

**OFFICIAL NOTICE OF SALE
AND BID FORM**

\$_____*

**SANTA CLARA VALLEY WATER DISTRICT
WATER SYSTEM REFUNDING REVENUE BONDS, SERIES 2017A**

NOTICE IS HEREBY GIVEN that the Santa Clara Valley Water District Water System Refunding Revenue Bonds, Series 2017A (the "Securities") to be issued pursuant to Resolution No. ____ adopted by the Board of Directors of the Santa Clara Valley Water District (the "District") on March __, 2017 and an Indenture of Trust, dated as of March 1, 2017, (the "Indenture") between the District and U.S. Bank National Association, as Trustee, will be offered for sale according to the following terms:

DATE AND TIME: Electronic bids will be received on April __, 2017 until ____ a.m. California time; provided, however, that the District reserves the right to cancel the sale or postpone the sale date, as more fully described herein under "Postponement and Cancellation." Electronic bids must be submitted through PARITY®, as further described herein under "ELECTRONIC BIDS."

The Securities are more particularly described in the Preliminary Official Statement, dated April __, 2017, Resolution No. 16-10 adopted by the Board of Directors of the District (as amended, the "Resolution") and the Indenture.

ELECTRONIC BIDS: Any prospective bidder intending to submit an electronic bid must submit its electronic bid via PARITY®.

The District assumes no responsibility or liability for bids submitted through PARITY®. If any provisions in this Official Notice of Sale conflict with information provided by PARITY®, this Official Notice of Sale shall control. Information about PARITY® may be obtained from:

PARITY® Customer Support
(877) 588-5030

An electronic bid shall be deemed an irrevocable offer to purchase the Securities pursuant to the terms provided in the Official Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the District. The District shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of PARITY®, the use of such facilities being the sole risk of the prospective bidder.

For purposes of the electronic bid process, the time as maintained by PARITY® shall constitute the official time. For information purposes only, bidders are requested to state in their electronic bids the true interest cost to the District, as described in this Official Notice of Sale and in the written form of the Bid Form. All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale and the form of Bid Form.

DATE AND DENOMINATION: The Securities are to be issued in fully registered form, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York,

* Preliminary, subject to change.

New York (“DTC”), and will be available in book-entry form only in denominations of \$5,000 or any integral multiples thereof, all dated as of the dated date of the Securities, and comprising all of the authorized Securities.

PAYMENT: Payment of interest with respect to any Security on each June 1 and December 1 (each, an “Interest Payment Date”), commencing June 1, 2017, shall be made to the person appearing on the registration books of the Trustee as the Owner thereof as of the Record Date (the close of business on the fifteenth day of the month preceding each Interest Payment Date, whether or not such fifteenth day is a business day) immediately preceding such Interest Payment Date, such interest to be paid by check mailed to such Owner on the Interest Payment Date at his or her address as it appears on such registration books or at such other address as he or she may have filed with the Trustee for that purpose on or before the Record Date.

It is anticipated that the Securities will be issued in the name of Cede & Co., a nominee of DTC, and will be available in book-entry form only. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC, and transfer of principal and interest payments to beneficial owners of the Securities by participants of DTC will be the responsibility of such participants and other nominees of the beneficial owners. The District will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by DTC, its participants or acting through such participants.

MATURITIES: The Securities will mature on June 1 in each of the years and in the amounts, as set forth in the following table. The final amount of each maturity of the Securities shall be subject to increase or reduction as described below under the heading “Adjustment of Maturity Amounts.”

| June 1 | Principal Amount* | June 1 | Principal Amount* |
|---------------|--------------------------|---------------|--------------------------|
| | \$ | | |

** Preliminary, subject to change.*

REDEMPTION: The Securities are subject to optional, mandatory and extraordinary redemption prior to their stated maturities as set forth in the Preliminary Official Statement.

PURPOSE: The proceeds of the sale of the Securities together with other monies are to be applied to refund all of the currently outstanding Santa Clara Valley Water District Revenue Certificates of Participation (Water Utility System Improvement Projects), Series 2007A and to pay costs of issuance with respect thereto.

SECURITY: The Securities are secured by a pledge of and lien under the Resolution and the Indenture on District Water Utility System Revenues and are payable from Net Water Utility System Revenues on a subordinate basis to the pledge and lien under a certain Senior Master Resolution securing certain bonds and installment payments, all as more fully described in the Preliminary Official Statement.

TERMS OF SALE

Form of Bid; Maximum Discount/Premium

All bids must be unconditional. All bids must be made using the “Bid Form” as provided in this Official Notice of Sale. All bids must be for not less than all of the Securities hereby offered for sale and at a purchase price of (i) not less than [110%] of the par value thereof and (ii) not more than [120%] of the par value thereof. Each bid must be in accordance with the terms and conditions set forth in this notice. Bids may be submitted via PARITY®, all as described herein.

Designation of Interest Rates

Each bidder must specify the rate or rates of interest which the Securities shall represent. The maximum rate bid on any maturity of the Securities may not exceed five percent (5%) per annum. A bidder will be permitted to bid different rates of interest for the respective maturities of the Securities, but

- (i) each interest rate specified must be in a multiple of one-twentieth (1/20) or one-eighth (1/8) of one (1) percent and a zero rate of interest cannot be specified;
- (ii) no Security shall represent more than one rate of interest;
- (iii) interest with respect to each Security shall be computed from the scheduled date of the Securities, to its stated maturity at the interest rate specified in the bid, payable on the Interest Payment Dates as set forth above;
- (iv) all Securities maturing at any one time shall represent the same rate of interest; and
- (vi) no proposal will be accepted which contemplates the waiver of any interest or other concession by the bidder as a substitute for payment in full of the purchase price.

Designation of Best Bid

The Securities will be awarded to the responsible bidder whose bid produces the lowest true interest cost (“TIC”) on the Securities (and without regard to any adjustment of the principal amount after the receipt of bids and described under the caption “Terms of Sale — Adjustment of Maturity Amounts”). The TIC specified in any bid will be that rate which, when used in computing the present worth of all payments of principal and interest to be paid on all Securities to May __, 2017*, the delivery date of the Securities, from their respective maturity dates produces an amount equal to the purchase price specified in such bid. For purposes of computing the TIC represented by any proposal, the purchase price specified in such proposal shall be equal to the par amount of the Securities plus any premium or minus any discount specified in such proposal, and the TIC shall be

* Preliminary, subject to change.

calculated by the use of a semiannual interval of compounding interest, computed on the basis of a 360-day year consisting of twelve 30-day months, based on the Interest Payment Dates for the Securities. In the event two or more bids offer the same lowest TIC, the District reserves the right to exercise its own discretion and judgment in making the award.

Adjustment of Maturity Amounts

The principal components of each maturity of Securities set forth above reflect certain estimates of the District and its Municipal Advisor with respect to the likely interest rates of the winning bid and the premium (or discount) contained in the winning bid. Following the determination of the successful bidder for the Securities (the "Purchaser"), the District reserves the right to adjust the par amount of Securities maturing on any one date (in \$5,000 increments) for the purpose of achieving its financing objectives. Any such adjustment shall not cause the aggregate principal amount of the Securities to increase or decrease by more than 10% from the total amount shown in the table of the section herein titled "Maturities" or change the principal amount of any maturity by more than the greater of [\$500,000 or 10%]. Any such adjustments will be made within 24 hours of the bid opening and at the sole discretion of the District. The dollar amount bid for the Securities by the Purchaser will be adjusted to reflect any adjustments in the total principal amount. THE PURCHASER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR ANY INITIAL REOFFERING PRICES AS A RESULT OF ANY CHANGES MADE TO THE STATED PRINCIPAL AMOUNTS.

No Insurance

The Purchaser may not purchase municipal bond insurance in connection with the initial offering of the Securities.

Right of Rejection

The District reserves the right, in its discretion, to reject any and all bids and, to the extent permitted by law, to waive any irregularity or informality in any bid.

Good Faith Deposit

A good faith deposit ("Deposit") in the form of a wire transfer in immediately available federal funds in the amount of \$[500,000] is required following the award to the Purchaser. The Deposit of the Purchaser must be sent by wire transfer in accordance with the following wire instructions:

U.S. Bank National Association
ABA _____
BNF U.S. Bank National Association
Account: _____
Ref: Santa Clara Valley Water District
Attention: Mary Wong

The Purchaser is required to submit its Deposit to the District not later than 10:30 a.m. California time on the next business day following the award. In the event the Purchaser fails to honor its accepted bid, the Deposit will be retained by the District as and for full liquidated damages

for the failure of the Purchaser to accept delivery of and pay for the Securities. The retention of such Deposit shall constitute a full release and discharge of all claims and rights of the District against the Purchaser on account of such failure and a waiver of any right the District may have to any additional damages for such failure. By submitting a bid, the Purchaser waives any right to claim that actual damages resulting from such failure are less than the amount of such Deposit, and agrees that the amount of such Deposit is a reasonable estimate of damages that the District may suffer in the event of such failure.

If the Purchaser completes its purchase of the Securities on the terms stated in its proposal, its Deposit will be applied to the purchase price of the Securities on the date of delivery of the Securities. No interest will be paid upon the Deposit made by the Purchaser.

Right to Reject Bids, Waive Irregularities

The District reserves the right to reject any and all bids, and to the extent permitted by law, to waive any irregularity or informality in any bid.

Prompt Award

In the event the District does not reject all bids, notice of the award will be given by telephone or telecopy transmission or via PARITY® to the Purchaser not later than 12:00 noon California time on the date specified above for receipt of the bids. Upon the giving of such notice, the Securities shall be deemed sold to the bidder so notified.

Delivery and Payment; Book-Entry Only

Delivery of the Securities is expected to be made in the name of Cede & Co., as nominee of The Depository Trust Company in New York, New York on or about May __, 2017 and will be available to the Purchaser in book-entry form only as more fully set out in the Official Statement for the Securities. Payment for the Securities must be made in Federal Reserve Bank funds or other funds immediately available to the Trustee in San Francisco, California. Any expense associated with providing immediate funds, whether by transfer of Federal Reserve Bank funds or otherwise, shall be borne by the Purchaser.

Right of Cancellation

The Purchaser shall have the right, at its option, to cancel its bid if the District shall fail to issue the Securities and tender the same for delivery within 60 days from the date of sale thereof.

Statement of True Interest Cost

Each bidder is requested, but not required, to state in its proposal the TIC of its bid, which shall be considered as informative only and not binding.

CUSIP Numbers

The Purchaser will be required to apply for CUSIP identification numbers for the Securities, and furnish such numbers to Bond Counsel. It is anticipated that CUSIP numbers will be printed on the Securities, but neither the failure to print such numbers on the Securities nor any error with respect thereto shall constitute cause for a failure or refusal by the Purchaser thereof to accept

delivery of and pay for the Securities in accordance with the terms hereof. All expenses in relation to the printing of CUSIP numbers on the Securities shall be paid for by the District, but the CUSIP Service Bureau charge for the assignment of said numbers shall be paid by the Purchaser. The Purchaser shall also be required to pay all fees required by DTC, Securities Industry and Financial Market Association, the Municipal Securities Rulemaking Board and any other similar entity imposing a fee in connection with the execution and delivery of the Securities.

Official Statement

The District has approved a Preliminary Official Statement relating to the Securities and has authorized the use of said Preliminary Official Statement in connection with the sale of the Securities. The Preliminary Official Statement has been “deemed final” by the District for purposes of SEC Rule 15c2-12 (the “Rule”), although subject to revision, amendment and completion in a final Official Statement in conformance with such Rule. The District will provide the Purchaser such reasonable number of printed copies of the final Official Statement as such bidder may request no later than seven business days after the date of sale of the Securities. Up to 5 copies of the final Official Statement will be furnished without cost to the Purchaser and further copies, if desired, will be made available at the Purchaser’s expense. Within 24 hours after the District has given notice of the award of the Securities, the Purchaser agrees to supply to the District all necessary pricing information and any underwriter identification necessary to complete the Official Statement.

Reoffering Price

Simultaneously with or before delivery of the Securities, the Purchaser shall furnish to the District a written statement in form and substance acceptable to Bond Counsel (a) stating the initial reoffering prices on each maturity of the Securities, (b) certifying that a bona fide offering of the Securities has been made to the public (excluding bond houses, brokers, and similar persons acting in the capacity of underwriters or wholesalers), and (c) stating the prices at which at least 10% of each maturity of the Securities were sold to the public (excluding bond houses, brokers, and similar persons acting in the capacity of underwriters or wholesalers). The statement shall state that it is made on the best knowledge, information and belief of the Purchaser after appropriate investigation. The statement shall be made in substantially the form attached hereto as Exhibit A.

DTC Fee

All fees paid to DTC as a result of the use of DTC’s book entry system for the Securities shall be paid by the Purchaser.

California Debt and Investment Advisory Commission

The Purchaser will be required to pay any fees due to the California Debt and Investment Advisory Commission (“CDIAC”) under California law. CDIAC will invoice the Purchaser after the delivery of the Securities.

Tax-Exempt Status

Stradling Yocca Carlson & Rauth, A Professional Corporation, Bond Counsel to the District, will render its opinion as to the Securities that, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain

covenants and requirements, interest on the Securities is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations and interest on the Securities is exempt from State of California personal income tax.

Legal Opinion

The legal opinion of Stradling Yocca Carlson & Rauth, A Professional Corporation, as Bond Counsel, approving the validity of the Indenture, will be furnished to the Purchaser of the Securities without cost. A copy of the legal opinion, certified by the official in whose office the original is filed, will be printed on each Security at the expense of the District.

Continuing Disclosure

In order to assist the Purchaser in complying with the Rule, the District has committed to undertake, pursuant to a Continuing Disclosure Agreement, to provide certain annual financial information and notices of the occurrence of certain events, if material. A copy of this undertaking is set forth as an appendix to the Preliminary Official Statement and will also be set forth in the final Official Statement. The District will be required to deliver a Continuing Disclosure Agreement in substantially the form and containing substantially the same provisions as set forth in the Preliminary Official Statement, and the failure by the District to deliver such document in form and substance identical to the form set forth in the Preliminary Official Statement will relieve the Purchaser of its obligation to purchase the Securities. See the Preliminary Official Statement under the caption "CONTINUING DISCLOSURE UNDERTAKING" for information with respect to the District's prior compliance with undertakings pursuant to the Rule.

Closing Documents

The District will furnish to the Purchaser at the closing of the Securities: (i) a no-litigation certificate certifying that as of and at the time of delivery of the Securities, there is no litigation or administrative proceeding pending or threatened concerning the validity of the Securities, the security of the Securities, the corporate existence of the District or the title of the officers legally responsible for the authorization, execution and delivery of the Securities of their respective offices; (ii) a certificate of authorized officials of the District, stating to the best knowledge, information and belief of such officials, that the Preliminary Official Statement used in connection with the Securities, did not on the date of sale, and the final Official Statement does not on the date of delivery: (a) contain any untrue statement of a material fact; or (b) omit to state a material fact necessary in order to make the statements therein contained, in light of the circumstances under which they were made, not misleading; (iii) a certificate of the District stating that on the basis of the facts, estimates and circumstances in existence on the date of delivery, it is not expected that the proceeds of the Securities will be used in a manner that would cause the Securities to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended; and (iv) a receipt of the Trustee showing that the purchase price of the Securities, including interest accrued to the date of delivery thereof, has been received by the Trustee.

Right to Modify or Amend

The District reserves the right to modify or amend this Official Notice of Sale including, but not limited to, the right to adjust and change the amortization schedule of the Securities being offered

as described above under the caption “Terms of Sale — Adjustment of Maturity Amounts;” however, such modifications or amendments shall be made not later than 1:00 p.m. California time one business day prior to the bid opening and communicated through notice delivered via Thomson Municipal Market Monitor (www.tm3.com), Bloomberg Financial Markets or The Bond Buyer or by some other method as determined by the District.

Postponement or Cancellation

The District reserves the right to cancel at any time or postpone, from time to time, the date established for the receipt of bids. Any such cancellation or postponement will be announced by notice delivered via Thomson Municipal Market Monitor (www.tm3.com), Bloomberg Financial Markets or The Bond Buyer or by some other method as determined by the District prior to the date and time for receipt of bids. If any date fixed for the receipt of bids is postponed, any alternative sale date will be announced by notice delivered via Thomson Municipal Market Monitor (www.tm3.com), Bloomberg Financial Markets or The Bond Buyer or by some other method as deemed by the District at least 24 hours prior to such alternative sale date. On any such alternative sale date, any bidder may submit a bid for the purchase of the Securities in conformity in all respects with the provisions of this Official Notice of Sale except for the new date of sale and except for the changes announced at the time the new sale date and times are announced.

Additional Information

Copies of the current drafts of the Indenture and of this Official Notice of Sale, the Bid Form and the Preliminary Official Statement and any other pertinent information will be furnished to any potential bidder upon request made to the District’s Municipal Advisor at: Public Resources Advisory Group, 11500 West Olympic Blvd., Suite 502, Los Angeles, California 90064, attention: Edmund Soong; phone (310) 477-1453; telecopy (310) 477-0105; email esoong@pragadvisors.com.

By making a bid for the Securities, the Purchaser agrees (1) to disseminate to all members of the underwriting syndicate copies of the final Official Statement, including any supplements prepared by the District, (2) promptly file a copy of the final Official Statement, including any supplements prepared by the District, with a Nationally Recognized Municipal Securities Information Depository, and (3) to take any and all other actions necessary to comply with applicable Securities and Exchange Commission rules and Municipal Securities Rulemaking Board rules governing the offering, sale and delivery of the Securities to ultimate purchasers.

Dated: April __, 2017

Chief Financial Officer

BID FORM
(Electronic Bids Accepted via PARITY® — see the Official Notice of Sale)

\$ _____ *

SANTA CLARA VALLEY WATER DISTRICT
WATER SYSTEM REFUNDING REVENUE BONDS, SERIES 2017A

To: The Santa Clara Valley Water District

We offer to purchase all of the aggregate principal amount of the Santa Clara Valley Water District Water System Refunding Revenue Bonds, Series 2017A (the “Securities”), more particularly described in the Official Notice of Sale dated _____, 2017, which is incorporated herein and made a part hereof, at a purchase price of \$ _____. This offer is for Securities representing interest at the rates and maturing as follows.

| <u>Maturity</u> <u>June 1</u> | <u>Principal</u> <u>Amount</u> | <u>Serial</u> <u>Maturity</u> | <u>Interest</u> <u>Rate</u> | <u>Yield</u> | <u>Price</u> |
|----------------------------------|-----------------------------------|----------------------------------|--------------------------------|--------------|--------------|
| | \$ | | | | |

* Preliminary, subject to change.

Our calculation of the true interest cost ("TIC") which is considered to be informative only and not a part of the bid, is _____.

We have noted that payment of the purchase price is to be made in immediately available Federal Reserve Funds at the time of delivery of the Securities.

We represent that we have full and complete authority to submit this bid on behalf of our bidding syndicate and that the undersigned will serve as the lead manager for the group if the Securities are awarded pursuant to this bid.

I certify (or declare) under penalty of perjury under the laws of the State of California that this proposal is genuine, and not a sham or collusive, nor made in the interest of or on behalf of any person not herein named, and that the bidder has not directly or indirectly induced or solicited any other bidder to put in a sham bid or any other person, firm or corporation to refrain from bidding, and that the bidder has not in any manner sought by collusion to secure for himself an advantage over any other bidder.

Respectfully submitted,

Name of Firm

By: _____

Telephone No. _____

Syndicate Members: _____
(If your bid is delivered electronically, a Syndicate Members list, if applicable, must be provided in writing to the District within 24 hours after the receipt of your bid; if your bid is delivered by telecopy transmission, a Syndicate Members list, if applicable, should be filled in herein)

EXHIBIT A

\$_____
SANTA CLARA VALLEY WATER DISTRICT
WATER SYSTEM REFUNDING REVENUE BONDS, SERIES 2017A

CERTIFICATION OF THE PURCHASER

This Certificate is furnished by _____ (the "Purchaser") the Purchaser of the \$_____ * Santa Clara Valley Water District, Water System Refunding Revenue Bonds, Series 2017A (the "Obligations"), and it hereby certifies and represents the following, based upon the information available to it:

A. Issue Price.

1. As of the date that the Underwriter submitted the winning bid with respect to the Obligations (the "Sale Date"), the Underwriter reasonably expected to sell a substantial amount (at least 10%) of each maturity of the Obligations to the general public (excluding bond houses, brokers, or similar persons, known to the Underwriter to be acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the prices listed on Schedule A.

2. In our opinion, and based upon our estimate as of the date hereof, the issue prices of the Obligations set forth in Schedule A are within a reasonable range of, and should reflect, the fair market prices for such Obligations as of the Sale Date.

3. As of the date of execution of the Official Notice of Sale and Bid Form, all of the Obligations have actually been offered to the general public at the prices listed in Schedule A.

4. At least 10% of each maturity of the Obligations has been sold to the general public at the prices referred to in Schedule A.

B. Certification. This Certification is made on the best knowledge, information and belief of the Underwriter after appropriate investigation.

Dated: _____, 2017

_____,
as Purchaser

By: _____
Its: Authorized Officer

SCHEDULE A

**PRICE OF THE OBLIGATIONS
OFFERED OR REASONABLY EXPECTED TO BE OFFERED
TO THE GENERAL PUBLIC IN A BONA FIDE PUBLIC OFFERING**

\$_____*

**SANTA CLARA VALLEY WATER DISTRICT
WATER SYSTEM REFUNDING REVENUE BONDS, SERIES 2017A**

| Maturity Date (June 1) | Principal Amount | Interest Rate | Price |
|-----------------------------------|-------------------------|----------------------|--------------|
| | \$ | % | % |

* *Preliminary, subject to change.*