (the “Paying Agent”). All capitalized terms herein having the meanings ascribed thereto in the Agreement.

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

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

The effectiveness of this notice is subject to the provisions of Section 2.17 of the Agreement.

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

Sincerely,

SUMITOMO MITSUI BANKING  
CORPORATION, acting through its New York  
Branch, as the Bank

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

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

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

cc: [DEALERS]  
[RATING AGENCIES]



**EXHIBIT D**

**COMPLIANCE CERTIFICATE**

For the Quarter/Year ended \_\_\_\_\_ (“Statement Date”)

Sumitomo Mitsui Banking Corporation  
[\_\_\_\_\_]

Ladies and Gentlemen:

We refer to (i) the Reimbursement Agreement, dated as of December 1, 2024 (as amended, restated and supplemented from time to time, the “Reimbursement Agreement”), by and between the Santa Clara Valley Water District (“Valley Water”) and Sumitomo Mitsui Banking Corporation, acting through its New York Branch (and its successors and assigns, the “Bank”); and (ii) the Issuing and Paying Agent Agreement, dated as of December 1, 2024 (as amended, supplemented, restated and otherwise modified from time to time, the “Issuing and Paying Agent Agreement”), between Valley Water and U.S. Bank Trust Company, National Association, as Paying Agent (the “Paying Agent”). All capitalized terms herein having the meanings ascribed thereto in the Reimbursement Agreement.

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

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

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

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

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

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

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

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

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

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

\_\_\_\_\_, \_\_\_\_.

SANTA CLARA VALLEY WATER DISTRICT

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

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

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

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

**SCHEDULE 2  
TO THE COMPLIANCE CERTIFICATE**

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

For the Year ended \_\_\_\_\_ (“Statement Date”)

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

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

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

- a. Net Water Utility System Revenues for FY \_\_\_\_: \$ \_\_\_\_\_
  - b. Parity Debt Service: \$ \_\_\_\_\_
  - c. All other transfers and payments from the Water Utility System Revenue Fund required under Sections 2.2(a), (b), (c), (d) and (e) of the Water Utility Parity System Master Resolution not already taken into account in lines a and b: \$ \_\_\_\_\_
  - d. Line a minus lines b and c (Net Water Utility System Revenues available for Subordinate Debt Service): \$ \_\_\_\_\_
  - e. Subordinate Debt Service: \$ \_\_\_\_\_
- Subordinate Debt Service Coverage Ratio (d÷e) (1.10x minimum): \_\_\_\_\_

Schedule 2 to Exhibit D

## EXHIBIT E

### PARITY OBLIGATIONS AND SUBORDINATE OBLIGATIONS AS OF CLOSING DATE

#### Subordinate Obligations

The following Subordinate Obligations are the only Debt that is secured by and/or payable from Net Water Utility System Revenues on a parity with the Commercial Paper Notes and the Bank Note:

\$80,000,000 2024-25 Tax and Revenue Anticipation Note No. 1 (Tax Exempt)<sup>1</sup>

\$100,000,000 2024-25 Tax and Revenue Anticipation Note No. 1 (Taxable)<sup>1</sup>

\$73,904,324 WIFIA Installment Purchase Agreement, dated as of February 14, 2023 by and between Valley Water and the Santa Clara Valley Water District Public Facilities Financing Corporation (the “Corporation”), relating to:<sup>2</sup>

- WIFIA Master Agreement, dated as of February 14, 2023, by and among by and among Valley Water, the Corporation and the United States Environmental Protection Agency;<sup>2</sup> and
- WIFIA Loan Agreement, dated as of February 14, 2023, by and among by and among Valley Water, the Corporation and the United States Environmental Protection Agency.<sup>2</sup>

\$91,581,116 WIFIA Installment Purchase Agreement, dated as of October 30, 2023 by and between Valley Water and the Corporation, relating to:<sup>2</sup>

- WIFIA Master Agreement, dated as of October 30, 2023, by and among by and among Valley Water, the Corporation and the United States Environmental Protection Agency;<sup>2</sup> and
- WIFIA Loan Agreement, dated as of October 30, 2023, by and among by and among Valley Water, the Corporation and the United States Environmental Protection Agency.<sup>2</sup>

---

<sup>1</sup> Secures certain obligations under the (i) Certificate Purchase and Reimbursement Agreement, dated as of October 1, 2020, as amended by the First Amendment to Certificate Purchase and Reimbursement Agreement; dated as of April 29, 2022, each by and among Valley Water, the Corporation, the Lenders named therein, and U.S. Bank National Association, as Administrative Agent and Sole Lead Arranger; and (ii) Certificate Purchase and Reimbursement Agreement, dated as of April 1, 2022, each by and among Valley Water, the Corporation, the Lenders named therein and U.S. Bank National Association, as Administrative Agent and Sole Lead Arranger.

<sup>2</sup> Obligation will be on parity with Parity Obligations upon a “Bankruptcy Related Event” (as defined in the applicable WIFIA Master Agreement).

## Parity Obligations

The following Parity Obligations are the only Debt that is secured by and/or payable from Net Water Utility System Revenues on a basis senior to the Commercial Paper Notes and the Bank Note:

\$181,530,000 Water System Refunding Revenue Bonds, Series 2016A and Taxable Series 2016B, issued pursuant to the Indenture of Trust dated as of February 1, 2016, by and between Valley Water and U.S. Bank Trust Company, National Association

\$98,045,000 Installment Purchase Agreement dated as of February 1, 2016, by and between Valley Water and the Corporation

\$54,710,000 Water System Refunding Revenue Bonds, Series 2017A, issued pursuant to the Indenture of Trust, dated as of March 1, 2017, by and between Valley Water and U.S. Bank National Association

\$95,255,000 Water System Refunding Revenue Bonds, Series 2019A and Taxable Series 2019B, issued pursuant to the Indenture of Trust, dated as of March 1, 2019, by and between Valley Water and U.S. Bank Trust Company, National Association

\$38,280,000 Water System Refunding Revenue Bonds, Taxable Series 2019C, issued pursuant to the Indenture of Trust, dated as of November 1, 2019, by and between Valley Water and U.S. Bank Trust Company, National Association

\$92,650,000 Water System Refunding Revenue Bonds, Series 2020A and Taxable Series 2020B issued pursuant to the Indenture of Trust, dated as of September 1, 2020, by and between Valley Water and U.S. Bank Trust Company, National Association

\$123,325,000 Installment Purchase Agreement, dated as of September 1, 2020, by and between Valley Water and the Corporation

\$121,135,000 Water System Refunding Revenue Bonds, Series 2023A and Taxable Series 2023B, issued pursuant to the Indenture of Trust, dated as of November 1, 2022, by and between Valley Water and U.S. Bank Trust Company, National Association

\$222,265,000 Installment Purchase Agreement, dated as of November 1, 2022, by and between Valley Water and the Corporation

\$195,265,000 Water System Refunding Revenue Bonds, Series 2024A-1 and Taxable Series 2024B-1, issued pursuant to the Indenture of Trust, dated as of January 1, 2024, by and between Valley Water and U.S. Bank Trust Company, National Association

\$75,615,000 Water System Refunding Revenue Notes, Series 2024A-2 and Taxable Series 2024B-2, issued pursuant to the Indenture of Trust, dated as of January 1, 2024, by and between Valley Water and U.S. Bank Trust Company, National Association

Schedule 2 to Exhibit D

\$43,155,000 Water System Revenue Bonds, Series 2024C, issued pursuant to the Indenture of Trust, dated as of January 1, 2024, by and between Valley Water and U.S. Bank Trust Company, National Association

Schedule 2 to Exhibit D

## FEE LETTER

December 9, 2024

THIS FEE LETTER, dated December 9, 2024, is made by and between the SANTA CLARA VALLEY WATER DISTRICT, a flood control and water district of the State of California (“Valley Water”) and SUMITOMO MITSUI BANKING CORPORATION, acting through its New York Branch, and its successors and assigns (the “Bank”). Reference is hereby made to that (i) certain Reimbursement Agreement dated as of December 1, 2024 (as amended, supplemented, modified or restated from time to time, the “Agreement”), by and between Valley Water and the Bank, relating to Valley Water’s commercial paper notes designated the [ ] (the “Commercial Paper Notes”) and (ii) that certain Irrevocable Transferable Direct-Pay Letter of Credit dated the date hereof, issued by the Bank pursuant to the Agreement, supporting the Commercial Paper Notes (as amended, supplemented, modified or restated from time to time, the “Letter of Credit”). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Agreement.

The purpose of this Fee Letter is to confirm the agreement between the Bank and Valley Water with respect to certain fees and expenses payable by Valley Water to the Bank pursuant to the Agreement. This Fee Letter is the Fee Letter referenced in the Agreement, and the terms hereof are incorporated by reference into the Agreement. This Fee Letter and the Agreement are to be construed as one agreement between Valley Water and the Bank, and all obligations hereunder are to be construed as obligations thereunder. All references to amounts due and payable under the Agreement will be deemed to include all amounts, fees and expenses payable under this Fee Letter.

### ARTICLE I

#### FEES

Section 1.1. Letter of Credit Fees. Valley Water agrees to pay or cause to be paid to the Bank, on December 31, 2024, for the period commencing on the Closing Date, and ending on December 31, 2024, and quarterly in arrears on the last day of each quarterly period ending March 31, June 30, September 30 and December 31 occurring thereafter to the Termination Date, and on the Termination Date, a non-refundable facility fee (the “Letter of Credit Fee”) for each quarterly fee period, commencing on the first calendar day of such quarterly fee period and ending on the last calendar day of such quarterly fee period, in an amount equal to the product of the applicable rate per annum corresponding to the Level specified below in the pricing matrix associated with the Rating (as defined below) as specified below (the “Letter of Credit Fee Rate”) for each day during each related quarterly fee period multiplied by the Stated Amount of the Letter of Credit (without regard to any temporary reductions thereof that may be subject to reinstatement) for each day during each related quarterly fee period:



LEVEL	MOODY'S RATING	FITCH RATING	LETTER OF CREDIT FEE RATE
Level 1:	Aa3 or above	AA- or above	0.33%
Level 2:	A1	A+	0.53%
Level 3:	A2	A	0.73%
Level 4:	A3	A-	0.98%
Level 5:	Baa1	BBB+	1.48%
Level 6:	Baa2	BBB	2.02%

The term “Rating” as used above shall mean the long-term unenhanced debt rating assigned by Moody’s or Fitch to the Parity Obligations and if the ratings on such obligations appear in more than one Level, the Letter of Credit Fee Rate shall be based upon the Level in which the lower of the ratings appears (for the avoidance of doubt, Level 6 is the lowest Level, and Level 1 is the highest Level for purposes of the above pricing grid). In the event that any relevant rating is withdrawn, suspended or otherwise unavailable from Moody’s or Fitch, or Moody’s or Fitch otherwise ceases to rate any Parity Obligations, or upon the occurrence and during the continuance of any Event of Default (whether or not the Bank declares an Event of Default in connection therewith), or if any such Rating falls below “Baa2” (or its equivalent) by Moody’s or “BBB” (or its equivalent) by Fitch, in each such case, the Letter of Credit Fee Rate shall equal 3.00% per annum, immediately and automatically and without notice to Valley Water. Any change in the Letter of Credit Fee Rate resulting from a reduction, withdrawal, suspension or unavailability of a relevant rating shall be and become effective as of and on the date of the announcement of the reduction, withdrawal, suspension or unavailability of such rating. References to ratings above are references to rating categories as presently determined by the Moody’s and Fitch and in the event of adoption of any new or changed rating system or the adoption of a “global” rating scale by Moody’s or Fitch, the ratings from Moody’s or Fitch in question referred to above shall be deemed to refer to the rating category under the new rating system or, in the event of the adoption of a “global” rating scale by Moody’s or Fitch, the recalibrated or realigned rating category under such “global” rating scale, which most closely approximates the applicable rating category as currently in effect. Valley Water acknowledges that as of the Closing Date the Letter of Credit Fee Rate is that specified above for Level 1. In the event that the Letter of Credit Fees are not paid when due, interest shall accrue on the Letter of Credit Fees from the date payment is due until payment in full at the Default Rate, such interest to be payable on demand. Such Letter of Credit Fee shall be payable in immediately available funds and computed on the basis of a 360-day year and the actual number of days elapsed.

Section 1.2. Draw Fee. Valley Water agrees to pay to the Bank in connection with each Drawing under the Letter of Credit, a non-refundable drawing fee in the amount of \$350, payable on the date each such Drawing without notice or invoice to Valley Water.

Section 1.3. Amendment, Transfer, Waiver Fees and Other Fees and Expenses. Upon each transfer of the Letter of Credit in accordance with its terms or the appointment of a successor Issuing and Paying Agent under the Issuing and Paying Agent Agreement, Valley Water agrees to pay the Bank a non-refundable transfer fee of \$3,500, and to reimburse the Bank for its actual costs and expenses associated with such transfer or appointment (including, without limitation, the

reasonable fees and expenses of counsel to the Bank), payable on the date of such transfer or appointment.

Valley Water agrees to pay to the Bank on the date of each amendment, modification, or supplement of the Agreement, this Fee Letter, the Bank Note or the Letter of Credit or any amendment, modification, or supplement to any Program Document which requires the waiver or consent of the Bank, a non-refundable amendment, modification, supplement, waiver or consent fee, as applicable, of \$3,500, plus the reasonable fees and expenses of counsel to the Bank.

Section 1.4. Termination Fee; Reduction Fee. (a) Notwithstanding the foregoing or any other provision of the Agreement or this Fee Letter to the contrary, Valley Water agrees not to terminate, permanently reduce or replace the Agreement or the Letter of Credit prior to the Stated Expiration Date, except upon (i) the payment by Valley Water to the Bank of the Termination Fee or a Reduction Fee, as described below, (ii) the payment by Valley Water to the Bank of all Obligations payable under the Agreement and this Fee Letter and (iii) Valley Water providing the Bank with thirty (30) days prior written notice of its intent to terminate the Letter of Credit; provided, that any such termination of the Letter of Credit shall be in compliance with the terms and conditions of the Issuing and Paying Agent Agreement and the Agreement; provided, further, that no Termination Fee shall become payable if the Letter of Credit is terminated or replaced as a result of (1) a reduction of the Bank's senior unsecured short-term ratings below "P-1" by Moody's, "A-1" by S&P or "F1" by Fitch, (2) the Bank imposing increased costs on Valley Water in accordance with Section 2.14 of the Agreement, (3) the Bank fails to maintain a medium ESG rating, or (4) a refunding or refinancing of the Commercial Paper Notes in full that does not require or involve credit enhancement, liquidity support or bank direct purchase from a bank, financial institution or other third party.

Valley Water agrees that all payments to the Bank referred to in the preceding paragraph shall be made in immediately available funds.

(b) To the extent Valley Water terminates the Letter of Credit prior to December 9, 2025, Valley Water hereby agrees to pay to the Bank a Termination Fee in connection with the termination or replacement of the Letter of Credit by Valley Water as set forth in Section 1.4(a) hereof in an amount equal to the product of (A) the Letter of Credit Fee Rate in effect pursuant to Section 1.1 hereof on the date of termination, (B) the Stated Amount (without regard to any reductions thereof, including without limitation, any Drawing under the Letter of Credit that may be reinstated pursuant to the terms of the Letter of Credit) in effect on the date of the termination, and (C) a fraction, the numerator of which is equal to the number of days from and including the date of such termination to and including December 9, 2025 and the denominator of which is 360 (the "Termination Fee"), payable on the date the Letter of Credit is terminated or replaced.

(c) To the extent Valley Water permanently reduces the Stated Amount of the Letter of Credit (without regard to any temporary reductions thereof subject to reinstatement) pursuant to the Issuing and Paying Agent Agreement and the Agreement prior to December 9, 2025, Valley Water hereby agrees to pay to the Bank a reduction fee in connection with each and every permanent reduction of the Letter of Credit by Valley Water as set forth in Section 1.4(a) hereof in an amount equal to the product of (A) the Letter of Credit Fee Rate in effect pursuant to Section 1.1 hereof on the date of such permanent reduction, (B) the difference between the Stated

Amount (without regard to any reductions thereof, including without limitation, any Drawing under the Letter of Credit that may be reinstated pursuant to the terms of the Letter of Credit) prior to such permanent reduction and the Stated Amount (without regard to any reductions thereof, including without limitation, any Drawing under the Letter of Credit that may be reinstated pursuant to the terms of the Letter of Credit) after such permanent reduction, and (C) a fraction, the numerator of which is equal to the number of days from and including the date of such permanent reduction to and including December 9, 2025 and the denominator of which is 360 (the “Reduction Fee”), payable on the date the Stated Amount of the Letter of Credit is permanently reduced.

## ARTICLE II

### MISCELLANEOUS

Section 2.1. Expenses. Valley Water shall pay the reasonable legal fees and expenses of the Bank incurred in connection with the preparation and negotiation of the Agreement, the Letter of Credit, this Fee Letter and certain other Related Documents. Legal fees shall be paid directly to the Bank’s domestic counsel, Hawkins Delafield & Wood LLP, in accordance with the instructions provided by Hawkins Delafield & Wood LLP, and to the Bank with respect to the Bank’s foreign counsel, Yumoto, Ota & Miyazaki, in accordance with the instructions provided by the Bank.

Section 2.2. Payment Office. As used in the Reimbursement Agreement, “Payment Office” means the Bank’s account at Sumitomo Mitsui Banking Corporation, New York Branch at: Pay To: Sumitomo Mitsui Banking Corp., New York (SWIFT: SMBCUS33), ABA Number: 0260-0967-4, Account Name: SMBC Loan Operations New York, Account Number: 423001, Reference: [\_\_\_\_\_], or such other office as the Bank may designate from time to time.

Section 2.3. Amendments. No amendment to this Fee Letter shall become effective without the prior written consent of Valley Water and the Bank.

Section 2.4. Governing Law. This Fee Letter shall be governed by and construed in accordance with the internal laws of the State of New York; provided that, Valley Water’s obligations under this Fee Letter shall be governed by and construed in accordance with the internal laws of the State of California.

Section 2.5. Counterparts. This Fee Letter may be executed in two or more counterparts, each of which shall constitute an original but both or all of which, when taken together, shall constitute but one instrument; and any of the parties hereto may execute this Fee Letter by signing such counterpart. This Fee Letter may be delivered by the exchange of signed signature pages by facsimile transmission or by attaching a pdf copy to an email, and any printed or copied version of any signature page so delivered shall have the same force and effect as an originally signed version of such signature page.

Section 2.6. Severability. Any provision of this Fee Letter which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the

remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

Section 2.7. No Disclosure. Unless required by law, Valley Water shall not deliver or permit, authorize or consent to the delivery of this Fee Letter to any Dealer or any other Person or delivery to the Municipal Securities Rulemaking Board unless the Bank provides its prior written consent.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Fee Letter to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

SANTA CLARA VALLEY WATER DISTRICT

Attest:

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

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

SUMITOMO MITSUI BANKING  
CORPORATION,  
acting through its New York Branch

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

[Signature Page to SMBC Santa Clara Valley Water District Fee Letter]

This page intentionally left blank.