

UNITED STATES DEPARTMENT OF THE ARMY

[Date], 2025

Santa Clara Valley Water District  
5750 Almaden Expressway  
San Jose, CA 95118  
Attention: Treasury, Debt and Grants Officer

RE: CWIFP Term Sheet for the Santa Clara Valley Water District Dam Safety Program –  
Project 1 (CWIFP-2026-A-003)

Ladies and Gentlemen:

This CWIFP Term Sheet (this “**Term Sheet**”) is made and entered into by and between the United States Department of the Army, acting by and through the United States Army Corps of Engineers (the “**CWIFP Lender**”), and the Borrower (as defined below), after receipt of the application from the Borrower for credit assistance through the Corps Water Infrastructure Financing Program (“**CWIFP**”) on March 28, 2025 (the “**Application**”), to set forth the key business terms and conditions of the CWIFP credit agreement expected to be entered into on or after the date hereof (the “**CWIFP Credit Agreement**”).

The issuance and execution of this Term Sheet does not constitute a commitment by the CWIFP Lender to enter into a credit agreement. The agreement of the CWIFP Lender to provide financing for the above-referenced project (as further described below, the “**Project**”) in the form of a secured loan (the “**CWIFP Loan**”), pursuant to the Water Infrastructure Finance and Innovation Act, § 5021 *et seq.* of Public Law 113-121 (as amended, and as may be further amended from time to time, the “**Act**”), codified as 33 U.S.C. §§ 3901-3915, is subject in all respects to (i) the terms and conditions contained in that certain CWIFP Master Agreement, dated as of [\_\_\_\_], 2025, by and between the CWIFP Lender and the Borrower (the “**CWIFP Master Agreement**”) and (ii) the execution and delivery of the CWIFP Credit Agreement on the terms and conditions acceptable to the CWIFP Lender contained therein. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the CWIFP Credit Agreement or, if not defined therein, the CWIFP Master Agreement.

By executing this Term Sheet, the Borrower confirms its agreement to reimburse the CWIFP Lender for any and all fees and expenses that the CWIFP Lender incurs for legal counsel, financial advice and other consultants in connection with the evaluation of the Project and the negotiation and preparation of the CWIFP Credit Agreement and related documents, whether or not such agreement is ultimately executed.

This Term Sheet shall be governed by the federal laws of the United States of America if and to the extent such federal laws are applicable, and the internal laws of the State of California, if and to the extent such federal laws are not applicable. This Term Sheet, and any amendments, waivers, consents or supplements hereto may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same

instrument. Electronic delivery of an executed counterpart of a signature page shall be effective as delivery of an original executed counterpart.

### INDICATIVE TERMS OF THE CWIFP LOAN

CWIFP LENDER	United States Department of the Army, an agency of the United States of America, acting by and through the United States Army Corps of Engineers (the “ <b>CWIFP Lender</b> ”).
BORROWER	Santa Clara Valley Water District, a special district created by the State Legislature duly organized and existing under the laws of the State of California (the “ <b>Borrower</b> ”).
PROJECT	The “ <b>Project</b> ” means a Planning and Design Project that is part of the Dam Safety Program, located at Santa Clara County, California, and consists of the development of complete plans and specifications for the Calero, Guadalupe and Almaden dams.
CWIFP LOAN AMOUNT	A maximum principal amount (sum of disbursements and excluding capitalized interest) not to exceed \$112,646,753.00.
INTEREST RATE	<p>The CWIFP Loan shall bear interest at a fixed rate, calculated by adding one basis point (0.01%) to the rate of securities of a similar maturity (based on the weighted-average life of the CWIFP Loan) as published, on the CWIFP Credit Agreement Effective Date, in the United States Treasury Bureau of the Fiscal Service’s daily rate table for State and Local Government Series (SLGS) investments.</p> <p>The CWIFP Loan shall also bear default interest at a rate of 200 basis points above the otherwise applicable interest rate, at such times and upon such terms as provided in the CWIFP Credit Agreement.</p>
PAYMENT DATES	<p>Principal of and interest on the CWIFP Loan shall be repaid in accordance with the terms set forth in the CWIFP Credit Agreement and the CWIFP Master Agreement.</p> <p>The Principal Payment Dates shall be each June 1, beginning on June 1, 2037.</p> <p>The Interest Payment Dates shall be each June 1 and December 1, commencing on the Debt Service Payment Commencement Date.</p> <p>The Debt Service Payment Commencement Date shall in no event be later than the fifth (5<sup>th</sup>) anniversary of the earlier of (i) the Projected Substantial Completion Date, as established as of the CWIFP Credit Agreement Effective Date, or (ii) the Substantial Completion Date.</p>

FINAL MATURITY DATE	The earliest of (a) June 1, 2067, which is the Payment Date immediately preceding the date that is thirty-five (35) years following the Projected Substantial Completion Date as established as of the CWIFP Credit Agreement Effective Date; (b) the date on which the maturity of the CWIFP Loan and corresponding CWIFP Bond have been accelerated or subject to mandatory redemption or prepayment (as the case may be) prior to maturity thereof; or (c) the Payment Date immediately preceding the date that is thirty-five (35) years following the Substantial Completion Date.
DEDICATED SOURCE OF REPAYMENT	The dedicated source of repayment for the CWIFP Loan shall be the Water Utility System Revenues.
SECURITY AND LIEN PRIORITY	The CWIFP Loan shall (i) be secured by the Liens on the Pledged Collateral, (ii) not be subordinate in right of payment or in right of security to any Lien on the Pledged Collateral other than, during any period when a Bankruptcy Related Event has not occurred, the Liens on the Pledged Collateral for the benefit of the Senior Obligations and with respect to Maintenance and Operation Costs, and (iii) (A) during any period when a Bankruptcy Related Event has not occurred, be <i>pari passu</i> in right of payment and right of security only to the Lien on the Pledged Collateral for the benefit of the Parity Obligations and (B) during any period when a Bankruptcy Related Event has occurred, be <i>pari passu</i> in right of payment and right of security only to the Lien on the Pledged Collateral for the benefit of the Senior Obligations, in each case without the need for any notice to or from any Person, physical delivery, recordation, filing or further act.
SPRINGING LIEN	Upon the occurrence of a Bankruptcy Related Event, the CWIFP Loan shall be secured by a valid and binding pledge of and Lien on the Pledged Collateral on a parity with the Senior Obligations, automatically and without the need for any notice to or from any Person, physical delivery, recordation, filing or further act.
RATE COVENANT	(a) To the fullest extent permitted by law, the Borrower shall fix and prescribe rates, fees and charges for Water Service at the commencement of each Borrower Fiscal Year, which, together with other Current Water Utility System Revenues or Net Water Utility System Revenues, as the case may be, are reasonably expected to be at least sufficient to yield during each Borrower Fiscal Year (i) Current Water Utility System Revenues in an amount sufficient to meet the Maintenance and Operation Costs, the Debt Service for the then current

	<p>Borrower Fiscal Year and the interest and principal payable for the then current Borrower Fiscal Year in respect of any obligations that are secured by a Lien on the Pledged Collateral or payable from the Pledged Collateral, in each case on a basis subordinate to the Parity Obligations, (ii) Net Water Utility System Revenues equal to one hundred twenty-five percent (125%) of the Senior Debt Service for such Borrower Fiscal Year and (iii) Net Water Utility System Revenues for such Borrower Fiscal Year equal to one hundred ten percent (110%) of the Debt Service for such Borrower Fiscal Year. For purposes of clause (iii) above, Net Water Utility System Revenues may be increased by Budgeted Transfers (measured as of the last day of the immediately preceding Borrower Fiscal Year) in an amount no greater than ten percent (10%) of Debt Service referred to in clause (iii) above. The Borrower 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 the case may be, from such reduced rates, fees and reasonably expected to be sufficient to meet the requirements of this clause (a).</p> <p>(b) For avoidance of doubt, so long as the Borrower has complied with its obligations set forth in clause (a) above, the failure of Current Water Utility System Revenues to meet the threshold set forth in clause (a)(i) above or the failure of Net Water Utility System Revenues to meet the thresholds set forth in clause (a)(ii) or clause (a)(iii) above at the end of a Borrower Fiscal Year shall not constitute a Default or an Event of Default so long as the Borrower has complied with clause (a) above at the commencement of the succeeding Borrower Fiscal Year.</p> <p>(c) The Borrower shall charge and collect or cause to be collected the rates, fees and charges applicable to the Water Service and will not permit any part of the Water Utility System or any facility thereof to be used or taken advantage of free of charge by any corporation, firm or person, or by any public agency (including the Federal Government, the State and any city, county, district, political subdivision, public corporation or agency of any thereof) if such use would prevent the Borrower from complying with the requirements of clause (a) above.</p>
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<p>ADDITIONAL OBLIGATIONS TEST</p>	<p>(a) The Borrower may incur Senior Obligations in accordance with Section 3.1 (<i>Additional Bonds and Contracts</i>) of the Master Resolution.</p> <p>(b) The Borrower may incur Additional Parity Obligations in accordance with the terms hereof; <u>provided</u> that:</p> <p>(i) the Net Water Utility System Revenues for the most recent audited Borrower Fiscal Year preceding the date of adoption by the Board of Directors of the resolution authorizing the incurrence of such Additional Parity Obligations (or if no such resolution exists, the date of incurrence of such Additional Parity Obligations), adjusted to reflect any change in rates and charges for the Water Service approved and in effect as of the date of calculation, remaining after payment of amounts under Sections 2.2(d) (<i>Allocation of Water Utility System Revenues</i>) and 2.2(e) (<i>Allocation of Water Utility System Revenues</i>) of the Master Resolution due and payable in such Borrower Fiscal Year as evidenced by a calculation prepared by the Borrower, shall be equal to at least one hundred ten percent (110%) of the sum of (1) the Parity Debt Service for such Borrower Fiscal Year, (2) the Parity Debt Service which would have been payable on any Parity Obligations incurred since the end of such Borrower Fiscal Year assuming such Parity Obligations had been incurred at the beginning of such Borrower Fiscal Year and (3) the Parity Debt Service which would have been payable had such Additional Parity Obligations been incurred at the beginning of such Borrower Fiscal Year; and</p> <p>(ii) the estimated Net Water Utility System Revenues for the then current Borrower Fiscal Year and for each Borrower Fiscal Year thereafter to and including the first complete Borrower Fiscal Year after the latest Date of Operation of any uncompleted Parity Project, as evidenced by a certificate of an Authorized Officer of the Borrower on file with the Borrower, including (after giving effect to the completion of all such uncompleted Parity Projects) an allowance for estimated Net Water Utility System Revenues for each such Borrower Fiscal Year arising from any increase in the income, rents, fees, rates and charges estimated to be fixed, prescribed or received for the Water Service and which are economically feasible and reasonably considered necessary based on projected operations for such period, as evidenced by a certificate of an Authorized Officer on file with the Borrower, shall be equal to at least one hundred ten percent (110%) of the estimated Debt Service for each of such Borrower Fiscal Years, after giving effect to the incurrence of</p>
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	<p>all Obligations estimated to be required to be incurred to pay the costs of completing all uncompleted Parity Projects within such Borrower Fiscal Years, assuming that all such Obligations have maturities, interest rates and proportionate principal repayment provisions similar to the Obligation last incurred or then being incurred for the purpose of acquiring and constructing any of such uncompleted Parity Projects. For the purposes of this clause (B), Net Water Utility System Revenues may be increased by Budgeted Transfers (measured as of the last day of the immediately preceding Borrower Fiscal Year) in an amount no greater than ten percent (10%) of the estimated Debt Service referred to in the preceding sentence.</p> <p>(c) Notwithstanding clauses (a) and (b) above, Obligations may be incurred to refund outstanding Obligations if the Average Annual Debt Service on Obligations after the refunding is not greater than the Average Annual Debt Service on Obligations outstanding prior to the refunding.</p>
RESTRICTED PAYMENTS AND TRANSFERS	<p>The Borrower shall not permit Water Utility System Revenues or any funds in any other fund or account held by or on behalf of the Borrower with respect to the Water Utility System, to be paid or transferred or otherwise applied for purposes that would violate the terms of the Master Resolution.</p>
CWIFP LOAN DOCUMENTATION	<p>The CWIFP Loan shall be subject to the preparation, execution and delivery of the CWIFP Credit Agreement, the CWIFP Bond and any other loan documentation required by the CWIFP Lender in connection therewith, in each case acceptable to the CWIFP Lender and the Borrower, which will contain certain conditions precedent, representations and warranties, affirmative and negative covenants, events of default, and other provisions as agreed between the CWIFP Lender and the Borrower, in each case in accordance with the terms of the CWIFP Master Agreement.</p>

*[Signature pages follow]*

If the foregoing terms are acceptable, please countersign this letter in the space indicated below.

Sincerely,

**UNITED STATES DEPARTMENT OF THE  
ARMY**, acting by and through the United States  
Army Corps of Engineers

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

*[Signature page to Dam Safety Program – Project 1  
(Santa Clara Valley Water District) – CWIFP Term Sheet]*



ACKNOWLEDGED AND AGREED:

**SANTA CLARA VALLEY WATER DISTRICT,**  
by its authorized representative

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

*[Signature page to Dam Safety Program – Project 1  
(Santa Clara Valley Water District) – CWIFP Term Sheet]*

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