

RESOLUTION NO. 2016-03

**RESOLUTION OF THE UPPER SANTA CLARA VALLEY JOINT
POWERS AUTHORITY AUTHORIZING: (1) THE ISSUANCE OF
NOT TO EXCEED \$71,000,000 REVENUE BONDS; (2)
APPROVING THE EXECUTION OF CERTAIN DOCUMENTS;
AND (3) AUTHORIZING CERTAIN ACTS IN CONNECTION
THEREWITH AND CERTAIN OTHER MATTERS**

WHEREAS, the Upper Santa Clara Valley Joint Powers Authority (the "Authority"), a joint exercise of powers authority duly organized and existing under and pursuant to the Constitution and laws of the State of California, previously approved the issuance of up to \$60,000,000 of revenue bonds on behalf of the Castaic Lake Water Agency (the "Agency") to undertake the financing of the acquisition of certain capital improvements to the Wholesale Division of the Agency and the refinancing of certain obligations issued to provide interim financing of certain capital improvements of the Wholesale Division of the Agency, all as provided in Resolution 2011-04 of the Authority adopted on September 28, 2011 ("Resolution 2011-04"); and

WHEREAS, the Agency has requested that the Authority increase the amount of revenue bonds authorized to be issued to \$71,000,000 in order to finance capital improvements and refinance the Castaic Lake Water Agency Refunding Revenue Certificates of Participation, Series 2006A (1999 Refunding Project) (the "2006A COPs") in addition to the purposes authorized by Resolution 2011-04;

WHEREAS, the Board of Directors has determined to assist the Agency to finance and refinance such capital improvements;

NOW THEREFORE, the Board of Directors of the Upper Santa Clara Valley Joint Powers Authority hereby finds, determines, declares and resolves as follows:

1. The issuance by the Authority of revenue bonds (the "Bonds") in the principal amount not to exceed \$71,000,000 in order to finance certain capital improvements, to refinance the 2006A COPs and to refinance such interim financing (if outstanding) to fund a reserve fund, if necessary, and pay the costs of issuance for the Bonds is hereby approved.

2. The Installment Purchase Agreement in substantially the form on file with the Authority is hereby approved. The President, Vice President or Executive Director or the designee thereof are hereby authorized and directed to execute and deliver the Installment Purchase Agreement with such changes, insertions and omissions as may be approved by the person executing the same, said execution being conclusive evidence of such approval.

3. The Indenture of Trust in substantially the form on file with the Authority is hereby approved. The President, Vice-President or Executive Director or the designee thereof are hereby authorized and directed to execute and deliver the Indenture of Trust with such changes, insertions and omissions as may be approved by the officers executing the same, said execution being conclusive evidence of such approval.

4. The Purchase Contract with Citigroup Global Markets Inc., as representative of the underwriters listed therein, in substantially the form on file with the Authority is hereby approved. The President, Vice-President or Executive Director or the designee thereof are hereby authorized and directed to execute and deliver the Purchase Contract with such changes, insertions and omissions as may be approved by the person executing the same, said execution being conclusive evidence of such approval; provided, however, that in no event shall the principal amount of the Bonds exceed \$71,000,000, nor shall the underwriter's discount exceed .375 of 1% of the principal amount of the Bonds, nor shall the true interest cost of the Bonds exceed 5.0%.

5. The Board of Directors hereby authorizes the Executive Director of the Authority to select a municipal bond insurer to insure payments of interest and principal on all or a portion of the Bonds so long as Fieldman, Rolapp & Associates, the Authority's financial advisor, determines that obtaining the municipal bond insurance policy provided thereby will result in a lower interest rate or yield to maturity on such Bonds. Stradling Yocca Carlson & Rauth, a Professional Corporation is hereby directed to make all changes to the Installment Purchase Agreement, the Indenture of Trust and the Purchase Contract as are necessary to reflect the selection of a municipal bond insurer and the reasonable comments thereof.

6. The President, Vice-President, Executive Director, Treasurer or Secretary and any other proper officer of the Authority are hereby authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by the Indenture of Trust, the Installment Purchase Agreement, the Purchase Contract and this Resolution.

7. U.S. Bank National Association is hereby appointed to act as trustee under the Indenture.

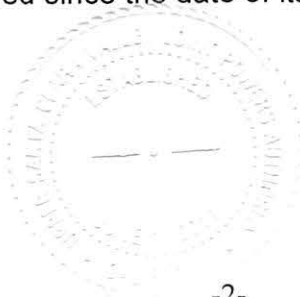
8. Unless otherwise defined herein, all terms used herein and not otherwise defined shall have the meanings given such terms in the Indenture unless the context otherwise clearly requires.

This resolution shall take effect immediately.


President

I, the undersigned, hereby certify I am the duly appointed and acting Secretary of the Upper Santa Clara Valley Joint Powers Authority and at a regular meeting of the Board of Directors of said Agency held on Wednesday, January 27, 2016, the foregoing Resolution No. 2016-03 was duly and regularly adopted by said Authority, and that said resolution has not been rescinded or amended since the date of its adoption, and it is now in full force and effect.

DATED: January 27, 2016




April Jacobs, Secretary

INSTALLMENT PURCHASE AGREEMENT

by and between

CASTAIC LAKE WATER AGENCY

and

UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY

Dated as of January 1, 2016

Relating to

\$ _____
UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY
REVENUE BONDS, SERIES 2016A

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INSTALLMENT PURCHASE AGREEMENT

This INSTALLMENT PURCHASE AGREEMENT, made and entered into and dated as of January 1, 2016, by and between CASTAIC LAKE WATER AGENCY, an agency duly organized and existing under and by virtue of the laws of the State of California (the "Agency"), and UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY, a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California (the "Authority").

W I T N E S S E T H:

WHEREAS, the Agency proposes to undertake the financing of the acquisition of certain capital improvements to the Water System, as more particularly described in Exhibit A-1 hereto ("Component A of the Project");

WHEREAS, the Agency proposes to undertake the refinancing of certain capital improvements to the Water System which have previously been financed on an interim basis by the Agency, as more particularly described in Exhibit A-2 hereto ("Component B of the Project");

WHEREAS, the Agency proposes to undertake the refinancing of certain capital improvements to the Water System previously refinanced from the proceeds of the Castaic Lake Water Agency Refunding Revenue Certificates of Participation, Series 2006A (1999 Refinancing Project), as more particularly described in Exhibit A-3 hereto ("Component C of the Project")

WHEREAS, the Authority has agreed to assist the Agency to finance Component A of the Project and to refinance Component B of the Project and Component C of the Project;

WHEREAS, the Agency is authorized under the Castaic Lake Water Agency Law of the State of California (being Chapter 103-15(d) and (e) of the Water Code-Appendix of the State of California), including all laws amendatory thereof or supplemental thereto, to acquire property for the Water System;

WHEREAS, the Agency is authorized under the Castaic Lake Water Agency Law of the State of California (being Chapter 103-15(d) and (e) of the Water Code-Appendix of the State of California) and under Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, including all laws amendatory thereof or supplemental thereto, to refinance the acquisition of property for the Water System;

WHEREAS, the Authority is authorized under the Joint Exercise of Powers Act, as amended, constituting Chapter 5, Division 7, Title 1 of the Government Code of the State of California, to assist its members in the financing and refinancing of the acquisition of capital improvements;

WHEREAS, the Agency and the Authority have duly authorized the execution of this Installment Purchase Agreement; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Installment Purchase Agreement do exist, have happened and have been performed in regular and

due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Installment Purchase Agreement.

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

ARTICLE I

DEFINITIONS

Section 1.1. **Definitions.** Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any report or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein. All capitalized terms used herein and not defined herein shall have the meanings ascribed thereto in the Indenture.

Acquisition Fund. The term “Acquisition Fund” means the fund by that name continued pursuant to Section 3.6 hereof.

Agency. The term “Agency” means Castaic Lake Water Agency, an agency duly organized and existing under and by virtue of the laws of the State of California, including the Law.

Authority. The term “Authority” means Upper Santa Clara Valley Joint Powers Authority, a joint exercise of powers authority created pursuant to a Joint Exercise of Powers Agreement, dated as of June 1, 2011 by and between the Agency and the Devil’s Den Water District.

Bonds. The term “Bonds” means all revenue bonds or notes of the Agency authorized, executed and delivered by the Agency, the payments of which are on a parity with the Series 2016A Installment Payments and which are secured by a pledge of and lien on the Revenues, and payable from Net Revenues, subordinate to the Senior Obligations, including but not limited to the 2014 Bonds, the tax revenue anticipation note issued on [July 1, 2015] and any tax revenue anticipation notes issued by the Agency from time to time, which tax revenue anticipation notes may secure the Upper Santa Clara Valley Joint Powers Authority’s Castaic Lake Water Agency Commercial Paper Notes.

Component A of the Project. The term “Component A of the Project” means the additions, betterments, extensions and improvements to the Water System described in Exhibit A-1 hereto.

Component B of the Project. The term “Component B of the Project” means the additions, betterments, extensions and improvements to the Water System described in Exhibit A-2 hereto which have previously been financed on an interim basis by the Agency.

Component C of the Project. The term “Component C of the Project” means the additions, betterments, extensions and improvements to the Water System described in Exhibit A-3 hereto which have previously been financed on an interim basis by the Agency.

Continuing Disclosure Certificate. The term “Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate, dated the date of issuance of the 2016A Bonds, of the Agency, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

Contracts. The term “Contracts” means this Installment Purchase Agreement and any amendments and supplements hereto, and all contracts of the Agency previously or hereafter authorized and executed by the Agency, the Installment Payments under which are on a parity with the Series 2016A Installment Payments and which are secured by a pledge and lien on the Revenues as described in Section 5.1 hereof, including but not limited to the 2008A Installment Purchase Agreement, the 2010A Installment Purchase Agreement, the 2015A Installment Purchase Agreement, the Credit Facility Agreement and any credit facility agreement that may be entered into by the Agency in connection with the issuance of tax revenue anticipation notes issued by the Agency outstanding from time to time, and which are payable from Net Revenues subordinate to the Senior Obligations.

Corporation. The term “Corporation” means Castaic Lake Water Agency Financing Corporation, a nonprofit public benefit corporation duly organized and existing under and by virtue of the laws of the State of California.

Credit Facility Agreement. The term “Credit Facility Agreement” means (i) the Reimbursement Agreement dated as of April 1, 2008, by and between the Agency and Wells Fargo Bank, National Association, as amended by the First Amendment to Reimbursement Agreement dated as of March 1, 2013, and (ii) the Amended and Restated Letter of Credit Reimbursement Agreement dated November 14, 2014, entered into by and between the Agency and Citibank, N.A.; and as each such Credit Facility Agreement may be amended or supplemented from time to time in accordance with its terms.

Debt Service. The term “Debt Service” means, for any Fiscal Year, the sum of:

(i) the interest payable during such Fiscal Year on all outstanding Bonds, assuming that all outstanding serial Bonds are retired as scheduled and that all outstanding term Bonds 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 the Agency 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);

(ii) that portion of the principal amount of all outstanding serial Bonds maturing in such Fiscal Year;

(iii) that portion of the principal amounts of all outstanding term Bonds required to be prepaid or paid in such Fiscal Year;

(iv) that portion of the Installment Payments required to be made during such Fiscal Year (except to the extent that the interest portion of such Installment Payments is capitalized or is reasonably anticipated to be reimbursed to the Agency 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); and

(v) so long as the Credit Facility Agreement, is in effect, the principal amount of any Credit Facility Amounts (as such term is defined in the Credit Facility Agreement) owing thereunder, with interest thereon as provided in the Credit Facility Agreement;

provided that, as to any such Bonds or Installment Payments bearing or comprising interest at other than a fixed rate, the rate of interest used to calculate Debt Service shall be assumed to bear interest at a fixed rate equivalent to the higher of: (i) the then current variable interest rate borne by such Bonds or Contracts plus 1%; and (ii) the highest average variable rate borne over a 6 month period during the preceding 24 months by outstanding variable rate debt issued by the Agency or, if no such variable rate debt is at the time outstanding, by variable rate debt of which the interest rate is computed by reference to an index comparable to that to be utilized in determining the interest rate for the debt then proposed to be issued;

provided further that if any series or issue of such Bonds or Installment Payments have twenty-five percent (25%) or more of the aggregate principal amount of such series or issue due in any one year, Debt Service shall be determined for the Fiscal Year of determination as if the principal of and interest on such series or issue of such Bonds or Installment Payments were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of thirty (30) years from the date of calculation;

provided further that the amount on deposit in a debt service reserve fund on any date of calculation of Debt Service shall be deducted from the amount of principal due at the final maturity of the Bonds and Contracts for which such debt service reserve fund was established and in each preceding year until such amount is exhausted;

provided further that Debt Service shall be reduced by the amount of investment earnings credited to any debt service fund created with respect to Contracts or Bonds; and

provided further that if the Bonds or Contracts constitute Paired Obligations, the interest rate on such Bonds or Contracts shall be the resulting linked rate or the effective fixed interest rate to be paid by the Agency with respect to such Paired Obligations.

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

Fiscal Year. The term “Fiscal Year” means the period beginning on July 1 of each year and ending on the last day of June of the succeeding year, or any other twelve-month period selected and designated as the official Fiscal Year of the Agency.

Indenture. The term “Indenture” means the Indenture of Trust, dated as of January 1, 2016, by and between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

Independent Certified Public Accountant. The term “Independent Certified Public Accountant” means any firm of certified public accountants appointed by the Agency, and each of whom is independent pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

Independent Financial Consultant. The term “Independent Financial Consultant” means a financial consultant or firm of such consultants appointed by the Agency, and who, or each of whom: (i) is in fact independent and not under domination of the Agency; (ii) does not have any substantial interest, direct or indirect, with the Agency; and (iii) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

Initial Rating Requirement. The term “Initial Rating Requirement” means a long term debt rating of A3 or better by Moody’s and A- or better by S&P.

Installment Payment Date. The term “Installment Payment Date” means any date on which Installment Payments are scheduled to be paid by the Agency under and pursuant to any Contract.

Installment Payments. The term “Installment Payments” means the installment payments of interest and principal scheduled to be paid by the Agency under and pursuant to the Contracts.

Installment Purchase Agreement. The term “Installment Purchase Agreement” means this Installment Purchase Agreement, dated as of January 1, 2016, by and between the Agency and the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

Law. The term “Law” means, collectively, the Castaic Lake Water Agency Law of the State of California (being Chapter 103-15(d) and (e) of the Water Code-Appendix of the State of California) and Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, including all laws amendatory thereof or supplemental thereto.

Manager. The term “Manager” means the General Manager of the Agency, or any other person designated by the General Manager to act on behalf of the General Manager.

Minimum Rating Requirement. The term “Minimum Rating Requirement” means a long term debt rating of Baa2 by Moody’s or BBB by S&P.

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

Net Revenues. The term “Net Revenues” means, for any Fiscal Year, the Revenues for such Fiscal Year less the Operation and Maintenance Costs for such Fiscal Year and Senior Debt Service for such Fiscal Year.

1999 Installment Purchase Agreement. The term “1999 Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of June 1, 1999, by and between the Agency and the Corporation.

Operation and Maintenance Costs. The term “Operation and Maintenance Costs” means: (i) costs spent or incurred for maintenance and operation of the Water System calculated in accordance with generally accepted accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, and including administrative costs of the Agency that are charged directly or apportioned to the Water System, including but not limited to

salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, consultants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the Agency or charges (other than debt service payments) required to be paid by it to comply with the terms of the 2016A Bonds or of this Installment Purchase Agreement or any Contract or of any resolution or indenture authorizing the issuance of any Bonds or of such Bonds, or payments, if any, required in connection with the Water Contract; and (ii) cost of purchased water; but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature, and any amounts transferred to the Rate Stabilization Fund.

Paired Obligation Provider. The term “Paired Obligation Provider” means a party to a Paired Obligation other than the Agency.

Paired Obligations. The term “Paired Obligations” means any Bond or Contract (or portion thereof) designated as Paired Obligations in the resolution, indenture or other document authorizing the issuance or execution and delivery thereof, which are issued or executed and delivered: (i) the principal of which, at the time of adoption or execution of the resolution, indenture or other document authorizing the issuance or execution thereof, 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 with respect to which, taken together, are reasonably expected, at the time of adoption or execution of the resolution, indenture or other document authorizing the issuance or execution thereof, to result in a fixed interest rate obligation of the Agency for the term of such Bond or Contract, as certified by an Independent Financial Consultant in writing, and which comply with the provisions of Section 10.15 hereof.

Parity Project. The term “Parity Project” means any additions, betterments, extensions or improvements to the Water System designated by the Board of Directors of the Agency as a Parity Project, the acquisition and construction of which has been or will be paid for with the proceeds of any Contracts or Bonds.

Project. The term “Project” means, collectively, Component A of the Project, Component B of the Project and Component C of the Project.

Purchase Price. The term “Purchase Price” means the principal amount plus interest thereon owed by the Agency to the Authority under the terms hereof as provided in Section 4.1.

Rate Stabilization Fund. The term “Rate Stabilization Fund” means the fund by that name continued pursuant to Section 5.5 hereof.

Revenue Fund. The term “Revenue Fund” means the fund previously established by the Agency and continued by the terms of Section 5.2 hereof.

Revenues. The term “Revenues” means all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Water System on or after the date hereof, including, without limiting the generality of the foregoing:

(i) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the Agency from the sale, furnishing and supplying of the water or other

services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Water System;

(ii) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, or other moneys, including Agency reserves and the Rate Stabilization Fund;

(iii) the proceeds of any facility capacity fees or any other connection fees collected by the Agency in connection with the Water System;

(iv) all property taxes (not including any taxes or assessments, ad valorem or otherwise (including investment earnings thereof) restricted by law to be applied for the payment of the Water Contract) received by the Agency, and

(v) the proceeds of any stand-by or water availability charges collected by the Agency in connection with the Water System;

but excluding in all cases customers' deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the Agency and excluding any proceeds of taxes or assessments restricted by law to be used by the Agency to pay bonds hereafter issued. "Revenues" shall also include all amounts transferred from the Rate Stabilization Fund to the Revenue Fund during any Fiscal Year in accordance with Section 5.5 hereof and shall not include any amounts transferred from the Revenue Fund to the Rate Stabilization Fund during any Fiscal Year in accordance with Section 5.2(e) hereof.

Senior Debt Service. The term "Senior Debt Service" means Debt Service as such term is defined in the 1999 Installment Purchase Agreement, which definition is incorporated herein by reference.

Senior Obligations. The term "Senior Obligations" means all contracts of the Agency (excluding contracts entered into for operation and maintenance of the Water System) which are secured by a pledge of and lien on the Revenues prior to the pledge of and lien on the Revenues described in Section 5.1 hereof, including but not limited to the 1999 Installment Purchase Agreement, which contracts are payable from Revenues prior to the Installment Payments.

Series 2016A Installment Payment Date. The term "Series 2016A Installment Payment Date" means the second Business Day preceding each Interest Payment Date pursuant to the Indenture.

Series 2016A Installment Payments. The term "Series 2016A Installment Payments" means the Installment Payments scheduled to be paid by the Agency under and pursuant hereto.

Subordinate Obligations. The term "Subordinate Obligations" means all revenue bonds or notes of the Agency and all contracts of the Agency payable from Revenues, which are secured by a pledge and lien on the Revenues subordinate to the pledge of and lien on the Revenues securing the Installment Payments described in Section 5.1 hereof and which are payable from Net Revenues subordinate to the Installment Payments.

Trustee. The term "Trustee" means U.S. Bank National Association, Los Angeles, California, acting in its capacity as Trustee under and pursuant to the Indenture, and its successors and assigns.

2008A Installment Purchase Agreement. The term “2008A Installment Purchase Agreement” means the Installment Purchase Agreement – Variable Rate, dated as of February 1, 2008, by and between the Agency and the Corporation.

2010A Installment Purchase Agreement. The term “2010A Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of May 1, 2006, by and between the Agency and the Corporation.

2014A Bonds. The term “2014A Bonds” means the Castaic Lake Water Agency Refunding Revenue Bonds, Series 2014A.

2015A Installment Purchase Agreement. The term “2015A Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of November 1, 2011, by and between the Agency and the Authority.

Water Contract. The term “Water Contract” means the Contract between the State of California Department of Water Resources and Castaic Lake Water Agency, dated April 30, 1963, as amended from time to time.

Water Service. The term “Water Service” means the water distribution service made available or provided by the Water System.

Water System. The term “Water System” means the whole and each and every part of the water system of the Agency, including the portion thereof existing on the date hereof, and including the Project and all additions, betterments, extensions and improvements to such water system or any part thereof hereafter acquired or constructed, but not including any retail water distribution facilities unless the Board of Directors of the Agency determines by resolution that such facilities shall be included in the Water System for purposes of this Installment Purchase Agreement.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1. **Representations by the Agency.** The Agency makes the following representations:

(a) The Agency is an agency duly organized and existing under and pursuant to the laws of the State of California.

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

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

(d) The Agency will not take or, to the extent within its power, permit any action to be taken which results in the interest paid for the installment purchase of the Project under the

terms of this Installment Purchase Agreement being included in the gross income of the Authority or its assigns for purposes of federal or State of California personal income taxation.

(e) The Agency has determined that it is necessary and proper for Agency uses and purposes within the terms of the Law that the Agency finance and refinance the Project in the manner provided for in this Installment Purchase Agreement.

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

(a) The Authority is a joint exercise of powers authority duly organized and in good standing under the laws of the State of California, has full legal right, power and authority to enter into this Installment Purchase Agreement and to carry out and consummate all transactions contemplated by this Installment Purchase Agreement and by proper action has duly authorized the execution and delivery and due performance of this Installment Purchase Agreement.

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

(c) The Authority will not take or permit any action to be taken which results in interest paid for the installment purchase of the Project under the terms of this Installment Purchase Agreement being included in the gross income of the Authority or its assigns for purposes of federal or State of California personal income taxation.

ARTICLE III

ACQUISITION OF THE PROJECT

Section 3.1. Sale and Purchase of Project. In consideration for the Authority's assistance in refinancing Component B of the Project and Component C of the Project, the Agency agrees to sell, and hereby sells, to the Authority, and the Authority agrees to purchase and hereby purchases, from the Agency, Component B of the Project and Component C of the Project in the manner and in accordance with the provisions of this Installment Purchase Agreement.

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

Section 3.3. Title. All right, title and interest in each component of Component B of the Project and Component C of the Project shall vest in the Agency immediately upon execution and delivery of this Installment Purchase Agreement. All right, title and interest in each component of

Component A of the Project shall vest in the Agency immediately upon acquisition thereof. Such vesting shall occur without further action by the Authority or the Agency and the Authority shall, if requested by the Agency or, if necessary to assure such automatic vesting, deliver any and all documents required to assume such vesting.

Section 3.4. Acquisition and Construction of Component A of the Project. The Authority hereby agrees to cause Component A of the Project, and any additions or modifications thereto to be constructed, acquired or installed by the Agency as its agent, and the Agency shall enter into contracts and provide for, as agent of the Authority, the complete construction, acquisition and installation of Component A of the Project. The Agency hereby agrees that the Agency will cause the construction, acquisition and installation of Component A of the Project to be diligently performed after the deposit of funds with the Trustee pursuant to Section 3.02 of the Indenture, upon satisfactory completion of design work and compliance with the California Environmental Quality Act and approval by the Board of Directors of the Agency, unforeseeable delays beyond the reasonable control of the Agency only excepted. It is hereby expressly understood and agreed that the Authority shall be under no liability of any kind or character whatsoever for the payment of any cost of Component A of the Project and that all such costs and expenses shall be paid by the Agency, regardless of whether the funds deposited in the Acquisition Fund are sufficient to cover all such costs and expenses.

Section 3.5. Changes to Component A of the Project. The Agency may substitute other improvements for those listed as components of Component A of the Project in Exhibit A-1 hereto, but only if the Agency first files with the Authority and the Trustee a statement of the Agency: (a) identifying the improvements to be deleted from such Exhibit and the improvements to replace such deleted improvements; and (b) stating that the estimated costs of construction, acquisition and installation of the substituted improvements are not less than such costs for the improvements previously planned.

Section 3.6. Acquisition Fund. There is hereby continued with the Agency a fund known as the "Acquisition Fund," which the Agency shall maintain and hold in trust separate and apart from other funds held by it. The moneys in the Acquisition Fund shall be applied to the payment of the costs of acquisition of Component A of the Project and of expenses incidental thereto. Before any payment is made from the Acquisition Fund, the Manager shall cause to be filed with the Administrative Services Manager of the Agency a Written Requisition in the form set forth in Exhibit C hereto. Upon receipt of such Written Requisition, the Administrative Services Manager of the Agency will pay the amount set forth therein. The Administrative Services Manager of the Agency need not make any such payment if he or she has received notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys so to be paid, which has not been released and will not be released simultaneously with such payment.

When Component A of the Project shall have been constructed and acquired in accordance with this Installment Purchase Agreement, a statement of the Agency stating the fact and date of such acquisition, construction and acceptance and stating that all of such costs of acquisition and incidental expenses have been determined and paid (or that all of such costs and expenses have been paid less specified claims which are subject to dispute and for which a retention in the Acquisition Fund is to be maintained in the full amount of such claims until such dispute is resolved), shall be delivered to the Administrative Services Manager of the Agency and the Trustee by the Manager. Upon the receipt of such statement, the Administrative Services Manager of the Agency shall transfer any remaining balance in the Acquisition Fund not needed for Acquisition Fund purposes (but less

the amount of any such retention which shall be certified to the Administrative Services Manager of the Agency by the Manager) to the Trustee, which shall transfer such amounts to the Revenue Fund.

ARTICLE IV

SERIES 2016A INSTALLMENT PAYMENTS

Section 4.1. Purchase Price.

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

(b) The principal amount of the payments to be made by the Agency hereunder is set forth in a certificate of the Manager to be attached hereto as Exhibit B.

(c) The interest to accrue on the unpaid balance of such principal amount to be made by the Agency hereunder is set forth in a certificate of the Manager to be attached hereto as Exhibit B, and shall be paid by the Agency as and constitute interest paid on the principal amount of the Agency's obligations hereunder.

Section 4.2. Series 2016A Installment Payments. The Agency shall, subject to its rights of prepayment provided in Article VII, pay the Authority the Purchase Price in installment payments of interest and principal in the amounts and on the Series 2016A Installment Payment Dates as set forth in a certificate of the Manager, a copy of which shall be delivered to the Trustee by the Agency and is attached hereto as Exhibit B.

Each Series 2016A Installment Payment shall be paid to the Authority in lawful money of the United States of America. In the event that the Agency fails to make any of the payments required to be made by it under this section, such payment shall continue as an obligation of the Agency until such amount shall have been fully paid and the Agency agrees to pay the same with interest accruing thereon at the rate or rates of interest then applicable to the remaining unpaid principal balance of the Series 2016A Installment Payments if paid in accordance with their terms.

The obligation of the Agency to make the Series 2016A Installment Payments is absolute and unconditional, and until such time as the Purchase Price shall have been paid in full (or provision for the payment thereof shall have been made pursuant to Article IX), the Agency will not discontinue or suspend any Series 2016A Installment Payments required to be made by it under this section when due, whether or not the Project or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

ARTICLE V

SECURITY

Section 5.1. **Pledge of Revenues.** All Revenues and all amounts on deposit in the Revenue Fund and the Rate Stabilization Fund are hereby irrevocably pledged to the payment of the Series 2016A Installment Payments as provided herein, subject however to the pledge thereon securing Senior Obligations now in existence, and the Revenues shall not be used for any other purpose while any of the Series 2016A Installment Payments remain unpaid; provided that out of the Revenues and amounts on deposit in the Revenue Fund and the Rate Stabilization Fund, there may be apportioned such sums for such purposes as are expressly permitted herein. This pledge, together with the pledge created by all other Contracts and Bonds, shall constitute a lien on Revenues, the Revenue Fund and the Rate Stabilization Fund and all amounts on deposit therein as permitted herein subordinate to the pledge securing Senior Obligations and, subject to the application of Revenues, in accordance with the terms hereof.

Section 5.2. **Allocation of Revenues.** In order to carry out and effectuate the pledge and lien contained herein, the Agency agrees and covenants that all Revenues shall be received by the Agency in trust hereunder and shall be deposited when and as received in a special fund designated as the "Revenue Fund," which fund was previously established by the Agency and is hereby continued by the terms of this Section 5.2 and which fund the Agency agrees and covenants to maintain and to hold separate and apart from other funds so long as any Contracts or Bonds remain unpaid. Moneys in the Revenue Fund shall be used and applied by the Agency as provided in this Installment Purchase Agreement.

The Agency shall, from the moneys in the Revenue Fund, pay all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as such Operation and Maintenance Costs become due and payable. All remaining moneys in the Revenue Fund shall be used to make payments with respect to Senior Debt Service on Senior Obligations and thereafter shall be set aside by the Agency at the following times in the following respective special funds in the following order of priority and all moneys in each of such funds shall be held in trust and shall be applied, used and withdrawn only for the purposes hereinafter authorized in this section:

(a) **Bond Payment Fund.** On or before each Series 2016A Installment Payment Date, the Agency shall, from the moneys in the Revenue Fund, transfer to the Trustee for deposit in the Bond Payment Fund a sum equal to the Series 2016A Installment Payment coming due on such Series 2016A Installment Payment Date. The Agency shall also, from the moneys in the Revenue Fund, transfer to the applicable trustee or payee for deposit in the applicable payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Debt Service in accordance with the provisions of the Contract, resolution or indenture relating thereto.

No deposit need be made in the Bond Payment Fund as Series 2016A Installment Payments if the amount in the Bond Payment Fund is at least equal to the amount of the Series 2016A Installment Payment due and payable on the next succeeding Series 2016A Installment Payment Date. All money in the Bond Payment Fund shall be used and withdrawn by the Trustee in accordance with the Indenture.

(b) Reserve Funds. The Agency shall, from the remaining moneys in the Revenue Fund, thereafter, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the applicable trustee for deposit in any reserve fund or account for Contracts or Bonds an amount equal to the amount required to be deposited therein (in each case rated on the date of delivery in the highest rating category by Moody's and S&P).

(c) Subordinate Obligations. On or before any date that the payment of principal and interest is due with respect to any Subordinate Obligations, the Agency shall from moneys in the Revenue Fund, transfer to the applicable trustee or payee for deposit in the applicable payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without discrimination or preference, payment on such Subordinate Obligations, in accordance with the provisions of such Subordinate Obligation.

(d) Surplus. On the last day of each month, moneys on deposit in the Revenue Fund not required to make any of the payments required above may be expended by the Agency at any time for any purpose permitted by law, including but not limited to payment of any amounts due and payable under the Water Contract or to deposit amounts in the Rate Stabilization Fund in accordance with Section 5.5 hereof.

Section 5.3. Additional Contracts and Bonds. The Agency may at any time execute any Contract or issue any Bonds, as the case may be, in accordance herewith; provided:

(a) The Net Revenues (not including amounts transferred from the Rate Stabilization Fund pursuant to Section 5.5 to the Revenue Fund in excess of twenty percent (20%) of Debt Service for such Fiscal Year) for the most recent audited Fiscal Year preceding the date of adoption by the Board of Directors of the Agency of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, as evidenced by both a calculation prepared by the Agency and a special report prepared by an Independent Certified Public Accountant or an Independent Financial Consultant on such calculation on file with the Agency, shall have produced a sum equal to at least one hundred twenty percent (120%) of the Debt Service for such Fiscal Year; and

(b) The Net Revenues (not including amounts transferred from the Rate Stabilization Fund pursuant to Section 5.5 in excess of twenty percent (20%) of Debt Service for such Fiscal Year) for the most recent audited Fiscal Year preceding the date of the execution of such Contract or the date of adoption by the Board of Directors of the Agency of the resolution authorizing the issuance of such Bonds, as the case may be, including adjustments to give effect as of the first day of such Fiscal Year to increases or decreases in income, rents, fees, rates and charges for the Water Service approved and in effect as of the date of calculation, as evidenced by both a calculation prepared by the Agency and a special report prepared by an Independent Certified Public Accountant or an Independent Financial Consultant on such calculation on file with the Agency, shall demonstrate a sum equal to at least one hundred twenty percent (120%) of the Debt Service for such Fiscal Year plus the Debt Service which would have accrued on any Contracts executed or Bonds issued since the end of such Fiscal Year assuming such Contracts had been executed or Bonds had been issued at the beginning of such Fiscal Year plus the Debt Service which would have accrued had such Contract been executed or Bonds been issued at the beginning of such Fiscal Year; and

(c) The estimated Net Revenues (not including amounts transferred from the Rate Stabilization Fund pursuant to Section 5.5 in excess of twenty percent (20%) of Debt Service for such Fiscal Year) for the then current Fiscal Year and for each Fiscal Year thereafter to and including the first complete Fiscal Year after the latest date of operation of any uncompleted Parity Project financed from proceeds of such Contract or Bonds, as evidenced by a certificate on file with the Agency, including (after giving effect to the completion of all such uncompleted Parity Projects) an allowance for estimated Net Revenues (not including amounts transferred from the Rate Stabilization Fund pursuant to Section 5.5 in excess of twenty percent (20%) of Debt Service for such Fiscal Year) for each of such Fiscal Years arising from any increase in the income, rents, fees, rates and charges estimated to be fixed and prescribed 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 the Manager on file with the Agency, shall produce a sum equal to at least one hundred twenty percent (120%) of the estimated Debt Service for each of such Fiscal Years, after giving effect to the execution of all Contracts and the issuance of all Bonds estimated to be required to be executed or issued to pay the costs of completing all uncompleted Parity Projects within such Fiscal Years, assuming that all such Contracts and Bonds have maturities, interest rates and proportionate principal repayment provisions similar to the Contract last executed or then being executed or the Bonds last issued or then being issued for the purpose of acquiring and constructing any of such uncompleted Parity Projects.

Notwithstanding the foregoing, Bonds issued or Contracts executed to refund Bonds or Contracts may be delivered without satisfying the conditions set forth above if Debt Service in each Fiscal Year after the Fiscal Year in which such Bonds are issued or Contracts executed is not greater than Debt Service would have been in each such Fiscal Year prior to the issuance of such Bonds or execution of such Contracts.

Notwithstanding satisfaction of the other conditions to the execution of any Contract or the issuance of Bonds set forth in this Section 5.3, no such execution or issuance may occur if an Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) exists unless such Event of Default shall be cured upon such execution or issuance.

Section 5.4. **Investments.** All moneys held by the Agency in the Revenue Fund shall be invested in Permitted Investments and the investment earnings thereon shall remain on deposit in such fund, except as otherwise provided herein. All moneys held by the Agency in the Rate Stabilization Fund shall be invested in Permitted Investments and the investment earnings thereon shall be transferred to the Revenue Fund upon receipt thereof.

Section 5.5. **Rate Stabilization Fund.** There is hereby continued a special fund designated as the "Rate Stabilization Fund" to be held by the Agency in trust hereunder, which fund the Agency agrees and covenants to maintain and to hold separate and apart from other funds so long as any Installment Payments or Bonds remain unpaid. Money transferred by the Agency from the Revenue Fund to the Rate Stabilization Fund in accordance with Section 5.2(e) shall be held in the Rate Stabilization Fund and applied in accordance with this Installment Purchase Agreement.

The Agency may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Revenue Fund for application in accordance with Section 5.2 hereof or, in the event that all or a portion of the Series 2016A Installment Payments are discharged in accordance with Section 9.1(b) or (c) hereof, transfer all or any portion of such amounts for application in accordance with said section.

ARTICLE VI

COVENANTS OF THE AGENCY

Section 6.1. Compliance with Installment Purchase Agreement and Ancillary Agreements. The Agency will punctually pay the Series 2016A Installment Payments in strict conformity with the terms hereof, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it, and will not terminate this Installment Purchase Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision of either or any failure of the Authority to observe or perform any agreement, condition, covenant or term contained herein required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected herewith or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Authority or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lockouts, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

The Agency will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Indenture required to be observed and performed by it, and it is expressly understood and agreed by and among the parties to this Installment Purchase Agreement and the Indenture that, subject to Section 10.6 hereunder, each of the agreements, conditions, covenants and terms contained in each such agreement is an essential and material term of the purchase of and payment for the Project by the Agency pursuant to, and in accordance with, and as authorized under the Law.

The Agency will faithfully observe and perform all the agreements, conditions, covenants and terms required to be observed and performed by it pursuant to all outstanding Contracts and Bonds as such may from time to time be executed or issued, as the case may be.

Section 6.2. Against Encumbrances. The Agency will not make any pledge of or place any lien on Revenues or the moneys in the Revenue Fund or the Rate Stabilization Fund except as provided herein. The Agency may at any time, or from time to time, issue evidences of indebtedness or incur other obligations for any lawful purpose which are payable from and secured by a pledge of and lien on Revenues or any moneys in the Revenue Fund as may from time to time be deposited therein or the Rate Stabilization Fund, provided that such pledge and lien shall be subordinate in all respects to the pledge of and lien thereon provided herein.

Section 6.3. Against Sale or Other Disposition of Property. The Agency will not enter into any agreement or lease which impairs the operation of the Water System or any part thereof necessary to secure adequate Revenues for the payment of the Series 2016A Installment Payments, or which would otherwise impair the rights of the Authority hereunder or the operation of the Water System. Any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the Water System, or any material or equipment which has become worn out, may be sold if such sale will not impair the ability of the Agency to pay the Series 2016A Installment Payments and if the proceeds of such sale are deposited in the Revenue Fund.

Nothing herein shall restrict the ability of the Agency to sell any portion of the Water System if such portion is immediately repurchased by the Agency and if such arrangement cannot by its terms result in the purchaser of such portion of the Water System exercising any remedy which would deprive the Agency of or otherwise interfere with its right to own and operate such portion of the Water System.

Section 6.4. Against Competitive System. The Agency and the Authority hereby acknowledge that certain public and private agencies, corporations, districts or other political subdivisions currently operate retail water supply and distribution systems within the boundaries of the Agency and that nothing contained in this Installment Purchase Agreement is intended to alter or affect such activities. The Agency will not, to the extent permitted by law: (a) acquire, construct, maintain or operate; or (b) within the scope of its powers, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the Agency any water importation and treatment facilities competitive with the Water System.

Section 6.5. Tax Covenants. Notwithstanding any other provision of this Installment Purchase Agreement, absent a Favorable Opinion of Special Counsel that the exclusion from gross income of interest on the 2016A Bonds will not be adversely affected for federal income tax purposes, the Agency and the Authority covenant to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenant, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The Agency and the Authority will not take or omit to take any action or make any use of the proceeds of the 2016A Bonds or of any other moneys or property which would cause the 2016A Bonds to be “private activity bonds” within the meaning of Section 141 of the Code.

(b) Arbitrage. The Agency and the Authority will make no use of the proceeds of the 2016A Bonds or of any other amounts or property, regardless of the source, or take or omit to take any action which would cause the 2016A Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code.

(c) Federal Guarantee. The Agency and the Authority will make no use of the proceeds of the 2016A Bonds or take or omit to take any action that would cause the 2016A Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(d) Information Reporting. The Agency and the Authority will take or cause to be taken all necessary action to comply with the informational reporting requirements of Section 149(e) of the Code.

(e) Hedge Bonds. The Agency and the Authority will make no use of the proceeds of the 2016A Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the 2016A Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the Agency and the Authority take all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the 2016A Bonds for federal income tax purposes.

(f) **Miscellaneous.** The Agency and the Authority will take no action, or omit to take any action, inconsistent with the expectations stated in any Tax Certificate executed with respect to the 2016A Bonds and will comply with the covenants and requirements stated therein and incorporated by reference herein.

(g) **Compliance with Tax Certificate.** In furtherance of the foregoing tax covenants of this Section 6.5, the Agency covenants that it will comply with the provisions of the Tax Certificate, which is incorporated herein as if fully set forth herein. These covenants shall survive payment in full or defeasance of the 2016A Bonds.

This section shall not be applicable to, and nothing contained herein shall be deemed to prevent the Agency and the Authority from issuing bonds, the interest with respect to which has been determined by Special Counsel to be subject to federal income taxation.

Section 6.6. **Maintenance and Operation of the Water System.** The Agency will maintain and preserve the Water System in good repair and working order at all times and will operate the Water System in an efficient and economical manner and will pay all Operation and Maintenance Costs as they become due and payable.

Section 6.7. **Payment of Claims.** The Agency will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Revenues or the funds or accounts created hereunder or under the Indenture or on any funds in the hands of the Agency pledged to pay the Series 2016A Installment Payments or to the Owners prior or superior to the lien of the Series 2016A Installment Payments or which might impair the security of the Series 2016A Installment Payments.

Section 6.8. **Compliance with Contracts.** The Agency will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in the Water Contract and all contracts for the use of the Water System and all other contracts affecting or involving the Water System, to the extent that the Agency is a party thereto.

Section 6.9. **Insurance.**

(a) The Agency will procure and maintain or cause to be procured and maintained insurance on the Water System with responsible insurers in such amounts and against such risks (including accident to or destruction of the Water System) as are usually covered in connection with facilities similar to the Water System so long as such insurance is available from reputable insurance companies.

In the event of any damage to or destruction of the Water System caused by the perils covered by such insurance, the Net Proceeds thereof shall be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of the Water System. The Agency shall begin such reconstruction, repair or replacement promptly after such damage or destruction shall occur, and shall continue and properly complete such reconstruction, repair or replacement as expeditiously as possible, and shall pay out of such Net Proceeds all costs and expenses in connection with such reconstruction, repair or replacement so that the same shall be completed and the Water System shall be free and clear of all claims and liens.

If such Net Proceeds exceed the costs of such reconstruction, repair or replacement, then the excess Net Proceeds shall be applied in part to the prepayment of Series 2016A Installment Payments as provided in Article VII and in part to such other fund or account as may be appropriate and used for the retirement of Bonds and Contracts in the same proportion which the aggregate unpaid principal balance of Series 2016A Installment Payments then bears to the aggregate unpaid principal amount of such Bonds and Contracts. If such Net Proceeds are sufficient to enable the Agency to retire the entire obligation evidenced hereby prior to the final due date of the Series 2016A Installment Payments as well as the entire obligations evidenced by Bonds and Contracts then remaining unpaid prior to their final respective due dates, the Agency may elect not to reconstruct, repair or replace the damaged or destroyed portion of the Water System, and thereupon such Net Proceeds shall be applied to the prepayment of Series 2016A Installment Payments as provided in Article VII and to the retirement of such Bonds and Contracts.

(b) The Agency will procure and maintain such other insurance which it shall deem advisable or necessary to protect its interests and the interests of the Authority, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with municipal water systems similar to the Water System.

(c) Any insurance required to be maintained by paragraph (a) above and, if the Agency determines to procure and maintain insurance pursuant to paragraph (b) above, such insurance, may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with water systems similar to the Water System and is, in the opinion of an accredited actuary, actuarially sound.

Section 6.10. Accounting Records; Financial Statements and Other Reports. The Agency will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Water System, which records shall be available for inspection by the Authority and the Trustee at reasonable hours and under reasonable conditions. The Trustee shall have no duties to inspect such records.

Section 6.11. Protection of Security and Rights of the Authority. The Agency will preserve and protect the security hereof and the rights of the Authority to the Series 2016A Installment Payments hereunder and will warrant and defend such rights against all claims and demands of all persons.

Section 6.12. Payment of Taxes and Compliance with Governmental Regulations. The Agency will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Water System, or any part thereof or upon the Revenues when the same shall become due. The Agency will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Water System, or any part thereof, but the Agency shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

Section 6.13. Amount of Rates and Charges.

(a) In any Fiscal Year in which the amount on deposit in the Rate Stabilization Fund on the first day of such Fiscal Year is less than Debt Service payable in such Fiscal Year, the Agency shall fix and prescribe rates and charges for Water Service which are reasonably expected to be sufficient to yield during such Fiscal Year Net Revenues (not including amounts transferred from

the Rate Stabilization Fund pursuant to Section 5.5 in excess of twenty percent (20%) of Debt Service for such Fiscal Year) which will equal one hundred twenty percent (120%) of the Debt Service for such Fiscal Year.

(b) In any Fiscal Year in which the amount on deposit in the Rate Stabilization Fund on the first day of such Fiscal Year is at least equal to Debt Service payable in such Fiscal Year, the Agency shall fix and prescribe Revenues, other than described in clause (iii) of the definition thereof, that are reasonably expected to be sufficient to yield during such Fiscal Year such Revenues (not including amounts transferred from the Rate Stabilization Fund pursuant to Section 5.06) equal to one hundred twenty percent (120%) of Operation and Maintenance Costs during such Fiscal Year.

(c) The Agency may make adjustments from time to time in such rates and charges and may make such classifications thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Revenues or Revenues, as the case may be, from such reduced rates and charges will at all times be sufficient to meet the requirements of this section.

(d) So long as the Agency has complied with its obligations set forth in clause (a) and (b) above, the failure of Net Revenues to equal one hundred twenty percent (120%) of Debt Service at the end of a Fiscal Year shall not constitute a default or an Event of Default hereunder.

Section 6.14. Collection of Rates and Charges. The Agency will have in effect at all times by-laws, rules and regulations requiring each customer who purchases water from the Agency to pay the rates and charges applicable to the Water Service and providing for the billing thereof and for a due date and a delinquency date for each bill. In each case where such bill remains unpaid in whole or in part after it becomes delinquent, the Agency may disconnect such purchaser from the Water System, and such purchaser shall not thereafter be reconnected to the Water System except in accordance with Agency by-laws or rules and regulations governing such situations of delinquency.

Section 6.15. Eminent Domain Proceeds. If all or any part of the Water System shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied as follows:

(a) If: (i) the Agency files with the Authority and the Trustee a certificate showing: (1) the estimated loss of annual Net Revenues, if any, suffered or to be suffered by the Agency by reason of such eminent domain proceedings; (2) a general description of the additions, betterments, extensions or improvements to the Water System proposed to be acquired and constructed by the Agency from such Net Proceeds; and (3) an estimate of the additional annual Net Revenues to be derived from such additions, betterments, extensions or improvements; and (ii) the Agency, on the basis of such certificate filed with the Authority and the Trustee, determines that the estimated additional annual Net Revenues will sufficiently offset the estimated loss of annual Net Revenues resulting from such eminent domain proceedings so that the ability of the Agency to meet its obligations hereunder will not be substantially impaired (which determination shall be final and conclusive), then the Agency shall promptly proceed with the acquisition and construction of such additions, betterments, extensions or improvements substantially in accordance with such certificate and such Net Proceeds shall be applied for the payment of the costs of such acquisition and construction, and any balance of such Net Proceeds not required by the Agency for such purpose shall be deposited in the Revenue Fund.

(b) If the foregoing conditions are not met, then such Net Proceeds shall be applied in part to the prepayment of Series 2016A Installment Payments as provided in Article VII and in part to such other fund or account as may be appropriate and used for the retirement of Bonds and Contracts in the same proportion which the aggregate unpaid principal balance of Series 2016A Installment Payments then bears to the aggregate unpaid principal amount of such Bonds and Contracts.

Section 6.16. Further Assurances. The Agency will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and to better assure and confirm unto the Authority the rights and benefits provided to it herein.

Section 6.17. Enforcement of Contracts. So long as any of the 2016A Bonds are outstanding, the Agency will not voluntarily consent to or permit any rescission of, nor will it consent to any amendment to or otherwise take any action under or in connection with the Water Contract or any other contracts previously or hereafter entered into which contracts provide for water to be supplied to the Agency which will reduce the supply of water thereunder (except as provided therein) if such rescission or amendment would in any manner impair or adversely affect the rights of the owners from time to time of the 2016A Bonds.

Section 6.18. Compliance with Water Contract. The Agency will comply with Section 34(a) of the Water Contract.

Section 6.19. Continuing Disclosure. The Agency will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Installment Purchase Agreement, failure of the Agency to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, any Owners of 2016A Bonds or Beneficial Owners of at least 50% aggregate principal amount of the 2016A Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency to comply with its obligations under this section. For purposes of this section, "Beneficial Owner" means any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2016A Bonds (including persons holding 2016A Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any 2016A Bonds for federal income tax purposes.

Section 6.20. No Additional Senior Obligations. The Agency hereby covenants to not issue or enter into any additional Senior Obligations.

ARTICLE VII

PREPAYMENT OF SERIES 2016A INSTALLMENT PAYMENTS

Section 7.1. Prepayment.

(a) The Agency may or shall, as the case may be, prepay from the Net Proceeds as provided herein the Series 2016A Installment Payments in whole or in part in the order of payment date as directed by the Agency, at a prepayment price equal to the sum of the principal amount prepaid plus accrued interest thereon to the date of prepayment.

(b) The Agency may prepay the Series 2016A Installment Payments, as a whole or in part, in the order of payment date as directed by the Agency, on the date and at the prepayment price (expressed as a percentage of the principal amount of the 2016A Bonds to be prepaid) plus accrued interest thereon to the date of prepayment, as set forth in Section 4.01 of the Indenture.

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

Section 7.2. Method of Prepayment. Before making any prepayment pursuant to Section 7.1, the Agency shall, within five (5) days following the event permitting the exercise of such right to prepay or creating such obligation to prepay, give written notice to the Authority and the Trustee describing such event and specifying the date on which the prepayment will be paid, which date shall be not less than sixty (60) nor more than seventy-five (75) days from the date such notice is given.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF THE AUTHORITY

Section 8.1. Events of Default and Acceleration of Maturities. If one or more of the following Events of Default shall happen:

(a) if default shall be made by the Agency in the due and punctual payment of any Series 2016A Installment Payment or any Contract or Bond when and as the same shall become due and payable;

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

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

(d) if payment of the principal of any Contract or Bond is accelerated in accordance with its terms;

then and in each and every such case during the continuance of such Event of Default specified in clause (c) and (d) above, the Authority shall, and for any other such Event of Default the Authority

may, by notice in writing to the Agency, declare the entire principal amount of the unpaid Series 2016A Installment Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained herein to the contrary notwithstanding. This section, however, is subject to the condition that if at any time after the entire principal amount of the unpaid Series 2016A Installment Payments and the accrued interest thereon shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered the Agency shall deposit with the Authority a sum sufficient to pay the unpaid principal amount of the Series 2016A Installment Payments or the unpaid payment of any other Contract or Bond referred to in clause (a) above due prior to such declaration and the accrued interest thereon, with interest on such overdue installments, at the rate or rates applicable to the remaining unpaid principal balance of the Series 2016A Installment Payments or such Contract or Bond if paid in accordance with their terms, and the reasonable expenses of the Authority, and any and all other defaults known to the Authority (other than in the payment of the entire principal amount of the unpaid Series 2016A Installment Payments and the accrued interest thereon due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Authority, or provision deemed by the Authority to be adequate shall have been made therefor, then and in every such case the Authority, by written notice to the Agency, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Section 8.2. Application of Funds Upon Acceleration. Upon the date of the declaration of acceleration as provided in Section 8.1, all Revenues thereafter received by the Agency and all amounts on deposit in the Rate Stabilization Fund shall be applied in the following order:

First, to the payment, without preference or priority, and in the event of any insufficiency ratably without any discrimination or preference, of the fees, costs and expenses, if any of the Authority and the Trustee in carrying out the provisions of this article, including reasonable compensation to their respective accountants and counsel;

Second, to the payment of the Operation and Maintenance Costs;

Third, to the payment of Senior Obligations in accordance with the terms thereof;

Fourth, to the payment of the entire principal amount of the unpaid Series 2016A Installment Payments and the unpaid principal amount of all Bonds and Contracts and the accrued interest thereon, with interest on the overdue installments at the rate or rates of interest applicable to the Series 2016A Installment Payments and such Bonds and Contracts if paid in accordance with their respective terms; and

Fifth, to the payment of Subordinate Obligations in accordance with the terms thereof.

Section 8.3. Other Remedies of the Authority. The Authority shall have the right:

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

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

(c) by suit in equity upon the happening of an Event of Default to require the Agency and its directors, officers and employees to account as the trustee of an express trust.

Notwithstanding anything contained herein, Authority shall have no security interest in or mortgage on the Project, the Water System or other assets of the Agency and no default hereunder shall result in the loss of the Project, the Water System, or other assets of the Agency.

Section 8.4. **Non-Waiver.** Nothing in this article or in any other provision hereof shall affect or impair the obligation of the Agency, which is absolute and unconditional, to pay the Series 2016A Installment Payments to the Authority at the respective due dates or upon prepayment from the Net Revenues, the Revenue Fund and the other funds herein pledged for such payment, or shall affect or impair the right of the Authority, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein.

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

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

Section 8.5. **Remedies Not Exclusive.** No remedy herein conferred upon or reserved to the Authority is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Law or any other law.

ARTICLE IX

DISCHARGE OF OBLIGATIONS

Section 9.1. **Discharge of Obligations.** When:

(a) all or any portion of the Series 2016A Installment Payments shall have become due and payable in accordance herewith or a written notice of the Agency to prepay all or any portion of the Series 2016A Installment Payments shall have been filed with the Trustee; and

(b) there shall have been deposited with the Trustee at or prior to the Series 2016A Installment Payment Dates or date (or dates) specified for prepayment, in trust for the benefit of the Authority or its assigns and irrevocably appropriated and set aside to the payment of all or any

portion of the Series 2016A Installment Payments, sufficient moneys and non-callable Permitted Investments, issued by the United States of America and described in clauses (a) or (b) of the definition thereof, the principal of and interest on which when due will provide money sufficient to pay all principal, prepayment premium, if any, and interest of such Series 2016A Installment Payments to their respective Series 2016A Installment Payment Dates or prepayment date or dates as the case may be; and

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

then and in that event, the right, title and interest of the Authority herein and the obligations of the Agency hereunder shall, with respect to all or such portion of the Series 2016A Installment Payments as have been so provided for, thereupon cease, terminate, become void and be completely discharged and satisfied (except for the right of the Trustee and the obligation of the Agency to have such moneys and such Permitted Investments applied to the payment of such Series 2016A Installment Payments).

In such event, upon request of the Agency, the Trustee shall cause an accounting for such period or periods as may be requested by the Agency to be prepared and filed with the Agency and shall execute and deliver to the Agency all such instruments as may be necessary or desirable to evidence such total or partial discharge and satisfaction, as the case may be, and, in the event of a total discharge and satisfaction, the Trustee shall pay over to the Agency, after payment of all amounts due the Trustee pursuant to the Indenture, as an overpayment of Series 2016A Installment Payments, all such moneys or such Permitted Investments held by it pursuant hereto other than such moneys and such Permitted Investments, as are required for the payment or prepayment of the Series 2016A Installment Payments, which moneys and Permitted Investments shall continue to be held by the Trustee in trust for the payment of the Series 2016A Installment Payments and shall be applied by the Trustee to the payment of the Series 2016A Installment Payments of the Agency.

ARTICLE X

MISCELLANEOUS

Section 10.1. **Liability of Agency Limited.** Notwithstanding anything contained herein, the Agency shall not be required to advance any moneys derived from any source of income other than the Net Revenues and the other funds provided herein and in the Indenture for the payment of the Series 2016A Installment Payments or for the performance of any agreements or covenants required to be performed by it contained herein. The Agency may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the Agency for such purpose.

The obligation of the Agency to make the Series 2016A Installment Payments is a special obligation of the Agency payable solely from such Net Revenues and other funds described herein, and does not constitute a debt of the Agency or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

Section 10.2. **Benefits of Installment Purchase Agreement Limited to Parties.** Nothing contained herein, expressed or implied, is intended to give to any person other than the Agency or the

Authority any right, remedy or claim under or pursuant hereto, and any agreement or covenant required herein to be performed by or on behalf of the Agency or the Authority shall be for the sole and exclusive benefit of the other party.

Section 10.3. **Successor Is Deemed Included in all References to Predecessor.** Whenever either the Agency or the Authority is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Agency or the Authority, and all agreements and covenants required hereby to be performed by or on behalf of the Agency or the Authority shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 10.4. **Waiver of Personal Liability.** No director, officer or employee of the Agency shall be individually or personally liable for the payment of the Series 2016A Installment Payments, but nothing contained herein shall relieve any director, officer or employee of the Agency from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 10.5. **Section Headings, Gender and References.** The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to "Articles," "Sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith" and other words of similar import refer to the Installment Purchase Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

Section 10.6. **Partial Invalidity.** If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Agency or the Authority shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof. The Agency and the Authority hereby declare that they would have executed the Installment Purchase Agreement, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 10.7. **Assignment.** The Installment Purchase Agreement and any rights hereunder may be assigned by the Authority, as a whole or in part, without the necessity of obtaining the prior consent of the Agency.

Section 10.8. **Net Contract.** The Installment Purchase Agreement shall be deemed and construed to be a net contract, and the Agency shall pay absolutely net during the term hereof the Series 2016A Installment Payments and all other payments required hereunder, free of any deductions and without abatement, diminution or set-off whatsoever.

Section 10.9. **California Law.** THE INSTALLMENT PURCHASE AGREEMENT SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

Section 10.10. Notices. All written notices to be given hereunder shall be given by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other party in writing from time to time, namely:

If to the Agency:	Castaic Lake Water Agency 27234 Bouquet Canyon Road Santa Clarita, California 91350 Attention: General Manager
If to the Authority:	Upper Santa Clara Valley Joint Powers Authority 27234 Bouquet Canyon Road Santa Clarita, California 91350 Attention: Executive Director
If to the Trustee:	U.S. Bank National Association 633 West Fifth Street, 24th Floor Los Angeles, California 90071 Attention: Corporate Trust Services Reference: Castaic Lake Water Agency, Series 2016A

Section 10.11. Effective Date. The Installment Purchase Agreement shall become effective upon its execution and delivery, and shall terminate when the Purchase Price shall have been fully paid (or provision for the payment thereof shall have been made to the written satisfaction of the Authority and the Trustee).

Section 10.12. Execution in Counterparts. The Installment Purchase Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

Section 10.13. Indemnification of Authority. The Agency hereby agrees to indemnify and hold harmless the Authority and its directors, offices and employees if and to the extent permitted by law, from and against all claims, advances, damages and losses, including legal fees and expenses, arising out of or in connection with the acceptance or the performance of its duties hereunder and under the Indenture; provided that no indemnification will be made for willful misconduct, negligence or breach of an obligation hereunder or under the Indenture by the Authority.

Section 10.14. Amendments Permitted.

(a) This Installment Purchase Agreement and the rights and obligations of the Authority, the Agency, the 2016A Bond Owners and the Trustee hereunder may be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the 2016A Bonds then Outstanding, exclusive of 2016A Bonds disqualified as provided in Section 9.02 of the Indenture, are filed with the Trustee. No such amendment or supplement shall: (i) reduce the rate of interest on any 2016A Bond or extend the time of payment thereof or reduce the amount of principal or redemption premium, if any, of any 2016A Bond or extend the maturity thereof or otherwise alter or impair the obligation of the Authority to pay the interest and principal and redemption premium, if any, thereon at the time and place and at the rate and in the currency and from the funds provided

therein without the prior written consent of the Owner of the 2016A Bond so affected; or (ii) modify any of the rights or obligations of the Trustee without its prior written consent thereto.

(b) This Installment Purchase Agreement and the rights and obligations of the Authority, the Agency, the 2016A Bond Owners and the Trustee hereunder may also be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding upon execution without the written consents of any Owners, but only to the extent permitted by law:

(1) to add to the agreements, conditions, covenants and terms contained herein required to be observed or performed by the Authority or the Agency other agreements, conditions, covenants and terms thereafter to be observed or performed by the Authority or the Agency, or to surrender any right reserved herein to or conferred herein on the Authority or the Agency, and which in either case shall not adversely affect the interests of the Owners;

(2) to modify, amend or supplement this Installment Purchase Agreement in such a manner as to preserve the exemption of the 2016A Bonds from the registration requirements of the Securities Act of 1933 or any similar federal statute hereafter in effect or to permit the qualification of the Indenture under the Trust Indenture Act of 1939 or any similar federal statute hereinafter in effect;

(3) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the Authority or the Agency may deem desirable or necessary, and which shall not adversely affect the interests of the Owners;

(4) to the extent required to conform the procedures under this Installment Purchase Agreement to the procedures of the Depository, as such procedures may be in effect from time to time; and

(5) to make any modifications or changes necessary or appropriate in the opinion of Special Counsel to preserve or protect the exclusion from gross income for federal income tax purposes of interest on the 2016A Bonds.

The Agency shall give written notice of any amendment to the Installment Purchase Agreement and the rights and obligations of the Authority and the Agency and the Owners and the Trustee hereunder to Moody's, S&P and Fitch not less than fifteen (15) days prior to the execution thereof.

Section 10.15. Paired Obligation Provider Guidelines. For purposes of Section 5.3 and Section 6.13, Paired Obligations shall comply with the following conditions:

(a) A Paired Obligation Provider shall initially have a long-term rating equal to or better than the Initial Rating Requirement.

(b) So long as the long-term rating of the Paired Obligation Provider is not reduced below the Minimum Rating Requirement, the interest rate evidenced by such Paired Obligation shall be deemed to be equal to the irrevocable fixed interest rate attributable thereto for purposes of Section 5.3 and Section 6.13.

(c) In the event that a Paired Obligation Provider does not maintain the Minimum Rating Requirement and the Agency does not replace such Paired Obligation Provider with another Paired Obligation Provider which maintains the Initial Rating Requirement within ten (10) Business Days of notice that the Paired Obligation Provider has not maintained the Minimum Rating Requirement, interest with respect to such Paired Obligations shall be computed for purposes of Section 5.3 and Section 6.13 without regard to payments to be received from the Paired Obligation Provider.

Section 10.16. Retail Water Distribution Facilities. Notwithstanding anything contained herein or in the Indenture to the contrary, no provision of this Installment Purchase Agreement or of the Indenture shall prohibit, restrict or otherwise affect the ability of the Agency to finance and acquire retail water distribution facilities, apply the revenues thereof in accordance with the terms of such financing and acquisition or otherwise affect the Agency's operation of such facilities, unless the Board of Directors of the Agency makes the determinations described in the definition of "Water System" in Article I hereof.

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

CASTAIC LAKE WATER AGENCY

By: _____
President of the Board of Directors

(SEAL)

Attest:

Secretary of the Board of Directors

UPPER SANTA CLARA VALLEY JOINT
POWERS AUTHORITY

By: _____
President

Attest:

Secretary

EXHIBIT A-1

DESCRIPTION OF COMPONENT A OF THE PROJECT

Component A of the Project comprises the following described components:

<u>COMPONENT</u>	<u>TOTAL</u>
[TO COME]	

EXHIBIT A-2

DESCRIPTION OF COMPONENT B OF THE PROJECT

Component B of the Project comprises the following described components:

COMPONENT

TOTAL

[TO COME]

EXHIBIT A-3

DESCRIPTION OF COMPONENT C OF THE PROJECT

Component C of the Project comprises the following described components:

COMPONENT

TOTAL

[TO COME]

EXHIBIT B

CERTIFICATE OF GENERAL MANAGER

I, _____, am the duly authorized General Manager of the Castaic Lake Water Agency (the "Agency") and, pursuant to Sections 4.1(b) and (c) and 4.2 of the Installment Purchase Agreement, dated as of January 1, 2016 (the "Agreement"), by and between the Agency and the Upper Santa Clara Valley Joint Powers Authority, set forth the following:

1. The principal amount of payments to be made by the Agency under the Agreement is \$_____.

2. The installment payments are payable in the amounts and on the Series 2016A Installment Payment Dates as follows:

<i>Series 2016A Installment Payment Date (Second Business Day Prior To)</i>	<i>Amount Attributable to Principal</i>	<i>Amount Attributable to Interest</i>	<i>Total</i>
8/1/2016			
2/1/2017			
8/1/2017			
2/1/2018			
8/1/2018			
2/1/2019			
8/1/2019			
2/1/2020			
8/1/2020			
2/1/2021			
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8/1/2035			
2/1/2036			
8/1/2036			
2/1/2037			
8/1/2037			

<i>Series 2016A Installment Payment Date (Second Business Day Prior To)</i>	<i>Amount Attributable to Principal</i>	<i>Amount Attributable to Interest</i>	<i>Total</i>
2/1/2038			
8/1/2038			
2/1/2039			
8/1/2039			
2/1/2040			
8/1/2040			
2/1/2041			
8/1/2041			
2/1/2042			
8/1/2042			

Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Agreement.

Dated: _____, 2016

CASTAIC LAKE WATER AGENCY

By: _____
General Manager

EXHIBIT C

FORM OF REQUISITION NO. _____ FOR
DISBURSEMENT FROM ACQUISITION FUND

UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY
§ _____
REVENUE BONDS, SERIES 2016A

The undersigned hereby states and certifies:

(i) that he is the duly appointed, qualified and acting General Manager of the Castaic Lake Water Agency, an agency duly organized and existing under and by virtue of the laws of the State of California (the "Agency"), and as such, is familiar with the facts herein certified and is authorized to certify the same;

(ii) that, pursuant to Section 3.6 of that certain Installment Purchase Agreement, dated as of January 1, 2016 (the "Installment Purchase Agreement"), by and between the Agency and the Upper Santa Clara Valley Joint Powers Authority, a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California, the undersigned hereby requests the Administrative Services Manager of the Agency to disburse this date the following amounts from the Acquisition Fund established under the Installment Purchase Agreement, to the payees designated on the attached Exhibit 1;

(iii) that each obligation mentioned herein has been incurred by the Agency and is a proper charge against the Acquisition Fund;

(iv) that any approval required under the California Environmental Quality Act, as amended (Division 13 of the California Public Resources Code), prior to the expenditure of such amount for the purpose set forth on the attached Exhibit 1 has been received and is final;

(v) that there has not been filed with or served upon the Agency notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable to any of the payees named on the attached Exhibit 1, which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen's or mechanics' liens accruing by mere operation of law.

CASTAIC LAKE WATER AGENCY

General Manager

EXHIBIT 1

ACQUISITION FUND DISBURSEMENTS

<i>Item Number</i>	<i>Payee Name and Address</i>	<i>Purpose of Obligation</i>	<i>Amount</i>
_____			_____
_____			_____
_____			_____
_____			_____
_____			_____

INDENTURE OF TRUST

by and between

U.S. BANK NATIONAL ASSOCIATION
as Trustee

and

UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY
as Issuer

Relating to

\$ _____
UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY
REVENUE BONDS, SERIES 2016A

Executed and Entered Into as of January 1, 2016

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INDENTURE OF TRUST

This INDENTURE OF TRUST (the “Indenture”), executed and entered into as of January 1, 2016, by and between U.S. BANK NATIONAL ASSOCIATION, a national banking association duly organized and existing under and by virtue of the laws to the United States of America (the “Trustee”), and UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY, a joint exercise of powers authority duly organized and existing under the laws of the State of California (the “Issuer”);

WITNESSETH

WHEREAS, the Issuer desires to assign without recourse all of its rights to receive the Revenues (as hereinafter defined) scheduled to be paid by the Castaic Lake Water Agency (“the Agency”) to the Issuer under and pursuant to the Installment Purchase Agreement (as hereinafter defined); and

WHEREAS, in consideration of such assignment and the execution and entering into of this Indenture, the Trustee has agreed to authenticate and deliver bonds (the “2016A Bonds”) in an aggregate principal amount equal to \$ _____; and

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

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

ARTICLE I

DEFINITIONS; EQUAL SECURITY

Section 1.01. **Definitions.** Capitalized terms used herein and not otherwise defined herein shall have the respective meanings ascribed to such terms in the Installment Purchase Agreement. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of the 2016A Bonds and of any certificate, opinion, request or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

Agency. The term “Agency” means the Castaic Lake Water Agency, an agency duly organized and existing under and by virtue of the laws of the State of California.

Authorized Denominations. The term “Authorized Denominations” mean \$5,000 or any integral multiple thereof.

Bond Payment Fund. The term “Bond Payment Fund” means the fund by that name established pursuant to Section 3.02.

Book-Entry System. The term “Book-Entry System” means the system maintained by the Securities Depository and described in Section 2.10 hereof.

Business Day. The term “Business Day” means any day other than: (i) a Saturday or Sunday; or (ii) a day on which banks located in the city in which the Principal Corporate Trust Office of the Trustee is located are authorized or required to remain closed; or (iii) a day on which The New York Stock Exchange is closed.

Certificate; Request. The terms “Certificate” or “Request” mean: (i) with respect to the Agency, an instrument in writing signed on behalf of the Agency by the President of the Board of Directors of the Agency, or by any other officer of the Agency duly authorized by the Board of Directors of the Agency to sign documents on its behalf with respect to the matters referred to therein; and (ii) with respect to the Issuer, by the President of the Board of Directors of the Issuer, or by any other officer of the Issuer duly authorized by the Board of Directors of the Issuer to sign documents on its behalf with respect to the matters referred to therein.

Code. The term “Code” means the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations in effect with respect thereto.

Delivery Date. The term “Delivery Date” means the date of the delivery of the 2016A Bonds to the initial purchaser thereof.

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

Depository. The term “Depository” means DTC or another recognized securities depository selected by the Issuer which maintains a Book-Entry System for the 2016A Bonds.

Event of Default. The term “Event of Default” means an Event of Default as defined in Section 8.1 of the Installment Purchase Agreement.

Favorable Opinion of Special Counsel. The term “Favorable Opinion of Special Counsel” means an opinion of Special Counsel addressed to the Agency and the Trustee to the effect that an action proposed to be taken is not prohibited by the laws of the State or this Indenture and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the 2016A Bonds.

Fitch. The term “Fitch” means Fitch Ratings, Inc., a Delaware corporation, and its successors and assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, “Fitch” will be deemed to refer to any other nationally recognized securities rating agency (other than Moody’s or S&P) designated by the Issuer by written notice to the Trustee.

Hazardous Substances. The term “Hazardous Substances” means any hazardous substances, wastes, pollutants or contaminants now or hereafter included in such (or any similar) term under any federal, state, or local statute, code, ordinance or regulation now in effect or hereafter enacted or amended.

Indenture. The term “Indenture” means this Indenture of Trust, dated as of January 1, 2016, by and between the Trustee and the Issuer, as originally executed and entered into and as it may from time to time be amended or supplemented in accordance herewith.

Information Services. The term “Information Services” means the Municipal Securities Rulemaking Board; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the Agency may specify in a Certificate to the Trustee and as the Trustee may select.

Installment Purchase Agreement. The term “Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of January 1, 2016, by and between the Agency and the Issuer, as originally executed or as it may from time to time be amended or supplemented in accordance with its terms.

Interest Account. The term “Interest Account” means the account by that name established pursuant to Section 3.02.

Interest Payment Date. The term “Interest Payment Date” means August 1, 2016 and each February 1 and August 1 thereafter.

Issuance Costs. The term “Issuance Costs” means all items of expense directly or indirectly payable by or reimbursable to the Agency and related to the authorization, execution, sale and delivery of the 2016A Bonds, including but not limited to costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Trustee and counsel to the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, title insurance premiums and certificate insurance premiums (if any), fees and charges for preparation, execution and safekeeping of the 2016A Bonds and any other cost, charge or fee in connection with the original execution and delivery of the 2016A Bonds.

Issuance Costs Fund. The term “Issuance Costs Fund” means the fund by that name established pursuant to Section 3.02.

Issuer. The term “Issuer” means the Upper Santa Clara Valley Joint Powers Authority, a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California.

Letter of Representations. The term “Letter of Representations” means the letter of the Agency and the Trustee delivered to and accepted by the Depository on or prior to delivery of the 2016A Bonds as book-entry bonds setting forth the basis on which the Depository serves as depository for such book-entry bonds, as originally executed or as it may be supplemented or revised or replaced by a letter from the Agency and the Trustee delivered to and accepted by the Depository.

Maturity Date. The term “Maturity Date” means _____ 1st of each year commencing in 20__ and ending in 20__.

Moody’s. The term “Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating

agency, “Moody’s” will be deemed to refer to any other nationally recognized securities rating agency (other than Fitch and S&P) designated by the Issuer by written notice to the Trustee.

Nominee. The term “Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.10 hereof.

Outstanding. The term “Outstanding,” when used as of any particular time with reference to 2016A Bonds, means (subject to the provisions of Section 9.02) all 2016A Bonds except: (i) 2016A Bonds canceled by the Trustee or delivered to the Trustee for cancellation; (ii) 2016A Bonds paid or deemed to have been paid within the meaning of Section 10.01; and (iii) 2016A Bonds in lieu of or in substitution for which other 2016A Bonds shall have been authenticated and delivered by the Trustee pursuant to this Indenture.

Owner. The term “Owner” or “2016A Bond Owner” or “Owner of 2016A Bonds” or any similar term, when used with respect to the 2016A Bonds, means any person who shall be the registered owner of any Outstanding 2016A Bond.

Participant. The term “Participant” means, with respect to DTC or another Securities Depository, a member of or participant in DTC or such other Securities Depository, respectively.

Person. The term “Person” means a natural person or any legal entity.

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

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

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

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

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

- (c) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including: Export-Import Bank; Rural Economic Community Development Administration; Federal Farm Credit Bureau; U.S. Maritime Administration; Small Business Administration; U.S.

Department of Housing & Urban Development (PIAs); and Federal Housing Administration and Federal Financing Bank;

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

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

- (j) Investment agreements (supported by appropriate opinions of counsel) for which the guarantor is rated at least "AA" by S&P;
- (k) the Local Agency Investment Fund of the State, created pursuant to Section 16429.1 of the California Government Code, to the extent that the Trustee is authorized to register such investment in its name;
- (l) Local Government Investment Pools (LGIP). Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code § 6509.7. To be eligible for purchase, the pool must meet the requirements of Government Code § 53601(p); and
- (m) Certificates of deposit insured by the Federal Deposit Insurance Corporation.

The value of the above investments shall be determined as follows: (i) for the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at cost; (ii) as to certificates of deposit and bankers' acceptances: the face amount thereof, plus accrued interest thereon; and (iii) as to any investment not specified above: the value thereof established by prior agreement among the Issuer and the Trustee.

Principal Account. The term "Principal Account" means the account by that name established pursuant to Section 3.02 hereof.

Principal Corporate Trust Office. The term "Principal Corporate Trust Office" means the principal corporate trust office of the Trustee in Los Angeles, California, or such other office as the Trustee may from time to time designate in writing to the Agency, the Issuer and the Owners.

Rebate Fund. The term "Rebate Fund" means the fund by that name established and held by the Trustee pursuant to Section 5.03.

Record Date. The term "Record Date" means the fifteenth (15th) day of the month immediately preceding an Interest Payment Date.

Redemption Account. The term "Redemption Account" means the account by that name established pursuant to Section 3.02.

Redemption Price. The term "Redemption Price" means, with respect to any 2016A Bond (or portion thereof), the principal amount with respect to such 2016A Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such 2016A Bond and this Indenture.

Revenues. The term “Revenues” means amounts received by the Issuer pursuant to or with respect to the Installment Purchase Agreement and all interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder.

Securities Depository. The term “Securities Depository” means DTC or, if applicable, any successor securities depository appointed pursuant to Section 2.10 hercof.

S&P. The term “S&P” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, “S&P” will be deemed to refer to any other nationally recognized securities rating agency (other than Fitch and Moody’s) designated by the Issuer by written notice to the Trustee.

Special Counsel. The term “Special Counsel” means any attorney at law or firm of attorneys selected by the Agency, of nationally-recognized standing in matters pertaining to the federal tax exemption of interest with respect to obligations of states and political subdivisions.

State. The term “State” means the State of California.

Tax Certificate. The term “Tax Certificate” means the Tax Certificate, dated the date of initial issuance of the 2016A Bonds, concerning certain matters pertaining to the use and investment of proceeds of the 2016A Bonds, including any and all exhibits attached thereto.

Trustee. The term “Trustee” means U.S. Bank National Association, a national banking association having a corporate trust office in Los Angeles, California, or such other office as the Trustee may from time to time designate in writing to the Agency, the Issuer and the Owners, or its successor as Trustee hereunder.

2006A Escrow Agent. The term “2006A Escrow Agent” means U.S. Bank National Association, as escrow agent under the Escrow Agreement (Series 2006A), dated as of January 1, 2016, with the District.

2016A Bonds. The term “2016A Bonds” means the Upper Santa Clara Valley Joint Powers Authority Revenue Bonds, Series 2016A in the aggregate principal amount of \$ _____.

Written Consent of the Issuer or the Agency; Written Order of the Issuer or the Agency; Written Request of the Issuer or the Agency; Written Requisition of the Issuer or the Agency. The terms “Written Consent of the Issuer or the Agency,” “Written Order of the Issuer or the Agency,” “Written Request of the Issuer or the Agency,” and “Written Requisition of the Issuer or the Agency” mean, respectively, a written consent, order, request or requisition signed by or on behalf of: (i) the Issuer by its President, or a Vice President or Treasurer; or (ii) the Agency by the President or Manager, or its Administrative Services Manager, or by the Secretary or by any two persons (whether or not members of the Board of Directors) who are specifically authorized by resolution of the Agency to sign or execute such a document on its behalf.

Section 1.02. **Equal Security.** In consideration of the acceptance of the 2016A Bonds by the Owners, the Indenture shall be deemed to be and shall constitute a contract between the Trustee and the Owners to secure the full and final payment of the interest and principal and redemption

premiums, if any, on the 2016A Bonds, subject to the agreements, conditions, covenants and terms contained herein, including without limitation the terms included in Article VIII hereof; and all agreements, conditions, covenants and terms contained herein required to be observed or performed by or on behalf of the Trustee shall be for the equal and proportionate benefit, protection and security of all Owners without distinction, preference or priority as to benefit, protection or security of any 2016A Bonds over any other 2016A Bonds by reason of the number or date thereof or the time of sale, execution or delivery thereof or otherwise for any cause whatsoever, except as expressly provided herein or therein.

ARTICLE II

CONDITIONS AND TERMS OF 2016A BONDS

Section 2.01. Preparation of 2016A Bonds. The Trustee is hereby authorized to authenticate and deliver the 2016A Bonds, to be denominated "Upper Santa Clara Valley Joint Powers Authority Revenue Bonds, Series 2016A" in an aggregate principal amount of \$_____.

Section 2.02. Denominations; Dating. The 2016A Bonds shall be prepared in the form of fully registered bonds in Authorized Denominations. The 2016A Bonds shall be dated the initial date of delivery thereof.

Section 2.03. Payment of Principal and Interest with Respect to 2016A Bonds.

(a) 2016A Bonds. The 2016A Bonds shall become payable on _____ 1 of each of the years in the principal amount and shall bear interest at the rates set forth in a Certificate of the Manager in the form attached hereto as Exhibit B to be delivered to the Trustee upon the initial issuance of the 2016A Bonds.

(b) Amounts Due. Principal or Redemption Price due on the 2016A Bonds at maturity or redemption thereof, whichever is earlier, shall, to the extent of the aggregate principal amount stated upon the 2016A Bonds, represent the sum of those portions of the Series 2016A Installment Payments designated as principal coming due on the Series 2016A Installment Payment Dates immediately preceding the Interest Payment Dates in each year.

(c) Payment of Interest. Interest on the 2016A Bonds shall be paid on each Interest Payment Date and redemption date and on the Maturity Dates therefor. However, if, as shown by the records of the Trustee, interest on the 2016A Bonds is in default, 2016A Bonds issued in exchange for 2016A Bonds surrendered for registration of transfer or exchange shall bear interest from the date to which interest has been paid in full on the 2016A Bonds so surrendered or, if no interest has been paid on the 2016A Bonds, from the date thereof.

(d) Interest Accrual. Interest on the 2016A Bonds shall accrue on the basis of a 360-day year comprised of twelve 30-day months.

(e) Method and Place of Payment. The principal of and premium, if any, and interest on the 2016A Bonds shall be payable in lawful money of the United States of America. Such amounts shall be paid by the Trustee on the applicable payment dates by check mailed by the Trustee to the respective Owners thereof on the applicable Interest Payment Date at their addresses as they appear as of the close of business on the applicable Record Date in the registration books kept by the

Trustee, except that in the case of such an Owner of \$1,000,000 or more in aggregate principal amount of 2016A Bonds, upon the written request of such Owner to the Trustee at least two Business Days before the Record Date, specifying the account or accounts in the United States to which such payment shall be made, such payments shall be made by wire transfer of immediately available funds on the applicable payment date following such Record Date. Any request referred to in the preceding sentence shall remain in effect until revoked or revised by such Owner by an instrument in writing delivered to the Trustee. When a Book-Entry System is in effect, interest may be paid by wire transfer in accordance with mutually satisfactory arrangements between the Trustee and the Securities Depository. Principal and interest will be paid in money of the United States that at the time of payment is legal tender for payment of public and private debts or by checks or wire transfers payable in such money.

Section 2.04. Form of 2016A Bonds. The 2016A Bonds and the form of assignment to appear thereon shall be in substantially the form set forth in Exhibit A hereto with necessary or appropriate variations, omissions and insertions as permitted or required by this Indenture.

Section 2.05. Execution of 2016A Bonds. The 2016A Bonds shall be executed in the name and on behalf of the Issuer with the manual or facsimile signature of its President, attested by the manual or facsimile signature of its Secretary. The 2016A Bonds shall then be delivered to the Trustee for authentication by it. In case any of the officers who shall have signed or attested any of the 2016A Bonds shall cease to be such officer or officers of the Issuer before the 2016A Bonds so signed or attested shall have been authenticated or delivered by the Trustee, or issued by the Issuer, such 2016A Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Issuer as though those who signed and attested the same had continued to be such officers of the Issuer, and also any 2016A Bonds may be signed and attested on behalf of the Issuer by such persons as at the actual date of execution of such 2016A Bonds shall be the proper officers of the Issuer although at the nominal date of such 2016A Bonds any such person shall not have been such officer of the Issuer.

Only such of the 2016A Bonds as shall bear thereon a certificate of authentication substantially in the form set forth in Exhibit A hereto, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of or on behalf of the Trustee shall be conclusive evidence that the 2016A Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

Section 2.06. Transfer of 2016A Bonds. Any 2016A Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of Section 2.08, by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such 2016A Bond for cancellation at the Principal Corporate Trust Office of the Trustee, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee.

Whenever any 2016A Bond or 2016A Bonds shall be surrendered for transfer, the Trustee shall authenticate and deliver a new 2016A Bond or 2016A Bonds of the same series and maturity, for a like aggregate principal amount and of authorized denomination or denominations. The Trustee may charge a sum for each new 2016A Bond authenticated and delivered upon any transfer. The Trustee may require the payment by any 2016A Bond Owner requesting any such transfer of any tax

or other governmental charge required to be paid with respect to such transfer. Following any transfer of 2016A Bonds the Trustee shall cancel and destroy the 2016A Bonds it has received.

Section 2.07. Exchange of 2016A Bonds. 2016A Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee for a like aggregate principal amount of 2016A Bonds of other authorized denominations of the same series and maturity. The Trustee may charge a sum for each new 2016A Bond authenticated and delivered upon any exchange except in the case of any exchange of temporary 2016A Bonds for definitive 2016A Bonds. The Trustee may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. Following any exchange of 2016A Bonds, the Trustee shall cancel and destroy the 2016A Bonds it has received.

The Trustee shall not be required to register the exchange or transfer pursuant to Section 2.06 hereof, of any 2016A Bond: (i) within 15 days preceding selection of 2016A Bonds for redemption; or (ii) selected for redemption.

Section 2.08. Bond Registration Books. The Trustee will keep or cause to be kept, at the Principal Corporate Trust Office of the Trustee, sufficient books for the registration and transfer of the 2016A Bonds, which shall upon reasonable prior notice and at all reasonable times be open to inspection by the Issuer or the Agency; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, 2016A Bonds as hereinbefore provided.

The person in whose name any 2016A Bond shall be registered shall be deemed the Owner thereof for all purposes hereof, and payment of or on account of the interest on and principal of and Redemption Price represented by such 2016A Bond shall be made only to or upon the order in writing of such registered Owner, which payments shall be valid and effectual to satisfy and discharge liability upon such 2016A Bond to the extent of the sum or sums so paid.

Section 2.09. 2016A Bonds Mutilated, Lost, Destroyed or Stolen. If any 2016A Bond shall become mutilated, the Trustee shall authenticate and deliver a new 2016A Bond of like series, tenor, maturity and principal amount in exchange and substitution for the 2016A Bond so mutilated, but only upon surrender to the Trustee of the 2016A Bond so mutilated.

Every mutilated 2016A Bond so surrendered to the Trustee shall be canceled by it and destroyed. If any 2016A Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given indemnifying the Trustee, the Issuer and the Agency, the Trustee, at the expense of the 2016A Bond Owner, shall authenticate and deliver a new 2016A Bond of like series, tenor and maturity, and numbered as the Trustee shall determine, in lieu of and in substitution for the 2016A Bond so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new 2016A Bond executed under this section and of the expenses which may be incurred by the Trustee under this section. Any 2016A Bond executed and authenticated under the provisions of this section in lieu of any 2016A Bond alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Indenture with all other 2016A Bonds secured by this Indenture. The Trustee shall not be required to treat both the original 2016A Bond and any replacement 2016A Bond as being Outstanding for the purpose of determining the principal amount of 2016A Bonds which may be executed hereunder or for the purpose of determining any percentage of 2016A Bonds Outstanding

hereunder, but both the original and replacement 2016A Bond shall be treated as one and the same. Notwithstanding any other provision of this section, in lieu of delivering a new 2016A Bond for a 2016A Bond which has been mutilated, lost, destroyed or stolen and which has matured or has been selected for redemption, the Trustee may make payment of such 2016A Bond upon receipt of indemnity satisfactory to the Trustee.

Section 2.10. Book-Entry System.

(a) 2016A Bonds shall be issued in fully registered form and shall be initially issued registered in the name of "Cede & Co.," as nominee of The Depository Trust Company in accordance with this Section 2.10. The 2016A Bonds shall be evidenced by one bond maturing on each stated Maturity Date of 2016A Bonds. The 2016A Bonds may be assigned by the Trustee a distinctive number or letter and number, and a record of the same shall be maintained by the Trustee. Registered ownership of the 2016A Bonds, or any portion thereof, may not thereafter be transferred except as set forth in this Section 2.10.

With respect to book-entry 2016A Bonds, the Issuer and the Trustee shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in such book-entry 2016A Bonds. Without limiting the immediately preceding sentence, the Issuer and the Trustee shall have no responsibility or obligation with respect to: (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in book-entry 2016A Bonds; (ii) the delivery to any Participant or any other person, other than an Owner as shown in the 2016A Bond registration books, of any notice with respect to book-entry 2016A Bonds, including any notice of redemption; (iii) the selection by the Depository and its Participants of the beneficial interests in book-entry 2016A Bonds to be redeemed in the event the Issuer redeems the 2016A Bonds in part; or (iv) the payment by the Depository or any Participant or any other person, of any amount with respect to principal, premium, if any, or interest with respect to book-entry 2016A Bonds. The Issuer and the Trustee may treat and consider the person in whose name each book-entry 2016A Bond is registered in the 2016A Bond registration books as the absolute Owner of such book-entry 2016A Bond for the purpose of payment of principal, premium and interest on such 2016A Bond, for the purpose of giving notices of redemption and other matters with respect to such 2016A Bond, for the purpose of registering transfers with respect to such 2016A Bond, and for all other purposes whatsoever. The Trustee shall pay all principal, premium, if any, and interest on the 2016A Bonds only to or upon the order of the respective Owner, as shown in the 2016A Bond register, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to payment of principal of, premium, if any, and interest evidenced and borne by the 2016A Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the 2016A Bond registration books, shall receive a 2016A Bond evidencing the obligation to make payments of principal, premium, if any, and interest evidenced and borne by the 2016A Bonds. Upon delivery by the Depository to the Owner and the Trustee, of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in this Indenture shall refer to such nominee of the Depository.

(b) Delivery of Letter of Representations. In order to qualify the book-entry 2016A Bonds for the Depository's Book-Entry System, the Issuer and the Trustee shall execute and deliver to the Depository, if required by the Depository, a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the Issuer or the

Trustee any obligation whatsoever with respect to persons having interests in such book-entry 2016A Bonds other than the Owners, as shown on the 2016A Bond registration books. By executing a Letter of Representations, the Trustee shall agree to take all action necessary at all times so that the Trustee will be in compliance with all representations of the Trustee in such Letter of Representations. In addition to the execution and delivery of a Letter of Representations, the Issuer and the Trustee shall take such other actions, not inconsistent with this Indenture, as are reasonably necessary to qualify book-entry 2016A Bonds for the Depository's Book-Entry System.

(c) Selection of Depository. In the event that: (i) the Depository determines not to continue to act as securities depository for book-entry 2016A Bonds; or (ii) the Issuer determines that continuation of the Book-Entry System is not in the best interest of the beneficial owners of the 2016A Bonds or the Issuer, then the Issuer will discontinue the Book-Entry System with the Depository. If the Issuer determines to replace the Depository with another qualified securities depository, the Issuer shall prepare or direct the preparation of a new single, separate, fully registered 2016A Bond for each of the Maturity Dates of such book-entry 2016A Bonds, registered in the name of such successor or substitute qualified securities depository or its Nominee as provided in subsection (e) hereof. If the Issuer fails to identify another qualified securities depository to replace the Depository, then the 2016A Bonds shall no longer be restricted to being registered in such 2016A Bond register in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging such 2016A Bonds shall designate, in accordance with the provisions of Sections 2.06 and 2.07 hereof.

(d) Payments To Depository. Notwithstanding any other provision of this Indenture to the contrary, so long as all Outstanding 2016A Bonds are held in book-entry form and registered in the name of the Nominee, all payments with respect to principal, redemption premium, if any, and interest on such 2016A Bond and all notices with respect to such 2016A Bond shall be made and given, respectively to the Nominee, as provided in the Letter of Representations or as otherwise instructed by the Depository and agreed to by the Trustee notwithstanding any inconsistent provisions herein.

(e) Transfer of 2016A Bonds to Substitute Depository.

(i) The 2016A Bonds shall be initially authenticated and delivered as provided in Section 2.01 hereof. Registered ownership of such 2016A Bonds, or any portions thereof, may not thereafter be transferred except:

(A) to any successor of DTC or its nominee, or of any substitute depository designated pursuant to clause (B) of subsection (i) of this subsection ("Substitute Depository"); provided that any successor of DTC or Substitute Depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(B) to any Substitute Depository, upon: (i) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository; or (ii) a determination by the Issuer that DTC (or its successor) is no longer able to carry out its functions as depository; provided that any such Substitute Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(C) to any person as provided below, upon: (i) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository,

or; (ii) a determination by the Issuer that DTC or its successor (or Substitute Depository or its successor) is no longer able to carry out its functions as depository.

(ii) In the case of any transfer pursuant to clause (A) or clause (B) of subsection (i) of this subsection, upon receipt of all Outstanding 2016A Bonds by the Trustee, together with a written request of the Issuer to the Trustee designating the Substitute Depository, a single new 2016A Bond, which the Issuer shall prepare or cause to be prepared, shall be authenticated and delivered for each series and maturity of 2016A Bonds then Outstanding, registered in the name of such successor or such Substitute Depository or their Nominees, as the case may be, all as specified in such written request of the Issuer. In the case of any transfer pursuant to clause (C) of subsection (i) of this subsection, upon receipt of all Outstanding 2016A Bonds by the Trustee, together with a written request of the Issuer to the Trustee, new 2016A Bonds, which the Issuer shall prepare or cause to be prepared, shall be authenticated and delivered in such denominations and registered in the names of such persons as are requested in such written request of the Issuer, subject to the limitations of Section 2.01 hereof, provided that the Trustee shall not be required to deliver such new 2016A Bonds within a period of less than sixty (60) days from the date of receipt of such written request from the Issuer.

(iii) In the case of a partial redemption or an advance refunding of any 2016A Bonds evidencing a portion of the principal maturing in a particular year, DTC or its successor (or any Substitute Depository or its successor) shall make an appropriate notation on such 2016A Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Trustee, all in accordance with the Letter of Representations. The Trustee shall not be liable for such Depository's failure to make such notations or errors in making such notations.

(iv) the Issuer and the Trustee shall be entitled to treat the person in whose name any 2016A Bond is registered as the Owner thereof for all purposes of this Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the Issuer; and the Issuer and the Trustee shall not have responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the 2016A Bonds. Neither the Issuer nor the Trustee shall have any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including DTC or its successor (or Substitute Depository or its successor), except to the Owner of any 2016A Bonds, and the Trustee may rely conclusively on its records as to the identity of the Owners of the 2016A Bonds.

ARTICLE III

PROCEEDS OF 2016A BONDS

Section 3.01. Delivery of 2016A Bonds. The Trustee is hereby authorized to authenticate and deliver the 2016A Bonds to the purchaser thereof upon receipt of a Request of the Issuer and upon receipt of the proceeds of sale thereof.

Section 3.02. Establishment of Funds and Accounts and Deposit and Use of Proceeds of 2016A Bonds.

(a) There is hereby established with the Trustee the following funds and accounts for the 2016A Bonds: the Issuance Costs Fund and the Bond Payment Fund. Within the Bond

Payment Fund there is hereby established an Interest Account, a Principal Account and a Redemption Account.

(b) Upon the receipt of payment for the 2016A Bonds on the Delivery Date, the Issuer will cause the Trustee to apply the proceeds of sale thereof as follows:

- (i) Deposit \$ _____ to the Issuance Costs Fund;
- (ii) Transfer \$ _____ to the Agency for deposit in the Acquisition Fund;
- (iii) Transfer \$ _____ to [Commercial Paper Trustee]; and
- (iv) Transfer \$ _____ to the 2006A Escrow Agent.

The Trustee may establish temporary funds and accounts to record and facilitate such deposits and transfers.

(c) Issuance Costs shall be paid from amounts on deposit in the Issuance Costs Fund. The Trustee shall make such payments in the amounts, at the times, in the manner, and on the other terms and conditions set forth herein. No such payment shall be made until the Trustee shall have received a requisition Certificate from the Agency or the Issuer. Upon the earlier of the written direction from the Issuer to the effect that all Issuance Costs have been paid or on the six month anniversary of the initial issuance of the 2016A Bonds, the Trustee shall transfer any remaining money in the Issuance Costs Fund to the Bond Payment Fund and the Issuance Costs Fund shall thereafter be closed.

ARTICLE IV

REDEMPTION OF BONDS

Section 4.01. Redemption of 2016A Bonds.

(a) Optional Redemption. The 2016A Bonds shall be subject to optional redemption prior to their respective stated maturities, as determined by the Agency in a certificate of the Manager attached hereto as Exhibit B, as a whole or in part, on any date in the order directed by the Agency in a written request provided to the Trustee at least 45 days (or such lesser number of days acceptable to the Trustee in its sole discretion) prior to such date and by lot within each maturity, on the dates and at the Redemption Price of such 2016A Bonds provided by the Agency in a certificate of the Manager attached hereto as Exhibit B.

(b) Redemption from Net Proceeds. The 2016A Bonds shall be subject to redemption prior to their respective stated maturities, as a whole or in part, on any date in the order of maturity as directed by the Agency in a written request provided to the Trustee at least 45 days (or such lesser number of days acceptable to the Trustee in its sole discretion) prior to such date and by lot within each maturity in integral multiples of \$5,000 from prepaid Series 2016A Installment Payments made by the Agency from Net Proceeds, upon the terms and conditions of, and as provided for in, Section 7.1 of the Installment Purchase Agreement, at a Redemption Price equal to the principal amount thereof and accrued interest thereon to the redemption date without premium.

Section 4.02. Selection of 2016A Bonds To Be Redeemed. If any 2016A Bond is in a denomination larger than a minimum Authorized Denomination, a portion of such 2016A Bonds (the minimum Authorized Denomination or any integral multiple thereof) may be redeemed pursuant to this section, in which case the Trustee shall, without charge to the Owner, authenticate and issue a replacement 2016A Bond or 2016A Bonds for the unredeemed portion thereof. In the case of a partial redemption of 2016A Bonds, the Trustee shall select the 2016A Bonds to be redeemed by lot at such times as directed by the Agency in writing at least thirty (30) days prior to the redemption date and if such selection is more than sixty (60) days before a redemption date, shall appropriately identify the 2016A Bonds so called for redemption by stamping them at the time any 2016A Bonds so selected for redemption are presented to the Trustee for stamping or for transfer or exchange, or by such other method of identification as is deemed adequate by the Trustee, and any 2016A Bond or 2016A Bonds issued in exchange for, or to replace, any 2016A Bond so called for prior redemption shall likewise be stamped or otherwise identified.

Section 4.03. Notice of Redemption. The Agency shall notify the Trustee at least forty-five (45) days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee) prior to the redemption date for 2016A Bonds pursuant to Section 4.01(a). Notice of redemption shall be mailed by the Trustee, not less than thirty (30) nor more than sixty (60) days prior to the redemption date: (i) to the respective Owners of any 2016A Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee by first-class mail; (ii) to the Securities Depository by facsimile and by first-class mail; and (iii) to the Information Services by first-class mail. Notice of redemption shall be given in the form and in accordance with the terms of this Indenture.

Each such notice of redemption will state the date of notice, the redemption date, the place or places of redemption and the redemption price, will designate the maturities, CUSIP numbers, if any, and, if less than all of any such maturity is to be redeemed, the serial numbers of the 2016A Bonds of such maturity to be redeemed by giving the individual number of each 2016A Bond or by stating that all 2016A Bonds between two stated numbers, both inclusive, have been called for redemption and, in the case of 2016A Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on said date there will become due and payable on each of said 2016A Bonds the Redemption Price thereof or of said specified portion of the principal thereof in the case of a 2016A Bond to be redeemed in part only, together with interest accrued with respect thereto to the redemption date, and that (provided that moneys for redemption have been deposited with the Trustee) from and after such redemption date interest thereon ceases to accrue, and will require that such 2016A Bond be then surrendered to the Trustee. Any failure to receive such notice or any defect in the notice or the mailing will not affect the validity of the redemption of any 2016A Bond.

Section 4.04. Partial Redemption of 2016A Bonds. Upon surrender of any 2016A Bond redeemed in part only, the Issuer shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Agency, a new 2016A Bond of Authorized Denominations, and of the same Maturity Date and interest rate, equal in aggregate principal amount to the unredeemed portion of the 2016A Bond surrendered.

Section 4.05. Effect of Redemption of 2016A Bonds. If notice of redemption has been duly given pursuant to Section 4.03 hereof, and money for payment of the Redemption Price of, together with interest accrued to the redemption date on, the 2016A Bonds (or portions thereof) so called for redemption is held by the Trustee, on the redemption date designated in such notice, the

2016A Bonds (or portions thereof) so called for redemption shall become due and payable at the Redemption Price specified in such notice together with interest accrued thereon to the date fixed for redemption, interest on the 2016A Bonds so called for redemption shall cease to accrue, the 2016A Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Owners of the 2016A Bonds shall have no rights in respect thereof except to receive payment of the Redemption Price and accrued interest. Any defect as failure to receive notice shall not affect the sufficiency of the proceedings of redemption.

All 2016A Bonds redeemed pursuant to the provisions hereof shall be cancelled upon surrender thereof and destroyed.

ARTICLE V

SERIES 2016A INSTALLMENT PAYMENTS

Section 5.01. **Assignment of Revenues.** The Issuer, for good and valuable consideration, does hereby unconditionally grant, transfer and assign to the Trustee without recourse all its rights to receive the Revenues and enforce the Installment Purchase Agreement upon an event of default thereunder for the benefit of the Owners of the 2016A Bonds, for the purpose of securing: (a) the payment of all sums due and owing to the Owners of the 2016A Bonds under the terms of the Indenture; and (b) the observance, performance and discharge of each agreement, condition, covenant and term of the Agency contained in the Installment Purchase Agreement, and the Trustee hereby accepts such assignment.

All Series 2016A Installment Payments shall be paid directly by the Agency to the Trustee, and all Series 2016A Installment Payments received by the Trustee shall be held in trust by the Trustee under the terms hereof for the benefit of the Agency until deposited in the funds provided in Section 5.02, whereupon such money shall be held in trust in such funds by the Trustee for the benefit of the Owners.

Section 5.02. **Deposit of Revenues.** The Trustee shall deposit all Revenues paid to it into the Bond Payment Fund and shall transfer such funds to the Interest Account, the Principal Account and the Redemption Account in the manner and at the times hereinafter provided. The Bond Payment Fund (and all accounts contained therein) shall be maintained so long as any 2016A Bonds are Outstanding. All moneys in the Bond Payment Fund (and the accounts contained therein) shall be disbursed only for the purposes and uses hereinafter authorized; provided that any money in such fund or accounts not required to pay the principal and interest and redemption premiums, if any, on the 2016A Bonds shall on the Business Day immediately following each Interest Payment Date, be transferred to the Issuer to be used for any lawful purpose of the Issuer.

(a) **Interest Account.** On or prior to each Interest Payment Date, the Trustee shall transfer to the Interest Account that amount of money representing the portion of the Revenues constituting the interest becoming due and payable on such Interest Payment Date. All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the 2016A Bonds on their respective Interest Payment Dates.

(b) **Principal Account.** On or prior to each Maturity Date (commencing on _____ 1, 20__), the Trustee shall transfer to the Principal Account that amount of money representing the portion of the Revenues constituting the principal becoming due and payable on

such Maturity Date. All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal on the 2016A Bonds on their respective maturities.

(c) **Redemption Account.** Any prepayments paid to the Trustee pursuant to the Installment Purchase Agreement shall immediately be transferred to the Redemption Account. All money in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest and principal and redemption premiums, if any, on the 2016A Bonds to be redeemed on their respective optional or mandatory redemption dates.

Section 5.03. **Rebate Fund.**

(a) **Establishment.** The Trustee shall establish a separate fund designated the "Rebate Fund." Absent an opinion of 2016A Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the 2016A Bonds will not be adversely affected, the Issuer shall cause to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to this section and the Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust for payment to the United States Treasury. All amounts on deposit in the Rebate Fund shall be governed by this section and the Tax Certificate for the 2016A Bonds, unless and to the extent that the Issuer delivers to the Trustee an opinion of 2016A Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the 2016A Bonds will not be adversely affected if such requirements are not satisfied.

(i) **Computation.** Within 55 days of the end of each Bond Year (as such term is defined in the Tax Certificate), the Issuer shall calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Treasury Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (e.g., the temporary investments exception of Section 148(f)(4)(B) and the construction expenditure exception of Section 148(f)(4)(C) of the Code or Section 1.148-7(d) of the Treasury Regulations), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the "1½% Penalty") has been made), for this purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Treasury Regulations (the "Rebatable Arbitrage"). The Issuer shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with this section.

(ii) **Transfer.** Within 55 days of the end of the fifth Bond Year, upon the written request of the Issuer, an amount shall be deposited to the Rebate Fund by the Trustee from any Revenues legally available for such purpose (as specified by the Issuer in the aforesaid written Request), if and to the extent required so that the balance in the Rebate Fund shall equal the amount of Rebatable Arbitrage so calculated in accordance with clause (i) of this subsection (a). In the event that immediately following the transfer required by the previous sentence, the amount then on deposit to the credit of the Rebate Fund exceeds the amount required to be on deposit therein, upon written Request of the Issuer, the Trustee shall withdraw the excess from the Rebate Fund and then credit the excess to the Bond Payment Fund.

(iii) **Payment to the Treasury.** The Trustee shall pay, as directed by Request of the Issuer, to the United States Treasury, out of amounts in the Rebate Fund:

(A) not later than 60 days after the end of: (X) the fifth Bond Year; and (Y) each applicable fifth Bond Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year; and

(B) not later than 60 days after the payment of all the 2016A Bonds, an amount equal to 100% of the Rebatable Arbitrage calculated as of the date of such payment and any income attributable to the Rebatable Arbitrage determined to be due and payable, computed in accordance with Section 1.148-3 of the Treasury Regulations.

In the event that, prior to the time of any payment required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the Issuer shall calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to this subsection (a) shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, or shall be made in such other manner as provided under the Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund after redemption and payment in full of the 2016A Bonds and the payments described in subsection (a)(iii) above being made may be withdrawn by the Issuer upon written direction of the Issuer to the Trustee and utilized in any manner by the Issuer.

(c) Survival of Defeasance. Notwithstanding anything in this section to the contrary, the obligation to comply with the requirements of this section shall survive the defeasance or payment in full of the 2016A Bonds.

(d) Recordkeeping. The Issuer shall retain records of all determinations made hereunder until six years after the complete retirement of the 2016A Bonds.

The Trustee shall not be responsible for calculating rebate amounts or for the adequacy or correctness or any rebate report or rebate calculations. The Trustee shall be deemed conclusively to have complied with the provisions of this Indenture regarding calculation and payment of rebate if it follows the directions of the Issuer and it shall have no independent duty to review or such calculations or enforce compliance with such rebate requirements.

ARTICLE VI

COVENANTS

Section 6.01. Compliance with Indenture and Installment Purchase Agreement. The Issuer will not execute and the Trustee will not authenticate or deliver any 2016A Bonds in any manner other than in accordance with the provisions hereof; and the Issuer will not suffer or permit any default by it to occur hereunder, but will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it.

The Issuer will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Installment Purchase Agreement required to be observed and performed by the

Issuer, and will enforce such agreements against the other party thereto in accordance with their terms.

Section 6.02. Tax Covenants. Notwithstanding any other provision of this Indenture, absent an opinion of 2016A Bond Counsel that the exclusion from gross income of interest on 2016A Bonds will not be adversely affected for federal income tax purposes, the Issuer covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The Issuer will take no action or refrain from taking any action or make any use of the proceeds of the 2016A Bonds or of any other moneys or property which would cause the 2016A Bonds to be “private activity bonds” within the meaning of Section 141 of the Code;

(b) Arbitrage. The Issuer will make no use of the proceeds of the 2016A Bonds or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action which will cause the 2016A Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code;

(c) Federal Guaranty. The Issuer will make no use of the proceeds of the 2016A Bonds or take or omit to take any action that would cause the 2016A Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code;

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

(e) Hedge Bonds. The Issuer will make no use of the proceeds of the 2016A Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause either the 2016A Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the Issuer takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the 2016A Bonds for federal income tax purposes; and

(f) Miscellaneous. The Issuer will take no action or refrain from taking any action inconsistent with its expectations stated in that certain Tax Certificate executed by the Issuer in connection with each issuance of 2016A Bonds and will comply with the covenants and requirements stated therein and incorporated by reference herein.

Section 6.03. Prosecution and Defense of Suits. The Issuer will defend against every action, suit or other proceeding at any time brought against the Trustee, the Issuer or any Owner upon any claim arising out of the receipt, deposit or disbursement of any of the Series 2016A Installment Payments or involving any rights or obligations of the Trustee, the Issuer or any Owner hereunder; provided, that the Trustee, the Issuer or any Owner at its, his or her election may appear in and defend any such action, suit or other proceeding. The Issuer will indemnify and hold harmless the Trustee and the Owners against any and all liability claimed or asserted by any person arising out of any such receipt, deposit or disbursement, and will indemnify and hold harmless the Owners against any attorneys’ fees or other expenses which any of them may incur in connection with any litigation or otherwise in connection with the foregoing to which any of them may become a party in order to

enforce their rights hereunder or under the 2016A Bonds; provided that such litigation shall be concluded favorably to such Owners' contentions therein.

Section 6.04. Accounting Records and Statements. The Trustee shall keep proper books of record and account in accordance with corporate trust industry standards in which complete and correct entries shall be made of all transactions made by the Trustee relating to the receipt, investment, disbursement, allocation and application of the Revenues and the proceeds of the 2016A Bonds. Such records shall be open to inspection by the Issuer and by any Owner at any reasonable time during regular business hours on reasonable notice. Not later than the fifteenth (15th) day of each month, commencing on the first calendar month after the initial issuance of the 2016A Bonds, and continuing so long as any 2016A Bonds are Outstanding, the Trustee will furnish to the Issuer and to the Agency a complete statement covering the receipts, deposits and disbursements of the funds held by the Trustee hereunder for the preceding month; provided that the Trustee shall not be obligated to provide an accounting for any fund or account that: (a) has a balance of \$0.00; and (b) has not had any activity since the last reporting date.

Section 6.05. Further Assurances. Whenever and so often as requested to do so by the Trustee or any Owner, the Issuer will promptly execute and deliver, or cause to be executed and delivered, all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners the benefit, protection and security conferred, or intended to be conferred, upon them hereby.

ARTICLE VII

DEFAULT AND LIMITATIONS OF LIABILITY

Section 7.01. Events of Default. The following events shall be Events of Default hereunder:

(a) Default by the Issuer in the due and punctual payment of the principal of any 2016A Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

(b) Default by the Issuer in the due and punctual payment of any installment of interest on any 2016A Bonds when and as the same shall become due and payable.

(c) Default by the Issuer in the observance of any of the other covenants, agreements or conditions on its part contained in this Indenture or in the 2016A Bonds, if such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Issuer by the Trustee or by the Owners of a majority in aggregate principal amount of 2016A Bonds Outstanding; provided, however, that if in the reasonable opinion of the Issuer the default stated in the notice can be corrected, but not within such sixty (60) day period and corrective action is instituted by the Issuer within such sixty (60) day period and diligently pursued in good faith until the default is corrected such failure shall not become an Event of Default.

(d) The Issuer shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of

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

Section 7.02. Remedies Upon Event of Default. If any Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and at the written direction of the Owners of not less than a majority in aggregate principal amount of the 2016A Bonds at the time Outstanding shall, upon notice in writing to the Issuer, declare the principal of all of the 2016A Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything contained in this Indenture or in the 2016A Bonds to the contrary notwithstanding.

Any such declaration is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Issuer shall deposit with the Trustee a sum sufficient to pay all the principal of and interest on the 2016A Bonds the payment of which is overdue, with interest on such overdue principal at the rate borne by the respective 2016A Bonds to the extent permitted by law, and the reasonable charges and expenses of the Trustee, and any and all other Events of Default known to the Trustee (other than in the payment of principal of and interest on the 2016A Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case the Trustee shall, on behalf of the Owners of all of the 2016A Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

Section 7.03. Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of this Indenture shall be applied by the Trustee as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the 2016A Bonds and payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under this Indenture; and

(b) To the payment of the principal of and interest then due on the 2016A Bonds (upon presentation of the 2016A Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of this Indenture, in the following order of priority:

First: To the payment to the persons entitled thereto of all interest then due in the order of the due date of such interest, and, if the amount available shall not be sufficient to pay in full any interest due on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any 2016A Bonds which shall have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate of two hundred (200) basis points above the interest rate per annum on such overdue principal, and, if the amount available shall not be sufficient to pay in full all the 2016A Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

Section 7.04. Trustee to Represent 2016A Bond Owners. The Trustee is hereby irrevocably appointed (and the successive respective Owners of the 2016A Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the 2016A Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the 2016A Bonds or this Indenture and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the 2016A Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the 2016A Bonds then Outstanding and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the 2016A Bonds or this Indenture or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under this Indenture, pending such proceedings. All rights of action under this Indenture or the 2016A Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the 2016A Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such 2016A Bonds, subject to the provisions of this Indenture.

Notwithstanding anything contained herein, the Trustee shall have no security interest in or mortgage on the Project, any property of the Agency or other assets or property thereof and no default hereunder shall result in the loss of the Project, any property of the Agency or other assets or property thereof.

Section 7.05. 2016A Bond Owners' Direction of Proceedings. Anything in this Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the 2016A Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conduct in all remedial proceedings taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to 2016A Bond Owners not parties to such direction.

Section 7.06. Limitation on 2016A Bond Owners' Right to Sue. No Owner of any 2016A Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Installment Purchase

Agreement or any other applicable law with respect to such 2016A Bonds, unless: (a) such Owners shall have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of the 2016A Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have failed to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; (e) no direction inconsistent with such written request shall have been given to the Trustee during such sixty (60) day period by the Owners of a majority in aggregate principal amount of the 2016A Bonds then Outstanding; and (f) such suit, action or proceeding is instituted subject to this Indenture.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of 2016A Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of 2016A Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture or the rights of any other Owners of 2016A Bonds, or to enforce any right under the 2016A Bonds, this Indenture, the Installment Purchase Agreement or other applicable law with respect to the 2016A Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding 2016A Bonds, subject to the provisions of this Indenture.

Section 7.07. **Absolute Obligation of Issuer.** Nothing in Section 7.06 or in any other provision of this Indenture or in the 2016A Bonds contained shall affect or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on the 2016A Bonds to the respective Owners of the 2016A Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the 2016A Bonds.

Section 7.08. **Termination of Proceedings.** In case any proceedings taken by the Trustee or any one or more 2016A Bond Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the 2016A Bond Owners, then in every such case the Issuer, the Trustee and the 2016A Bond Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Issuer, the Trustee and the 2016A Bond Owners shall continue as though no such proceedings had been taken.

Section 7.09. **Remedies Not Exclusive.** No remedy herein conferred upon or reserved to the Trustee or to the Owners of the 2016A Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Section 7.10. **No Waiver of Default.** No delay or omission of the Trustee or of any Owner of the 2016A Bonds to exercise any right or power arising upon the occurrence of any Event

of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein; provided, however, that every power and remedy given by this Indenture to the Trustee or to the Owners of the 2016A Bonds may be exercised from time to time and as often as may be deemed expedient.

ARTICLE VIII

THE TRUSTEE

Section 8.01. **Employment and Duties of the Trustee.** The Issuer hereby appoints and employs the Trustee to receive, deposit and disburse the Revenues as provided herein, to prepare, authenticate, deliver, transfer, exchange and cancel the 2016A Bonds as provided herein, to pay the interest and principal and redemption premiums, if any, on the 2016A Bonds to the Owners thereof as provided herein, and to perform the other obligations contained herein; all in the manner provided herein and subject to the conditions and terms hereof. By executing and delivering the Indenture, the Trustee undertakes to perform such obligations (and only such obligations) as are specifically set forth herein, and no implied obligations shall be read herein against the Trustee.

Section 8.02. **Removal and Resignation of the Trustee.** The Issuer may at any time, as long as an Event of Default, or an event which with notice or passage of time or both would become an Event of Default, has not occurred and is continuing, and shall, after any breach by the Trustee hereunder, remove the Trustee initially a party hereto and any successor thereto by giving written notice of such removal to the Trustee, and by giving notice by mail in accordance with Section 11.06 of such removal to all Owners of 2016A Bonds, and the Trustee initially a party hereto and any successor thereto may at any time resign by giving written notice of such resignation to the Issuer and the Agency and by giving notice by mail in accordance with Section 11.06 of such resignation to all Owners of 2016A Bonds. Upon giving any such notice of removal or upon receiving any such notice of resignation, the Issuer shall promptly appoint a successor Trustee by an instrument in writing; provided that in the event that the Issuer and the Agency do not appoint a successor Trustee within sixty (60) days following the giving of any such notice of removal or the receipt of any such notice of resignation, the removed or resigning Trustee may petition any appropriate court having jurisdiction to appoint a successor Trustee. No removal, resignation or termination of the Trustee shall take effect until a successor trustee shall be appointed. Any successor Trustee shall be a bank with trust powers or trust company doing business and having a principal corporate trust office in the United States of America, having (or if such bank or trust company is a member of a bank holding company system, its bank holding company has) a combined capital, (exclusive of borrowed capital) and surplus of at least seventy-five million dollars (\$75,000,000), unless the Agency consents to a lesser amount therefor, and shall be subject to supervision or examination by state or national authorities. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Any removal or resignation of a Trustee and appointment of a successor Trustee shall become effective only upon the acceptance of the appointment by the successor Trustee.

Section 8.03. **Compensation and Indemnification of the Trustee.** The Issuer shall from time to time, subject to any agreement then in effect with the Trustee, pay the Trustee reasonable compensation for its services and reimburse the Trustee for all its reasonable advances and expenditures hereunder, including, but not limited to, advances to and the reasonable fees and

expenses of accountants, agents, appraisers, consultants, counsel or other experts employed by it in the observance and performance of its rights and obligations hereunder; provided, except as otherwise provided in Section 7.04 hereof, that the Trustee shall not have any lien for such compensation or reimbursement against any money held by it in any of the funds established hereunder, although the Trustee may take whatever legal actions are available to it directly against the Issuer to recover such compensation or reimbursement. To the extent permitted by law, the Issuer does hereby assume liability for, and agree to defend, indemnify, protect, save and keep harmless, the Trustee and its directors, officers and employees and its successors and assigns from and against any and all liabilities, obligations, losses, damages (including consequential damages incurred by others), taxes and impositions, penalties, fines, claims, actions, suits, costs and expenses and disbursements (including legal fees and expenses) of whatsoever kind and nature imposed in, asserted against or incurred or suffered by the Trustee or its directors, officers or employees or its successors and assigns in any way relating to or arising out of: (i) the condition, management, maintenance or use of or from any work done in connection with the Water System by the Agency including, the use, storage, preserve, disposal or release of any Hazardous Substances in or about the Water System; (ii) any act of negligence of the Agency or of any of its agents, contractors, directors, employees, invitees, licensees or officers in connection with the Water System; (iii) the authorization of the payment to any costs or expenses of the acquisition and construction of the Project; or (iv) the exercise of any rights or obligations of the Trustee hereunder; provided, that no indemnification will be made for willful misconduct or negligence hereunder by the Trustee.

The Trustee's rights to immunities and protection from liability hereunder and its rights to payment of its fees and expenses shall survive its resignation or removal and the final payment or defeasance of the 2016A Bonds.

Section 8.04. Protection of the Trustee. The Trustee shall be protected and indemnified as stated herein by the Issuer and shall incur no liability in acting or proceeding in good faith upon any affidavit, bond, certificate, consent, notice, request, requisition, resolution, statement, telegram, voucher, waiver or other paper or document which it shall in good faith believe to be genuine and to have been adopted, executed or delivered by the proper party or pursuant to any of the provisions hereof, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee may consult with counsel, who may be counsel to the Agency, before being required to take any action under this Indenture with regard to legal questions arising hereunder, and the opinion of such counsel shall be full and complete authorization and protection in respect to any action taken or suffered by it hereunder in good faith in accordance therewith.

The Trustee shall not be responsible for the sufficiency of the Installment Purchase Agreement or of the assignment made to it herein of all rights to receive the Revenues under the Installment Purchase Agreement, or of the title or value of the Project, and shall not be deemed to have knowledge of any Event of Default unless and until it shall have actual knowledge thereof or have received written notice thereof at its Principal Corporate Trust Office. All recitals, warranties or representations contained therein are statements of the Agency, and the Trustee assumes no responsibility for their correctness, and the Trustee shall not be accountable for the use or application by the Agency, or any other party, of any funds which the Trustee properly releases to the Agency or which the Agency may otherwise receive from time to time. The Trustee makes no representation concerning, and has no responsibility for, the validity, genuineness, sufficiency, or performance by parties other than the Trustee of the Indenture, any 2016A Bond, or of any other paper or document,

or for taking any action on them (except as specifically and expressly stated for the Trustee in the Indenture), or with respect to any obligation of the Issuer or the Agency hereunder or for the sufficiency of any insurance on the Water System.

Whenever in the observance or performance of its rights and obligations hereunder or under the 2016A Bonds, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, the Trustee may request a Certificate of the Agency and such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the Agency, and such Certificate of the Agency shall be full warrant to the Trustee for any action taken or suffered under the provisions hereof upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Trustee may buy, sell, own, hold and deal in any of the 2016A Bonds and may join in any action which any Owner may be entitled to take with like effect as it were not a party hereto. The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Issuer or the Agency, and may act as agent, depositary or trustee for any committee or body of Owners or of owners of obligations of the Issuer or the Agency as freely as if it were not the Trustee hereunder. The Trustee shall not be answerable for the exercise of any of its rights hereunder or for the performance of any of its obligations hereunder or for anything whatsoever in connection with the funds established hereunder, except only for its own willful misconduct or negligence.

No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture. The Trustee shall, during the existence of any Event of Default which has not been cured or waived, exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

The Trustee shall not be responsible for monitoring the compliance of the Agency and the Issuer with the covenants as set forth in Sections 5.03 and 6.02 hereof and Section 6.5 of the Installment Purchase Agreement and may conclusively rely on all written instructions and calculations of the Agency and the Issuer with respect thereto; provided, the Trustee shall promptly comply with all such written instructions as provided in Sections 5.03 and 6.02.

The Issuer shall not be deemed to be an agent of the Trustee and the Trustee shall not be liable for the acts or omissions of the Issuer in connection with the transactions contemplated hereby and by the Installment Purchase Agreement.

The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the 2016A Bonds.

ARTICLE IX

AMENDMENT OF OR SUPPLEMENT TO THE INDENTURE

Section 9.01. Amendment or Supplement by Consent of Owners.

(a) The Indenture and the rights and obligations of the Issuer, the Agency, Owners and the Trustee hereunder may be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the 2016A Bonds then Outstanding, exclusive of 2016A Bonds disqualified as provided in Section 9.02, are filed with the Trustee. No such amendment or supplement shall: (i) reduce the rate of interest on any 2016A Bond or extend the time of payment thereof or reduce the amount of principal or redemption premium, if any, of any 2016A Bond or extend the maturity thereof or otherwise alter or impair the obligation of the Issuer to pay the interest and principal and redemption premium, if any, thereon at the time and place and at the rate and in the currency and from the funds provided therein without the prior written consent of the Owner of the 2016A Bond so affected; or (ii) modify any of the rights or obligations of the Trustee without its prior written consent thereto.

(b) The Indenture and the rights and obligations of the Issuer, the Agency, the Owners and the Trustee hereunder may also be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding upon execution without the written consents of any Owners, but only to the extent permitted by law:

(i) to add to the agreements, conditions, covenants and terms contained herein required to be observed or performed by the Issuer or the Agency other agreements, conditions, covenants and terms thereafter to be observed or performed by the Issuer or the Agency, or to surrender any right reserved herein to or conferred herein on the Issuer or the Agency, and which in either case shall not adversely affect the interests of the Owners;

(ii) to modify, amend or supplement this Indenture in such a manner as to preserve the exemption of the 2016A Bonds from the registration requirements of the Securities Act of 1933 or any similar federal statute hereafter in effect or to permit the qualification of this Indenture under the Trust Indenture Act of 1939 or any similar federal statute hereinafter in effect;

(iii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the Issuer or the Agency may deem desirable or necessary, and which shall not adversely affect the interests of the Owners;

(iv) to the extent required to conform the procedures under this Indenture to the procedures of the Depository, as such procedures may be in effect from time to time; and

(v) to make any modifications or changes necessary or appropriate in the opinion of Special Counsel to preserve or protect the exclusion from gross income for federal income tax purposes of interest on the 2016A Bonds.

The Issuer shall give written notice of any amendment to the Indenture and the rights and obligations of the Issuer and the Agency and the Owners and the Trustee hereunder to Moody's, S&P and Fitch not less than fifteen (15) days prior to the execution thereof.

Section 9.02. Disqualified 2016A Bonds. 2016A Bonds known to the Trustee to be held for the account of the Issuer or the Agency (but excluding 2016A Bonds held in any pension or retirement fund of the Issuer or the Agency) shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding 2016A Bonds provided herein, and shall not be entitled to consent to or take any other action provided herein, and the Trustee may adopt appropriate regulations to require each Owner, before his or her consent provided for herein shall be deemed effective, to reveal if the 2016A Bonds as to which such consent is given are disqualified as provided in this section.

Section 9.03. Endorsement or Replacement of 2016A Bonds After Amendment or Supplement. After the effective date of any action taken as hereinabove provided, the Trustee may determine that the 2016A Bonds may bear a notation by endorsement in form approved by the Trustee as to such action, and in that case, upon demand of the Owner of any Outstanding 2016A Bond and presentation of the 2016A Bond for such purpose at the Principal Corporate Trust Office of the Trustee, a suitable notation as to such action shall be made on such 2016A Bond. If the Trustee shall so determine, new 2016A Bonds so modified as in the opinion of the Trustee shall be necessary to conform to such action shall be prepared, and in that case upon demand of the Owner of any Outstanding 2016A Bonds such new 2016A Bonds shall be exchanged without cost to each Owner for 2016A Bonds then Outstanding at the Principal Corporate Trust Office of the Trustee, upon surrender of such Outstanding 2016A Bonds. All 2016A Bonds surrendered to the Trustee pursuant to the provisions of this section shall be canceled by the Trustee and shall not be redelivered.

Section 9.04. Amendment or Supplement by Mutual Consent. The provisions of this article shall not prevent any Owner from accepting any amendment or supplement as to the particular 2016A Bonds owned by him or her; provided, that due notation thereof is made on such 2016A Bonds.

ARTICLE X

DEFEASANCE

Section 10.01. Discharge of 2016A Bonds and Indenture.

(a) If the Trustee shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding 2016A Bonds the interest and principal and redemption premiums, if any, evidenced and represented thereby at the times and in the manner provided herein and therein, then all agreements and covenants of the Issuer and the Agency to such Owners hereunder shall thereupon cease, terminate and become void and shall be completely discharged and satisfied.

(b) Any Outstanding 2016A Bonds shall on their maturities or their mandatory redemption dates prior thereto be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if there shall be on deposit with the Trustee money held in trust for the benefit of the Owners of such 2016A Bonds which is sufficient to pay the interest and principal and redemption premiums, if any, on such 2016A Bonds payable on and prior to their maturities or their mandatory redemption dates thereto.

(c) Any Outstanding 2016A Bonds shall prior to their maturities or their mandatory redemption dates prior thereto be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if: (i) in case any of such 2016A Bonds are to be redeemed on any date prior to their maturities, the Issuer shall have given to the Trustee in form satisfactory to it irrevocable instructions to give notice by mail in accordance with Section 11.06 to the Owners of such 2016A Bonds of the redemption of such 2016A Bonds on such mandatory redemption dates; (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Permitted Investments defined in clauses (a) or (b) of the definition thereof, the interest on and principal of which when paid will provide money which, together with money, if any, deposited with the Trustee at the same time, shall be sufficient (as evidenced by a report of an Independent Certified Public Accountant regarding such sufficiency) to pay when due the interest on such 2016A Bonds on and prior to the earlier of their maturities or their mandatory redemption dates, as the case may be, and the principal and redemption premiums, if any, on such 2016A Bonds; and (iii) in the event such 2016A Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Issuer shall have given the Trustee in form satisfactory to it irrevocable instructions to give notice by mail in accordance with Section 11.06 to the Owners of such 2016A Bonds that the deposit required by clause (ii) above has been made with the Trustee and that such 2016A Bonds are deemed to have been paid in accordance with this section and stating their maturities or their mandatory redemption dates prior thereto upon which money is to be available for the payment of the interest and principal and redemption premiums, if any, on such 2016A Bonds.

(d) The Trustee shall, if so directed by the Issuer pursuant to a Request of the Issuer: (i) prior to the Maturity Date of 2016A Bonds deemed to have been paid in accordance with this Section 10.01 which are not to be redeemed prior to their Maturity Date; or (ii) prior to the mailing of the notice of redemption referred to in clause (c) above with respect to any 2016A Bonds deemed to have been paid in accordance with this Section 10.01 which are to be redeemed on any date prior to their maturity, apply moneys deposited with the Trustee with respect to such 2016A Bonds and redeem or sell Permitted Investments so deposited with the Trustee and apply the proceeds thereof to the purchase of such 2016A Bonds and the Trustee shall immediately thereafter cancel all such 2016A Bonds so purchased; provided, however, that the moneys and Permitted Investments remaining on deposit with the Trustee after the purchase and cancellation of such 2016A Bonds shall be sufficient to pay when due the interest on those 2016A Bonds on and prior to their maturities or their mandatory redemption dates prior thereto, as the case may be, and the principal and redemption premiums, if any, on such 2016A Bonds, with respect to which such moneys and Permitted Investments are being held by the Trustee on or prior to the Redemption Date or Maturity Date thereof; as the case may be. If, at any time: (I) prior to the Maturity Date of 2016A Bonds deemed to have been paid in accordance with this Section 10.01 which are not to be redeemed prior to their Maturity Date; or (II) prior to the mailing of the notice of redemption referred to in clause (c) with respect to any 2016A Bonds deemed to have been paid in accordance with this Section 10.01 which are to be redeemed on any date prior to their maturity, the Issuer shall purchase or otherwise acquire any such 2016A Bonds and deliver such 2016A Bonds to the Trustee prior to their Maturity Date or Redemption Date, as the case may be, the Trustee shall immediately cancel all such 2016A Bonds so delivered; such delivery of 2016A Bonds to the Trustee shall be accompanied by directions from the Issuer to the Trustee in the form of a Request of the Issuer as to the manner in which such 2016A Bonds are to be applied against the obligation of the Trustee to pay or redeem 2016A Bonds deemed paid in accordance with this Section 10.01. The directions given by the Issuer to the Trustee referred to in the preceding sentences shall also specify the portion, if any, of such 2016A Bonds so purchased or delivered and canceled to be applied against the obligation of the Trustee to pay 2016A

Bonds deemed paid in accordance with this Section 10.01 upon their Maturity Date or dates and the portion, if any, of such 2016A Bonds so purchased or delivered and canceled to be applied against the obligation of the Trustee to redeem 2016A Bonds deemed paid in accordance with this Section 10.01 on any date or dates prior to their maturity.

In the event that on any date as a result of any purchases, acquisitions and cancellations of 2016A Bonds as provided in this Section 10.01 the total amount of moneys and Permitted Investments remaining on deposit with the Trustee under this Section 10.01 is in excess of the total amount which would have been required to be deposited with the Trustee on such date with respect to the remaining 2016A Bonds in order to satisfy subclause (ii) of subsection (c) of this Section 10.01, the Trustee shall, if requested by the Agency pursuant to a request of the Agency, pay the amount of such excess to the Agency free and clear of any trust, lien, pledge or assignment securing said 2016A Bonds or otherwise existing under this Indenture; provided, however, that before any such excess is transferred to the Agency, the Agency and the Trustee shall have received a report of an Independent Certified Public Accountant to the effect that the amount of moneys and the principal of and interest when due on the Permitted Investments remaining on deposit with the Trustee after such amount is transferred to the Agency shall be sufficient to pay when due the interest on such 2016A Bonds on and prior to their maturities or their mandatory redemption dates prior thereto, as the case may be, and the principal and redemption premiums, if any, of such 2016A Bonds.

Except as otherwise provided in this subsection (d) of this Section 10.01, neither Permitted Investments nor moneys deposited with the Trustee pursuant to this section nor principal or interest payments on any such Permitted Investments shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or redemption price, if applicable, and interest on said 2016A Bonds; provided that any cash received from such principal or interest payments on such Permitted Investments deposited with the Trustee: (A) to the extent that such cash will not be required at any time for such purpose, shall be paid over to the Agency as received by the Trustee, free and clear of any trust, lien or pledge securing said 2016A Bonds or otherwise existing under the Indenture; and (B) to the extent that such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Permitted Investments maturing at times and in amounts sufficient to pay when due the interest on the 2016A Bonds on and prior to their maturities or their mandatory redemption dates prior thereto, as the case may be, and the principal and redemption premiums, if any, on the 2016A Bonds and interest earned from such reinvestment shall be paid over to the Agency, as received by the Trustee, free and clear of any trust, lien, pledge or assignment securing said 2016A Bonds or otherwise existing under the Indenture.

(e) After the payment of all interest and principal and redemption premiums, if any, of all Outstanding 2016A Bonds as provided in subsections (a) or (b) of this section, and the payment of all fees and expenses of the Trustee, upon receipt of a Request of the Agency, the Trustee shall cause an accounting for such period or periods as may be requested by the Agency to be prepared and filed with the Issuer and the Agency and shall authenticate and deliver to the Issuer and the Agency all such instruments as may be necessary or desirable to evidence such total discharge and satisfaction of the Indenture, and the Trustee shall pay over or deliver to the Agency all money or investments held by it pursuant hereto which are not required for the payment of the interest and principal and redemption premiums, if any, evidenced and represented by such 2016A Bonds, which money and investments shall be used by the Agency for any lawful purpose.

Section 10.02. Unclaimed Money. Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest

or principal or redemption premium, if any, on any 2016A Bonds which remains unclaimed for two (2) years after the date when the payments on such 2016A Bonds have become payable, if such money was held by the Trustee on such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when the interest and principal and redemption premiums, if any, on such 2016A Bonds have become payable, shall be repaid by the Trustee to the Issuer as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the Issuer for the payment of the interest and principal and redemption premiums, if any, on such 2016A Bonds; provided, that before being required to make any such payment to the Issuer, the Trustee shall, at the expense of the Issuer, give notice by mail in accordance with Section 11.06 to Owners of 2016A Bonds with respect to which moneys remain unclaimed that such money remains unclaimed and that after a date named in such notice, which date shall not be less than sixty (60) days after the date of giving such notice, the balance of such money then unclaimed will be returned to the Issuer.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Benefits of the Indenture Limited to Parties. Nothing contained herein, expressed or implied, is intended to confer upon, or to give or grant to, any person or entity other than the Issuer, the Agency, the Trustee and the Owners any claim, remedy or right under or pursuant hereto, and any agreement, condition, covenant or term contained herein required to be observed or performed by or on behalf of the Issuer or the Agency shall be for the sole, exclusive benefit of the Trustee and the Owners.

Section 11.02. Successor Deemed Included in All References to Predecessor. Whenever either the Issuer, the Agency or the Trustee or any officer, director or employee thereof is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Issuer, the Agency or the Trustee or such officer, director or employee, and all agreements, conditions, covenants and terms contained herein required to be observed or performed by or on behalf of the Issuer, the Agency or the Trustee or any officer, director or employee thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 11.03. Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required herein to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or such Owner's attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he or she purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him or her the execution thereof; or by an affidavit of a witness to such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee may accept which it may deem sufficient.

Any declaration, acceptance, request or other instrument in writing of the Owner of any 2016A Bond shall bind all future Owners of such 2016A Bond with respect to anything done or suffered to be done by the Issuer or the Agency or the Trustee in good faith and in accordance therewith.

Section 11.04. Waiver of Personal Liability. No officer, director or employee of the Agency, the Issuer or the Trustee shall be individually or personally liable for the payment of the interest or principal or redemption premiums, if any, on the 2016A Bonds, but nothing contained herein shall relieve any officer, director or employee of the Issuer, the Agency or the Trustee from the performance of any official duty provided by any applicable provisions of law or by the Installment Purchase Agreement or hereby.

Section 11.05. Content of Certificates. Every certificate with respect to compliance with any agreement, condition, covenant or term contained herein shall include: (a) a statement that the person or persons executing such certificate have read such agreement, condition, covenant or term and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements contained in such certificate are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such agreement, condition, covenant or term has been complied with; and (d) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or term has been complied with.

Any certificate may be based, insofar as it relates to legal matters, upon a Favorable Opinion of Special Counsel unless the person or persons executing such certificate know that the Favorable Opinion of Special Counsel with respect to the matters upon which his, her or their certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any Favorable Opinion of Special Counsel may be based, insofar as it relates to factual matters or information with respect to which is in the possession of the Agency, upon a representation by an officer or officers of the Agency unless the counsel executing such Favorable Opinion of Special Counsel knows that the representation with respect to the matters upon which his or her opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

Section 11.06. Notice by Mail. Any notice required to be given hereunder by mail to any Owners of 2016A Bonds shall be given by mailing a copy of such notice, first class postage redeemed, to the Owners of such 2016A Bonds at their addresses appearing in the books required to be kept by the Trustee pursuant to the provisions of Section 2.08 not less than fifteen (15) days nor more than thirty (30) days following the action or prior to the event concerning which notice thereof is required to be given; provided that receipt of any such notice shall not be a condition precedent to the effect of such notice and neither failure to receive any such notice nor any immaterial defect contained therein shall affect the validity of the proceedings taken in connection with the action or the event concerning which such notice was given.

Section 11.07. Funds. Any fund required to be established and maintained herein by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purpose of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such funds shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the 2016A Bonds and the rights of the Owners. In addition to the funds and accounts required to be established hereunder, the Trustee may establish such other funds and accounts as it deems necessary or appropriate to perform its obligations.

Section 11.08. Deposits and Investments.

(a) Any money held by the Trustee in any of the funds provided herein shall be deposited pursuant to clause (g) of the definition of Permitted Investments; provided, that any such money shall be invested by the Trustee as directed by the Issuer pursuant to a Request of the Issuer in Permitted Investments which will, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement hereunder.

(b) The Trustee may act as principal or agent in the acquisition or disposition of any such deposit or investment and may, for the purpose of any such deposit or investment, commingle any of the money held by them hereunder, and the Trustee shall not be liable or responsible for any loss suffered in connection with any such deposit or investment made by them under the terms of and in accordance with this section. The Trustee may present for redemption or sell any such deposit or investment whenever it shall be necessary in order to provide money to meet any payment of the money so deposited or invested, and the Trustee shall not be liable or responsible for any losses resulting from any such deposit or investment presented for redemption or sold. Any Permitted Investments that are registrable securities shall be registered in the name of the Trustee. The Trustee is hereby authorized, in making or disposing of any investment permitted by this section, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or dealing as principal for its own account.

The Issuer acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Issuer the right to receive brokerage confirmations of security transactions as they occur, the Issuer specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish periodic cash transaction statements to the Issuer which include detail for all investment transactions made by the Trustee hereunder.

(c) Subject to Section 5.03 and subsection (d) of this section, any interest or profits on such deposits and investments received by the Trustee shall be retained in the fund or account to which they relate and on or before February 1 and August 1 of each year shall be transferred first, if the Issuer so directs, to the Rebate Fund, and second, to the Interest Account of the Bond Payment Fund.

(d) Trustee shall deposit earnings on investments in the Bond Payment Fund to the Interest Account, Principal Account or Redemption Account of the Bond Payment Fund, to the extent that money is needed therein to make the interest or principal payment or redemption premiums, if any, as the case may be, on such Interest Payment Date, Maturity Date, or Redemption Date.

Section 11.09. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to "Articles," "Sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words "hereby," "hereof" "hereto," "herewith," "hereunder" and other words of similar import refer to the Indenture as a whole and not to any particular article, section, subdivision or clause thereof.

Section 11.10. Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms contained herein required to be observed or performed by or on the part of the Issuer or the Trustee shall be contrary to law, then such agreement or agreements, such condition or conditions, such covenant or covenants or such term or terms shall be null and void and shall be deemed separable from the remaining agreements, conditions, covenants and terms hereof and shall in no way affect the validity hereof or of the 2016A Bonds, and the Owners shall retain all the benefit, protection and security afforded to them hereunder and under all provisions of applicable law. The Trustee and the Issuer hereby declare that they would have executed and entered into the Indenture and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the execution and delivery of the 2016A Bonds pursuant hereto irrespective of the fact that any one or more of the articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 11.11. California Law. THE INDENTURE SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

Section 11.12. Notices. All written notices to be given hereunder shall be given by first class mail, postage redeemed, to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

If to the Trustee:

U.S. Bank National Association
633 West Fifth Street, 24th Floor
Los Angeles, California 90071
Attention: Corporate Trust Services
Reference: Castaic Lake Water Agency, Series 2016A

If to the Issuer:

Upper Santa Clara Valley Joint Powers Authority
27234 Bouquet Canyon Road
Santa Clarita, California 91350
Attention: Executive Director

If to the Agency:

Castaic Lake Water Agency
27234 Bouquet Canyon Road
Santa Clarita, California 91350
Attention: General Manager

The Trustee shall give notices to S&P, Moody's and Fitch upon: (a) redemption of all Outstanding 2016A Bonds; (b) acceleration of amounts due with respect to the 2016A Bonds; (c) amendments to the Indenture; or (d) any defeasance of the 2016A Bonds.

Section 11.13. Execution in Counterparts. The Indenture may be executed and entered into in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

Section 11.14. Effective Date. The Indenture shall become effective upon its execution and delivery.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have executed and entered into the Indenture by their officers hereunto duly authorized as of the day and year first above written.

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____
Title: Authorized Officer

UPPER SANTA CLARA VALLEY JOINT
POWERS AUTHORITY

By: _____
Title: President

EXHIBIT A

[FORM OF BOND]

No. ____

\$ _____

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA**

**UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY
REVENUE BONDS, SERIES 2016A**

Interest Rate	Maturity Date	Dated Date	CUSIP
____%	____ 1, ____	_____, 20__	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

The UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY, a joint exercise of powers authority duly organized and existing under the laws of the State of California (the "Authority"), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (the "Registered Owner"), on the Maturity Date specified above (subject to any right of prior redemption hereinafter provided for), the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this 2016A Bond (unless: (i) this 2016A Bond is authenticated after the fifteenth day of the calendar month preceding an Interest Payment Date (the "Record Date") and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (ii) this 2016A Bond is authenticated on or before July 15, 2016, in which event it shall bear interest from the Dated Date identified above; provided, however, that if as of the date of authentication of this 2016A Bond, interest is in default on this 2016A Bond, this 2016A Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on this 2016A Bond), at the interest rate per annum specified above, payable on each Interest Payment Date as determined in the Indenture of Trust, dated as of January 1, 2016, by and between the Authority and the Trustee relating to the 2016A Bonds (the "Indenture"). Interest with respect to this 2016A Bond shall be paid on August 1, 2016 and each February 1 and August 1 thereafter at the interest rate set forth above and shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Principal hereof and premium, if any, upon early redemption hereof are payable in lawful money of the United States of America upon presentation and surrender at the corporate trust office of U.S. Bank National Association, as trustee (the "Trustee"), in St. Paul, Minnesota, or at such other or additional offices as may be specified in writing by the Trustee to the Authority and the registered owners (the "Principal Corporate Trust Office"). Interest hereon is payable by check of the Trustee sent by first class mail to the Registered Owner hereof at the Registered Owner's address as it appears on the registration books of the Trustee as of the close of business on the Record Date immediately preceding each Interest Payment Date (except that in the case of a registered owner of

one million dollars (\$1,000,000) or more in principal amount, such payment may, at such registered owner's option, be made by wire transfer of immediately available funds to an account within the United States of America in accordance with written instructions provided to the Trustee by such registered owner prior to the Record Date).

This 2016A Bond is not a debt of the members of the Authority, the State of California, or any of its political subdivisions, and neither the members of the Authority or said State, nor any of its political subdivisions, is liable hereon, nor in any event shall this 2016A Bond be payable out of any funds or properties of the Authority other than the Revenues (as such term is defined in the Indenture) and other amounts pledged therefor under the Indenture. The 2016A Bonds (as hereinafter defined) do not constitute an indebtedness in contravention of any constitutional or statutory debt limitation or restriction.

The 2016A Bonds are authorized to be issued in the form of fully registered 2016A Bonds in Authorized Denominations; provided that no 2016A Bond shall have principal represented thereby maturing in more than one year. Subject to the limitations and conditions and upon payment of the taxes and governmental charges provided in the Indenture, 2016A Bonds may be exchanged or transferred as provided in the Indenture at the Principal Corporate Trust Office of the Trustee.

Capitalized terms used herein and not defined herein have the meaning assigned thereto in the Indenture.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this 2016A Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the Joint Exercise of Powers Agreement, dated as of June 1, 2011, by and among the members of the Authority (the "Joint Exercise of Powers Agreement") and the laws of the State of California and that the amount of this 2016A Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by Resolution No. ____, adopted by the Board of Directors of the Authority on January __, 2016, (the "Resolution") or any laws of the State of California, and is not in excess of the amount of 2016A Bonds permitted to be issued under the Indenture.

This 2016A Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been signed by the Trustee.

This 2016A Bond is one of a duly authorized issue of bonds of the Authority designated as the "Upper Santa Clara Valley Joint Powers Authority Revenue Bonds, Series 2016A" (the "2016A Bonds"), of an aggregate principal amount of \$_____, all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, or interest rates) and all issued pursuant to the provisions of the Joint Exercise of Powers Agreement and the laws of the State of California and pursuant to the Indenture and the Resolution authorizing the issuance of the 2016A Bonds. Reference is hereby made to the Indenture (copies of which are on file at the office of the Authority) and all supplements thereto for a description of the terms on which the 2016A Bonds are issued, the provisions with regard to the nature and extent of the Revenues, and the rights thereunder of the owners of the 2016A Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Authority hereunder, to all of the provisions of which the Registered Owner of this 2016A Bond, by acceptance hereof, assents and agrees.

The 2016A Bonds have been issued by the Authority to finance and refinance the acquisition and construction of certain facilities.

This 2016A Bond and the interest and premium, if any, hereon and all other 2016A Bonds and the interest and premium, if any, thereon (to the extent set forth in the Indenture) are special obligations of the Authority, and are payable from, and are secured by a pledge and lien on the Revenues. As and to the extent set forth in the Indenture, all of the Revenues and any other amounts (including proceeds of the sale of the 2016A Bonds) held in any fund or account established pursuant to the Indenture (except the Rebate Fund) are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture, to secure the payment of the principal of and interest and premium (if any) on the 2016A Bonds.

The 2016A Bonds shall be subject to redemption prior to maturity as follows:

The 2016A Bonds are subject to redemption as a whole or in part on any date in the order of maturity as directed by the Agency in a written request provided to the Trustee and by lot within each maturity in Authorized Denominations from prepaid Series 2016A Installment Payments made by the Agency from Net Proceeds (as defined in the Installment Purchase Agreement), upon the terms and conditions of, and as provided for in the Indenture and the Installment Purchase Agreement, at a Redemption Price equal to the principal amount thereof and accrued interest thereon to the redemption date, without premium.

The 2016A Bonds maturing on and before _____ 1, 20__ are not subject to optional redemption prior to their stated maturities. The 2016A Bonds maturing on and after _____ 1, 20__ shall be subject to optional redemption at any time on and after _____ 1, 20__, in whole or in part, in such order as the Agency in a written request provided to the Trustee, in Authorized Denominations, from any source of available funds provided to the Authority by or at the discretion of the Agency, at the Redemption Price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium.

The Indenture and the rights and obligations of the Issuer and the Agency and Owners and the Trustee thereunder may be amended or supplemented at any time by an amendment or supplement which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the 2016A Bonds then Outstanding, exclusive of 2016A Bonds disqualified as provided in the Indenture, are filed with the Trustee. No such amendment or supplement shall: (1) reduce the rate of interest on any 2016A Bond or extend the time of payment thereof or reduce the amount of principal or redemption premium, if any, of any 2016A Bond or extend the maturity thereof or otherwise alter or impair the obligation of the Issuer to pay the interest and principal and redemption premium, if any, thereon at the time and place and at the rate and in the currency and from the funds provided therein without the prior written consent of the Owner of the 2016A Bond so affected; or (2) modify any of the rights or obligations of the Trustee without its prior written consent thereto.

The Indenture and the rights and obligations of the Issuer and the Agency and the Owners and the Trustee thereunder may also be amended or supplemented at any time by an amendment or supplement which shall become binding upon execution without the written consents of any Owners, but only to the extent permitted by law:

(a) to add to the agreements, conditions, covenants and terms contained therein required to be observed or performed by the Issuer or the Agency other agreements, conditions, covenants and terms thereafter to be observed or performed by the Issuer or the Agency, or to surrender any right reserved therein to or conferred therein on the Issuer or the Agency, and which in either case shall not adversely affect the interests of the Owners;

(b) to modify, amend or supplement the Indenture in such a manner as to preserve the exemption of the 2016A Bonds from the registration requirements of the Securities Act of 1933 or any similar federal statute hereafter in effect or to permit the qualification of the Indenture under the Trust Indenture Act of 1939 or any similar federal statute hereinafter in effect;

(c) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained therein or in regard to questions arising thereunder which the Issuer or the Agency may deem desirable or necessary, and which shall not adversely affect the interests of the Owners;

(d) to the extent required to conform the procedures under the Indenture to the procedures of the Depository, as such procedures may be in effect from time to time; and

(e) to make any modifications or changes necessary or appropriate in the opinion of Special Counsel to preserve or protect the exclusion from gross income for federal income tax purposes of interest on the 2016A Bonds.

The Trustee has no obligation or liability to the registered owners of the 2016A Bonds for the payment of interest, principal or redemption premium, if any, with respect to the 2016A Bonds out of the Trustee's own funds; the Trustee's sole obligations are those described in the Indenture.

If an Event of Default, as defined in the Indenture, shall occur, the principal of all 2016A Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.

This 2016A Bond is transferable by the Registered Owner hereof, in person or by his or her duly authorized attorney, at the Office of the Trustee but only in the manner subject to the limitations and upon payment of the taxes and charges provided in the Indenture and upon surrender and cancellation of this 2016A Bond. Upon registration of such transfer, a new 2016A Bond or 2016A Bonds, of authorized denomination or denominations, for a like aggregate principal amount and of like maturity will be issued to the transferee in exchange therefor.

2016A Bonds may be exchanged at said office of the Trustee for a like aggregate principal amount of 2016A Bonds of other authorized denominations and of like maturity, but only in the manner, subject to the limitations and upon payment of the taxes and charges provided in the Indenture.

The Trustee shall not be required to register the transfer of or exchange of any 2016A Bond during the period in which the Trustee is selecting 2016A Bonds for redemption and any 2016A Bond that has been selected for redemption.

The Authority and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary.

IN WITNESS WHEREOF, the UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY has caused this 2016A Bond to be executed in its name and on its behalf with the facsimile signature of its President and attested to by the facsimile signature of its Secretary, all as of this __th day of ____, 20__.

UPPER SANTA CLARA VALLEY JOINT
POWERS AUTHORITY

By: _____
President

ATTEST:

By: _____
Secretary

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

This is one of the 2016A Bonds described in the within-mentioned Indenture.

Dated: _____, 20__

as Trustee

By: _____
Authorized Officer

[FORM OF ASSIGNMENT]

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____

(Name, Address and Tax Identification or
Social Security Number of Assignee)

the within-registered 2016A Bond and hereby irrevocably constitute(s) and appoint(s) _____, attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____, 20__

Note: The signature(s) on this assignment must correspond with the name(s) as written on the face of the within 2016A Bond in every particular without alteration or enlargement or any change whatsoever.

Signature Guaranteed:

Note: Signature(s) must be guaranteed by an eligible guarantor institution.

EXHIBIT B

CERTIFICATE OF GENERAL MANAGER

I, _____, am the duly authorized General Manager of the Castaic Lake Water Agency (the "Agency") and, in accordance with Sections 2.03(a) and 4.01(a) of the Indenture of Trust, dated as of January 1, 2016 (the "Indenture"), by and between the Upper Santa Clara Valley Joint Powers Authority (the "Authority") and U.S. Bank National Association, as Trustee, set forth the following:

1. In accordance with Section 2.03(a) of the Indenture, the 2016A Bonds in the aggregate principal amount of \$ _____ shall become payable on _____ 1 in the years and bear interest at the rate set forth below:

(_____ 1)	<i>Principal</i>	<i>Interest Rate</i>
	\$	%

2. In accordance with Section 4.01(a) of the Indenture, the 2016A Bonds maturing on or after _____ 1, 20[] are subject to optional redemption, in whole or in part, at any time on and after _____ 1, 20[] in the order directed by the Agency in a written request to the Trustee at least 45 days (or such lesser number of days acceptable to the Trustee in its sole discretion) prior to such date and by lot within each maturity, in integral multiples of \$5,000 from any source of available funds provided to the Authority by or at the discretion of the Agency at a Redemption Price equal to the principal amount of the 2016A Bonds to be redeemed, together with accrued interest to the date of redemption, without premium.

Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Indenture.

Dated: _____, 20__

CASTAIC LAKE WATER AGENCY

By: _____
General Manager

PURCHASE CONTRACT

\$ _____
**UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY
REVENUE BONDS, SERIES 2016A**

_____, 2016

Upper Santa Clara Valley Joint Powers Authority
27234 Bouquet Canyon Road
Santa Clarita, California 91350-2173

Castaic Lake Water Agency
27234 Bouquet Canyon Road
Santa Clarita, California 91350-2173

Ladies and Gentlemen:

Citigroup Global Markets Inc. as representative (the "Representative") of itself and JP Morgan Securities LLC (together, the "Underwriters") acting on behalf of themselves and not as an agent or representative of you, offers to enter into this purchase contract (the "Purchase Contract") with the Castaic Lake Water Agency (the "Agency") and the Upper Santa Clara Valley Joint Powers Authority (the "Authority"), which will be binding upon the Agency, the Authority and the Underwriters upon the acceptance hereof by the Agency and the Authority. This offer is made subject to its acceptance by the Agency and the Authority by execution of this Purchase Contract and its delivery to the Underwriters, on or before 6:00 p.m. California time on the date hereof. All terms used herein and not otherwise defined shall have the meanings given to such terms in the Official Statement (as hereafter defined).

1. **Purchase and Sale.** Upon the terms and conditions and upon the basis of the representations, warranties and agreements hereinafter set forth, the Underwriters hereby agree to purchase, and the Agency hereby agrees to cause to be delivered to the Underwriters, all (but not less than all) of \$_____ aggregate principal amount of the Upper Santa Clara Valley Joint Powers Authority Revenue Bonds, Series 2016A (the "Bonds"). The Bonds will mature in the amounts and on the dates and bear interest at the rates set forth on Appendix A hereto. The Underwriters will purchase the Bonds for the aggregate purchase price of \$_____ (representing the aggregate principal amount of the Bonds [plus/less] a [net] original issue [premium/discount] of \$_____ and less an underwriting discount of \$_____).

2. **Description and Purpose of the Bonds.** The Bonds shall be executed and delivered pursuant to an Indenture of Trust, dated as of January 1, 2016 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). The Bonds are special limited obligations of the Authority and are payable

solely from Revenues and from certain other amounts on deposit in funds and accounts under the Indenture. Revenues consist primarily of amounts received by the Authority (the "Series 2016A Installment Payments") pursuant to the Installment Purchase Agreement, dated as of January 1, 2016 (the "Installment Purchase Agreement"), by and between the Authority and the Agency, and all interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture. The obligation of the Agency to make the Series 2016A Installment Payments is a special obligation of the Agency payable solely from Net Revenues of the Water System (as such terms are defined in the Installment Purchase Agreement) of the Agency. The Bonds shall be as described in the Indenture and the Official Statement dated _____, 2016, relating to the Bonds (which, together with all exhibits and appendices included therein or attached thereto and such amendments or supplements thereto which shall be approved by the Representative, is hereinafter called the "Official Statement").

The Bonds are being issued: (i) to refinance the acquisition of certain capital improvements to the Agency's Water System (as such term is defined in the Installment Purchase Agreement) certain of which improvements have been previously financed on an interim basis and certain of which improvements have been previously financed from the proceeds of the Castaic Lake Water Agency Refunding Revenue Certificates of Participation, Series 2006A (1999 Refunding Project); and (ii) to pay the costs of issuing the Bonds.

3. **Public Offering.** The Underwriters agree to make an initial public offering of all the Bonds at the public offering prices (or yields) set forth in the Official Statement. Subsequent to the initial public offering, the Underwriters reserve the right to change the public offering prices (or yields) as they deem necessary in connection with the marketing of the Bonds, provided that the Underwriters shall not change the interest rates set forth on Appendix A hereto. The Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices. The Underwriters also reserve the right: (i) to engage in transactions that stabilize, maintain or otherwise affect the market price of the Bonds at a level above that which might otherwise prevail in the open market; and (ii) to discontinue such transactions, if commenced, at any time.

4. **Delivery of Official Statement.** Pursuant to the authorization of the Authority and the Agency, the Underwriters have distributed copies of the Preliminary Official Statement dated _____, 2016, relating to the Bonds, which, together with the cover page and appendices thereto, is herein called the "Preliminary Official Statement." By its acceptance of this proposal, the Authority hereby approves and ratifies the distribution and use by the Underwriters of the Preliminary Official Statement and the Agency hereby approves and ratifies the distribution and use by the Underwriters of Appendices A and B to the Preliminary Official Statement and the information in the forepart of the Official Statement under the heading "CONTINUING DISCLOSURE UNDERTAKING" (collectively, the "Agency Portion"). The Authority agrees to execute and deliver a final Official Statement in substantially the same form as the Preliminary Official Statement with such changes as may be made thereto with the consent of the Authority and/or the Agency and the Representative, as appropriate, and to provide copies thereof to the Underwriters as set forth in Paragraph 6(a)(xiii) hereof. The

Agency and the Authority hereby authorize the Underwriters to use and distribute, in connection with the offer and sale of the Bonds the Preliminary Official Statement, the Official Statement, the Indenture, the Installment Purchase Agreement, the Escrow Agreement (as hereinafter defined) and the Continuing Disclosure Certificate (as hereinafter defined) and other documents or contracts to which the Agency or the Authority is a party in connection with the transactions contemplated by this Purchase Contract, including this Purchase Contract and all information contained herein, and all other documents, certificates and statements furnished by the Agency or the Authority to the Underwriters in connection with the transactions contemplated by this Purchase Contract.

5. The Closing. At 8:00 a.m. on _____, 2016, or at such other time or on such earlier or later business day as shall have been mutually agreed upon by the Agency, the Authority and the Representative, the Agency and the Authority will cause to be executed and delivered: (i) the Bonds in book entry form through the facilities of The Depository Trust Company, or its agent, on behalf of the Representative; and (ii) the closing documents hereinafter mentioned at the offices of Stradling Yocca Carlson & Rauth, a Professional Corporation (“Bond Counsel”) in Newport Beach, California, or another place to be mutually agreed upon by the Agency, the Authority and the Representative. The Underwriters will accept such delivery of the Bonds and pay the purchase price of such Bonds as set forth in Section 1 hereof in immediately available funds to the order of the Agency. This payment for and delivery of the Bonds, together with the execution and delivery of the aforementioned documents, is herein called the “Closing.”

6. (a) Agency Representations, Warranties and Covenants. The Agency represents, warrants and covenants to the Underwriters that:

(i) *Due Organization, Existence and Authority.* The Agency is an agency duly organized and existing under the Constitution and laws of the State of California (the “State”), with full right, power and authority to execute, deliver and perform its obligations under this Purchase Contract, the Installment Purchase Agreement, and the hereinafter defined Continuing Disclosure Certificate and the Escrow Agreement (2006A), dated as of January 1, 2016 (the “Escrow Agreement”), by and between the Agency and U.S. Bank National Association, as Escrow Agent (the “Escrow Agent”) (collectively, the “Agency Documents”) and to carry out and consummate the transactions contemplated by the Agency Documents and the Agency Portion of the Official Statement.

(ii) *Due Authorization and Approval.* By all necessary official action of the Agency, the Agency has duly authorized and approved the execution and delivery of, and the performance by the Agency of the obligations contained or described in the Agency Portion of the Preliminary Official Statement, the Official Statement and the Agency Documents, and as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, each Agency Document will constitute the legally valid and binding obligation of the Agency enforceable in accordance with its terms, except as

enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or similar laws or equitable principles relating to or affecting creditors' rights generally or by the exercise of judicial discretion in appropriate cases or by limitations on legal remedies against public agencies in the State.

(iii) *Agency Portion of Official Statement Accurate and Complete.* The Agency Portion of the Preliminary Official Statement was as of its date, the Agency Portion of the Official Statement is, and at all times subsequent to the date of the Official Statement up to and including the Closing will be, true and correct in all material respects, and the Agency Portion of the Preliminary Official Statement and the Agency Portion of the Official Statement contain, and up to and including the Closing, will contain no misstatement of any material fact and do not, and up to and including the Closing, will not omit any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading (except no representation is made with respect to information relating to DTC or DTC's book-entry system).

(iv) *Underwriters' Consent to Amendments and Supplements to Agency Portion of the Official Statement.* The Agency will advise the Representative promptly of any proposal to amend or supplement the Agency Portion of the Official Statement and will not effect or consent to any such amendment or supplement without the consent of the Representative, which consent will not be unreasonably withheld. The Agency will advise the Representative promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise affecting the use of the Agency Portion of the Official Statement in connection with the offering, sale or distribution of the Bonds.

(v) *Agency Agreement to Amend or Supplement Agency Portion of the Official Statement.* If after the date of this Purchase Contract and until 25 days after the end of the "underwriting period" (as defined in Section 240 15c2-12 in Chapter II of Title 17 of the Code of Federal Regulations ("Rule 15c2-12")), any event occurs as a result of which the Agency Portion of the Official Statement as then amended or supplemented would include an untrue statement of a material fact, or omit to state any material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading, and, in the reasonable opinion of the Representative, an amended or supplemented Official Statement should be delivered in connection with the offers or sales of the Bonds to reflect such event, the Agency promptly will prepare at its expense an amendment or supplement which will correct such statement or omission and the Agency shall promptly furnish to the Underwriters a reasonable number of copies of such amendment or supplement. The Representative hereby agrees to deposit the Official Statement with the Municipal Securities Rulemaking Board (the "MSRB"). The Underwriters acknowledge that the end of the "underwriting period" will be the date of Closing.

(vi) *No Material Change in Finances.* Except as otherwise described in the Official Statement, there shall not have been any material adverse

changes in the financial condition of the Agency since the end of the fiscal year of its most recent audited financial report.

(vii) *No Breach or Default.* As of the time of acceptance hereof: (A) the Agency is not in default, nor has it been in default, as to principal or interest with respect to an obligation issued by the Agency; and (B) the Agency is not and will not be, in any manner which would materially adversely affect the transactions contemplated by the Agency Documents, in breach of or in default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment or decree or any trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the Agency is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute, in any manner which would materially adversely affect the transactions contemplated by the Agency Documents, a default or event of default under any such instrument; and, as of such time, the authorization, execution and delivery of the Agency Documents and compliance with the provisions of each of such agreements or instruments do not and will not, in any manner which would materially adversely affect the transactions contemplated by the Agency Documents, conflict with or constitute a breach of or default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment, decree, license, permit, trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the Agency (or any of its officers in their respective capacities as such) is subject, or by which it or any of its properties is bound, nor will any such authorization, execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its assets or properties or under the terms of any such law, regulation or instrument, except as may be provided by the Agency Documents.

(viii) *No Litigation.* As of the time of acceptance hereof and as of the date of Closing, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, is pending or, to the best knowledge of the Agency after due investigation, threatened: (A) in any way questioning the corporate existence of the Agency or the titles of the officers of the Agency to their respective offices; (B) affecting, contesting or seeking to prohibit, restrain or enjoin the execution or delivery of any of the Bonds, or in any way contesting or affecting the validity of the Bonds or the Agency Documents or the consummation of the transactions contemplated thereby, or contesting the exclusion of interest on Bonds from gross income for federal income tax purposes or contesting the powers of the Agency to enter into the Agency Documents; (C) which, except as described in the Official Statement, may result in any material adverse change to the financial condition of the Agency or to its ability to pay the Series 2016A Installment Payments when due; or (D) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which

they were made, not misleading, and there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (A) through (D) of this sentence.

(ix) *No Prior Liens on Revenues.* Other than the obligation of the Agency to make installment payments from Net Revenues under the Senior Obligations (as such term is defined in the Installment Purchase Agreement), the Agency does not and will not, as of the date of Closing, have outstanding any other indebtedness which indebtedness is secured by a lien on the Net Revenues superior to the lien of the Series 2016A Installment Payments on the Net Revenues. Other than the obligation of the Agency to make installment payments from Net Revenues under the 2008A Installment Purchase Agreement, the 2010A Installment Purchase Agreement, and the 2015A Installment Purchase Agreement, the obligation to make debt service payments from Net Revenues on the 2014 Bonds, and the obligation to make certain payments from Net Revenues under the Credit Facility Agreement (all as such terms are defined in the Installment Purchase Agreement) and certain tax revenue anticipation notes issued by the Agency outstanding from time to time, the Agency does not and will not, as of the date of Closing, have outstanding any other indebtedness which indebtedness is secured by a lien on the Net Revenues on a parity with the lien of the Series 2016A Installment Payments on the Net Revenues.

(x) *Further Cooperation: Blue Sky.* The Agency will furnish such information, execute such instruments and take such other action in cooperation with the Underwriters as the Underwriters may reasonably request in order: (A) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Representative may designate; and (B) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the Agency shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

(xi) *Consents and Approvals.* All authorizations, approvals, licenses, permits, consents and orders of or filings with any governmental authority, legislative body, board, agency or commission having jurisdiction in the matters which are required for the due authorization of, which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the Agency of its obligations in connection with, the Agency Documents have been duly obtained or made, except as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds.

(xii) *No Other Obligations.* Between the date of this Purchase Contract and the date of Closing and except as otherwise disclosed in the Official Statement, the Agency will not, without the prior written consent of the Representative, offer or issue any bonds, notes or other obligations for borrowed money, or incur any material liabilities, directly or contingently payable from the Agency's Revenues.

(xiii) *Bonds.* Any certificate signed by any official of the Agency and delivered to either of the Underwriters shall be deemed to be a representation and warranty by the Agency to the Underwriters as to the statements made therein.

(xiv) *Compliance with Rule 15c2-12.* The Agency Portion of the Preliminary Official Statement heretofore delivered to the Underwriters has been deemed final by the Agency as of the date of the Preliminary Official Statement, except for the omission of such information as is permitted to be omitted in accordance with paragraph (b)(i) of Rule 15c2-12. The Authority and Agency hereby covenant and agree that, within seven business days from the date hereof, they shall cause a final form of the Official Statement to be delivered to the Underwriters in sufficient quantity to comply with paragraph (b)(4) of Rule 15c2-12 and Rules of the MSRB.

(xv) *Continuing Disclosure.* Except as described under the caption “CONTINUING DISCLOSURE UNDERTAKING” in the Preliminary Official Statement, during the past five years the Agency has not failed to comply in any material respect with any continuing disclosure undertaking previously entered into by the Agency pursuant to Rule 15c2-12. The Agency will undertake, pursuant to a Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”), to provide annual reports and notices of certain events in accordance with the requirements of Rule 15c2-12. A form of the Continuing Disclosure Certificate is set forth in Appendix G to the Official Statement relating to the Agency.

(b) Authority Representations, Warranties and Covenants. The Authority represents, warrants and covenants to the Underwriters that:

(i) *Due Organization, Existence and Authority.* The Authority is a joint exercise of powers agency duly organized and existing under the Constitution and laws of the State, with full right, power and authority to execute, deliver and perform its obligations under this Purchase Contract, the Installment Purchase Agreement, the Indenture and the Official Statement (collectively, the “Authority Documents”) and to carry out and consummate the transactions contemplated by the Authority Documents and the Official Statement, excluding the Agency Portion (the “Authority Portion”).

(ii) *Due Authorization and Approval.* By all necessary official action of the Authority, the Authority has duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations contained or described in the Preliminary Official Statement, the Official Statement and the Authority Documents and as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, each Authority Document will constitute the legally valid and binding obligation of the Authority enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or similar laws or equitable principles relating to or affecting creditors’ rights generally or by the exercise of judicial discretion in appropriate cases or by limitations on legal remedies against public agencies in the State.

(iii) *Authority Portion of the Official Statement Accurate and Complete.* The Authority Portion of the Preliminary Official Statement was as of its date, and the Authority Portion of the Official Statement is, and at all times subsequent to the date of the Official Statement up to and including the Closing will be, true and correct in all material respects, and the Authority Portion of the Preliminary Official Statement and the Authority Portion of the Official Statement contain, and up to and including the Closing, will contain no misstatement of any material fact and do not, and up to and including the Closing, will not omit any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading (except no representation is made with respect to information relating to DTC or DTC's book-entry system).

(iv) *Representative's Consent to Amendments and Supplements to Authority Portion of the Official Statement.* The Authority will advise the Representative promptly of any proposal to amend or supplement the Authority Portion of the Official Statement and will not effect or consent to any such amendment or supplement without the consent of the Representative, which consent will not be unreasonably withheld. The Authority will advise the Representative promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise affecting the use of the Authority Portion of the Official Statement in connection with the offering, sale or distribution of the Bonds.

(v) *Authority Agreement to Amend or Supplement Authority Portion of the Official Statement.* If after the date of this Purchase Contract and until 25 days after the end of the "underwriting period" (as defined in Rule 15c2-12), any event occurs as a result of which the Authority Portion of the Official Statement as then amended or supplemented would include an untrue statement of a material fact, or omit to state any material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading, and, in the reasonable opinion of the Representative, an amended or supplemented the Official Statement should be delivered in connection with the offers or sales of the Bonds to reflect such event, the Authority promptly will prepare at its expense an amendment or supplement which will correct such statement or omission and the Authority shall promptly furnish to the Underwriters a reasonable number of copies of such amendment or supplement.

(vi) *Compliance with Rule 15c2-12.* The Authority Portion of the Preliminary Official Statement heretofore delivered to the Underwriters has been deemed final by the Authority as of the date of the Preliminary Official Statement, except for the omission of such information as is permitted to be omitted in accordance with paragraph (b)(i) of Rule 15c2-12. The Authority and Agency hereby covenant and agree that, within seven business days from the date hereof, they shall cause a final form of the Official Statement to be delivered to the Underwriters in sufficient quantity to comply with paragraph (b)(4) of Rule 15c2-12 and Rules of the MSRB.

7. Closing Conditions. The Underwriters have entered into this Purchase Contract in reliance upon the representations, warranties and covenants herein and the

performance by the Agency and the Authority of their respective obligations hereunder, both as of the date hereof and as of the date of the Closing. The Underwriters' obligations under this Purchase Contract are and shall be subject to the following additional conditions:

(a) **Bring-Down Representation.** The representations, warranties and covenants of the Agency contained herein, shall be true, complete and correct at the date hereof and at the time of the Closing, as if made on the date of the Closing.

(i) *Executed Agreements and Performance Thereunder.* At the time of the Closing: (A) the Agency Documents and the Authority Documents shall be in full force and effect, and shall not have been amended, modified or supplemented except with the written consent of the Representative; (B) there shall be in full force and effect such resolutions (the "Resolutions") as, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated by the Official Statement, the Agency Documents and the Authority Documents; (C) the Agency shall perform or have performed its obligations required or specified in the Agency Documents to be performed at or prior to Closing; (D) the Authority shall perform or have performed its obligations required or specified in the Authority Documents to be performed at or prior to Closing; and (E) the Official Statement shall not have been supplemented or amended, except pursuant to Paragraphs 6(a)(iv), 6(a)(v), 6(b)(iv) and 6(b)(v) hereof or as otherwise may have been agreed to in writing by the Representative.

(ii) *No Default.* At the time of the Closing, no default, or any event that with the passage of time would be reasonably likely to result in default, shall have occurred or be existing under the Resolutions, the Authority Documents, the Agency Documents, or any other agreement or document pursuant to which any of the Agency's financial obligations were issued and the Agency shall not be in default in the payment of principal or interest on any of its financial obligations which default would materially adversely impact the ability of the Agency to make the Series 2016A Installment Payments.

(iii) *Termination Events.* The Underwriters shall have the right to terminate this Purchase Contract, without liability therefor, by written notification to the Agency if at any time at or prior to the Closing:

(A) any event shall occur which causes any statement contained in the Official Statement to be materially misleading or results in a failure of the Official Statement to state a material fact necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading; or

(B) the marketability of the Bonds or the market price thereof, in the opinion of the Underwriters, has been materially adversely affected by an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State, or the amendment of legislation pending as of the date of this Purchase Contract in the Congress of the United States, or the

recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation for consideration as an option by either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any federal or State court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other federal or State authority materially adversely affecting the federal or State tax status of the Agency, or the status of the interest on bonds or notes or obligations of the general character of the Bonds; or

(C) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency of the State, or a decision by any court of competent jurisdiction within the State or any court of the United States shall be rendered which, in the reasonable opinion of the Underwriters, materially adversely affects the market price of the Bonds; or

(D) a stop order, ruling, regulation, proposed regulation or statement by or on behalf of the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering, sale or distribution of obligations of the general character of the Bonds is in violation or would be in violation of any provisions of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended or the Trust Indenture Act of 1939, as amended; or

(E) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the execution, delivery, offering or sale of obligations of the general character of the Bonds, or the execution, delivery, offering or sale of the Bonds, including all underlying obligations, as contemplated hereby or by the Official Statement, is in violation or would be in violation of, or that obligations of the general character of the Bonds, or the Bonds, are not exempt from registration under, any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, or that the Indenture needs to be qualified under the Trust Indenture Act of 1939, as amended and as then in effect; or

(F) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any

governmental authority or by any national securities exchange which restrictions materially adversely affect the Underwriters' ability to market, sell or trade the Bonds; or

(G) a general banking moratorium shall have been established by federal or state authorities or any material disruption in commercial banking or securities settlement or clearance services shall have occurred which moratorium or disruption materially adversely affects the Underwriters' ability to market or deliver the Bonds; or

(H) the United States has become engaged in hostilities which have resulted in a declaration of war or a national emergency or there has occurred any other outbreak or escalation of currently existing hostilities or a national or international calamity or crises, financial or otherwise, the effect of such outbreak, escalation, calamity or crisis on the financial markets of the United States, being such as, in the reasonable opinion of the Underwriters, would affect materially and adversely the ability of the Underwriters to market or deliver the Bonds; or

(I) any rating of the securities of the Agency reflecting the creditworthiness of the Agency shall have been downgraded, suspended or withdrawn by a national rating service, which, in the Underwriters' reasonable opinion, materially adversely affects the marketability or market price of the Bonds; or

(J) the commencement of any action, suit or proceeding described in Paragraph 6(a)(vii) hereof which, in the reasonable judgment of the Underwriters, materially adversely affects the market price of the Bonds; or

(K) there shall be in force a general suspension of trading on the New York Stock Exchange or other national stock exchange whether by virtue of a determination by that Exchange or by order of the Securities and Exchange Commission.

(b) Closing Documents. At or prior to the Closing, the Underwriters shall receive with respect to the Bonds the following documents:

(i) *Bond Opinion*. An approving opinion of Bond Counsel dated the date of the Closing and substantially in the form included as Appendix D to the Official Statement, together with a letter from such counsel, dated the date of the Closing and addressed to the Underwriters, to the effect that the foregoing opinion addressed to the Authority may be relied upon by the Underwriters to the same extent as if such opinion were addressed to it.

(ii) *Supplemental Opinion*. A supplemental opinion or opinions of Bond Counsel addressed to the Underwriters, in form and substance acceptable to the Underwriters, and dated the date of the Closing substantially to the following effect:

(A) The Purchase Contract has been duly authorized, executed and delivered by the Agency and is a valid and binding agreement of the

Agency enforceable in accordance with its terms, except that the rights and obligations under the Purchase Contract are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State; and

(B) The statements contained in the Preliminary Official Statement and the Official Statement on the cover page and under the captions ["INTRODUCTION," "THE REFUNDING PLAN," "THE 2016 BONDS," "SECURITY FOR THE 2016 BONDS," "CONSTITUTIONAL PROVISIONS," and "TAX MATTERS" and in Appendix C and Appendix D thereto,] insofar as such statements purport to summarize certain provisions of the Bonds, the Indenture, the Installment Purchase Agreement, the Escrow Agreement, State law and Bond Counsel's opinions concerning certain federal tax matters relating to the Bonds, are accurate as of the date of the Preliminary Official Statement and, with respect to the Official Statement, as of its date and as of the date of Closing.

(iii) *Defeasance Opinion.* An opinion of Bond Counsel with respect to obligations refunded from proceeds of the Bonds.

(iv) *Agency Counsel Opinion.* An opinion of Best Best & Krieger, LLP, general counsel to the Agency, dated the date of the Closing and addressed to the Underwriters, in form and substance acceptable to the Underwriters substantially to the following effect:

(A) The Agency is a public entity duly organized and validly existing under the Constitution and the laws of the State, and has all the necessary power and authority to enter into and perform its duties under the Agency Documents;

(B) The resolution authorizing the Agency Documents has been duly adopted or ratified by the Agency;

(C) Each of the Agency Documents has been duly authorized, executed and delivered by the Agency and each constitutes a legal, valid, binding and enforceable obligation of the Agency;

(D) The execution and delivery of the Agency Documents by the Agency and compliance by the Agency with the provisions thereof, will not conflict with, or constitute or with the giving of notice or the passage of time would constitute, a breach of or default under the Agency's duties under Article 34(a) of the Contract between the State of California Department of Water Resources and Castaic Lake Water Agency for a Water Supply, entered into on April 30, 1963, by and between the State of California Department of Water Resources and the Agency and Resolution No. 178 of the Agency adopted on December 8, 1976 or the Purchase Agreement with Buena Vista Water Storage District and Rosedale-Rio Bravo Water Storage District for 11,000 acre feet of water per year for a term ending December 31, 2036 and as extended

consistent with the extension of the State Water Contract or under any existing law or administrative rule or regulation, or, to the best knowledge of such counsel, any court order or decree, or any agreement, contract or other instrument to which the Agency is a party or is otherwise subject or bound;

(E) Because the primary purpose of such counsel's professional engagement was not to establish factual matters and because of the wholly or partially non-legal character of many determinations involved in the preparation of the Preliminary Official Statement and the Official Statement, such counsel is not passing upon and does not assume any responsibility for the accuracy, completeness or fairness of any of the statements contained in the Preliminary Official Statement and the Official Statement and makes no representation that it has independently verified the accuracy, completeness or fairness of any such statements. However, in such counsel's capacity as general counsel for the Agency, such counsel advises that no information has come to its attention to lead it to believe that, as of its date the Preliminary Official Statement, and as of the date hereof and as of the Closing Date, the Official Statement (excluding therefrom all reports, financial and statistical data and forecasts therein, and the appendices thereto, and the information contained under the caption "UNDERWRITING," (as to which such counsel expresses no opinion)) contained or contains any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and

(F) The Agency Portion of the Official Statement has been prepared by, or on behalf of, the Agency under the supervision of the Agency's General Manager;

(G) Based on the information made available in its role as general counsel to the Agency, and without having undertaken to determine independently or assume any responsibility for the accuracy, completeness or fairness of the statements contained therein, the information in the Official Statement and relating to the Agency under the captions "INTRODUCTION" and "REFUNDING PLAN" and in Appendix A and Appendix B is true and accurate to the best of such counsel's knowledge at and as of the date of the Preliminary Official Statement, at and as of the date of the Official Statement, and at and as of the date of Closing;

(H) Except as otherwise disclosed in the Official Statement, there is no litigation, proceeding, action, suit, or investigation (or any basis therefor) at law or in equity before or by any court, governmental agency or body, pending or, to such counsel's best knowledge, threatened, against the Agency challenging the creation, organization or existence of the Agency, or the validity of the Agency Documents or seeking to restrain or enjoin the payment of principal of and interest on the Bonds or in any way contesting or affecting the validity of the Agency Documents or any of the transactions referred to therein or contemplated thereby or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or any amendment or supplement thereto, or contesting the authority of the Agency to enter into or perform its obligations under any of the Agency Documents, or

under which a determination adverse to the Agency would have a material adverse effect upon the financial condition or the revenues of the Agency, or which, in any manner, questions or affects the right or ability of the Agency to enter into the Agency Documents or affects in any manner the right or ability of the Agency to make the payment of principal of and interest on the Bonds.

(v) *Authority Counsel Opinion.* An opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, special counsel to the Authority, dated the date of the Closing and addressed to the Underwriters, in form and substance acceptable to the Underwriters substantially to the following effect:

(A) The Authority is a joint exercise of powers agency, duly created and lawfully existing under the laws and Constitution of the State;

(B) The Authority Documents have been authorized by all necessary corporate action on the part of the Authority, have been duly executed and delivered by the Authority and, assuming due authorization, execution and delivery by the other parties thereto, the Authority Documents constitute legally valid and binding obligations of the Authority, enforceable against the Authority in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws or equitable principles relating to or limiting creditors' rights generally or by the exercise of judicial discretion in appropriate cases or by limitations or legal remedies against public agencies in the State, and expressing no opinion as to the availability of equitable remedies;

(C) To the best of such counsel's knowledge after due inquiry, the execution and delivery or acknowledgment of the Authority Documents and compliance with the provisions thereof, under the circumstances contemplated thereby, do not and will not conflict with any existing law, regulation, court order or consent decree to which the Authority is subject or constitute on the part of the Authority a breach of or default under any agreement or other instrument to which the Authority is a party or by which it is bound;

(D) The Authority Portion of the Official Statement has been prepared by, or on behalf of, the Authority and the Official Statement has been executed on its behalf by the President of the Authority's Board of Directors; and

(E) Based on the information made available to such counsel, and without having undertaken to determine independently or assume any responsibility for the accuracy, completeness or fairness of the statements contained therein, the information in the Official Statement and relating to the Authority under the captions "INTRODUCTION," "THE AUTHORITY" and "LITIGATION—The Authority" is true and accurate to the best of such counsel's knowledge at and as of the date of the Official Statement and at and as of the date of Closing.

(vi) *Trustee Counsel Opinion.* The opinion of counsel to the Trustee, dated the date of the Closing, addressed to the Agency and the Underwriters, to the effect that:

(A) The Trustee is a national banking association duly organized and validly existing under the laws of the jurisdiction of its origin and has the corporate power to execute and deliver the Indenture and to perform its obligations under the Indenture;

(B) The execution and delivery by the Trustee of the Indenture and any other documentation relating to the Indenture and its performance of its obligations under the Indenture, have been and are as of the date hereof duly authorized by all necessary corporate action;

(C) No approval, authorization or other action by, or filing with, any governmental body or regulatory authority (which has not been obtained) is required in connection with the due execution, delivery and performance by the Trustee of the Indenture; and

(D) The Indenture has been duly executed and delivered and constitutes the valid and legally binding obligation of the Trustee enforceable against it in accordance with its terms except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought as a proceeding in equity or at law).

(vii) *Escrow Agent Counsel Opinion.* The opinion of counsel to the Escrow Agent, dated the date of the Closing, addressed to the Agency and the Underwriters, to the effect that:

(A) The Escrow Agent is a national banking association duly organized and validly existing under the laws of the jurisdiction of its origin and has the corporate power to execute and deliver the Escrow Agreement and to perform its obligations under the Escrow Agreement;

(B) The execution and delivery by the Escrow Agent of the Escrow Agreement and any other documentation relating to the Escrow Agreement and its performance of its obligations under the Escrow Agreement, have been and are as of the date hereof duly authorized by all necessary corporate action;

(C) No approval, authorization or other action by, or filing with, any governmental body or regulatory authority (which has not been obtained) is required in connection with the due execution, delivery and performance by the Escrow Agent of the Escrow Agreement; and

(D) The Escrow Agreement has been duly executed and delivered and constitutes the valid and legally binding obligation of the Escrow Agent enforceable against it in accordance with its terms except as such enforceability may be

limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought as a proceeding in equity or at law).

(viii) *Underwriters' Counsel Opinion.* An opinion of Ballard Spahr LLP, Salt Lake City, Utah, acting as counsel to the Underwriters ("Underwriters' Counsel"), dated the date of Closing and addressed to the Underwriters to the effect that:

(A) Such counsel is of the opinion that the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended;

(B) While such counsel has not verified and is not passing upon and does not assume responsibility for, the accuracy, completeness or fairness of the statements contained in the Preliminary Official Statement and the Official Statement, such counsel has participated in conferences with representatives of and counsel for the Agency and the Authority and Bond Counsel and representatives of the Underwriters at which the contents of the Preliminary Official Statement and the Official Statement were discussed and revised. Based on such counsel's representation of the Underwriters in connection with the issuance of the Bonds, no facts came to the attention of the attorneys in such firm rendering legal services in connection with such representation which caused such counsel to believe that the Preliminary Official Statement as of its date contained or the Official Statement as of its date contained or as of the date of Closing contains any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading (except that no opinion or belief is expressed as to: (1) the expressions of opinion, the assumptions, the projections, the financial statements, or other financial, numerical, economic, demographic or statistical data contained in the Preliminary Official Statement and Official Statement; (2) the information with respect to DTC and its book-entry system; and (3) the information contained in Appendix C, D, or E to the Preliminary Official Statement and Official Statement); and

(C) The provisions of the Continuing Disclosure Certificate comply with the provisions of Rule 15c2-12 under the Securities Exchange Act of 1934.

(ix) *Agency Certificate.* A certificate of the Agency, dated the date of the Closing, signed on behalf of the Agency by the General Manager or other duly authorized officer of the Agency to the effect that:

(A) The representations, warranties and covenants of the Agency contained in the Purchase Contract are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing and the Agency has complied with all of the terms and conditions of the Purchase Contract required to be complied with by the Agency at or prior to the date of the closing;

(B) No event affecting the Agency has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in order to make the statements in the Agency Portion of the Official Statement, in the light of the circumstances under which they were made, not misleading (except no representation is made with respect to information relating to DTC or DTC's book-entry system); and

(C) No event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute an event of default under the Agency Documents.

(x) *Authority Certificate.* A certificate of the Authority, dated the date of the Closing, signed on behalf of the Authority by a duly authorized officer of the Authority to the effect that:

(A) The representations, warranties and covenants of the Authority contained in the Purchase Contract are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing and the Authority has complied with all of the terms and conditions of the Purchase Contract required to be complied with by the Authority at or prior to the date of the closing;

(B) No event affecting the Authority has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in order to make the statements in the Authority Portion of the Official Statement, in the light of the circumstances under which they were made, not misleading (except no representation is made with respect to information relating to DTC or DTC's book-entry system); and

(C) No event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute an event of default under the Authority Documents.

(xi) *Trustee's Certificate.* A certificate, dated the date of Closing, signed by a duly authorized official of the Trustee satisfactory in form and substance to the Underwriters, to the effect that:

(A) The Trustee is duly organized and existing as a national banking association under the laws of the United States of America, having the full corporate power and authority to enter into and perform its duties under the Indenture;

(B) The Trustee is duly authorized to enter into the Indenture and has duly executed and delivered the Indenture, and assuming due authorization and execution by the other parties thereto, the Indenture is legal, valid and binding upon the Trustee, and enforceable against the Trustee in accordance with its terms;

(C) The Trustee had duly executed the Bonds under the Indenture and delivered the Bonds to or upon the order of the Underwriters; and

(D) No consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the banking or trust powers of the Trustee that has not been obtained is or will be required for the execution and delivery of the Bonds or the consummation by the Trustee of its obligations under the Indenture.

(xii) *Escrow Agent's Certificate.* A certificate, dated the date of Closing, signed by a duly authorized official of the Escrow Agent satisfactory in form and substance to the Underwriters, to the effect that:

(A) The Escrow Agent is duly organized and existing as a national banking association under the laws of the United States of America, having the full corporate power and authority to enter into and perform its duties under the Escrow Agreement;

(B) The Escrow Agent is duly authorized to enter into the Escrow Agreement and has duly executed and delivered the Escrow Agreement, and assuming due authorization and execution by the other parties thereto, the Escrow Agreement is legal, valid and binding upon the Escrow Agent, and enforceable against the Escrow Agent in accordance with its terms; and

(C) No consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the banking or trust powers of the Escrow Agent that has not been obtained is or will be required for the execution and delivery of the Escrow Agreement or the consummation by the Escrow Agent of its obligations under the Escrow Agreement.

(xiii) *Transcripts.* Two transcripts of all proceedings relating to the authorization, execution and delivery of the Bonds.

(xiv) *Official Statement.* The Official Statement and each supplement or amendment, if any, thereto, executed on behalf of the Authority by duly authorized officers thereof.

(xv) *Documents.* An original executed copy of each of the Authority Documents and each of the Agency Documents.

(xvi) *Agency Resolutions.* Two certified copies of each of the resolutions of the Agency authorizing the Agency Documents, certified by the Secretary for the Agency.

(xvii) *Authority Resolution.* Two certified copies of the Authority Resolution, certified by the Secretary or Assistant Secretary of the Authority.

(xviii) *Trustee Resolution*. Two certified copies of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers and employees of the Trustee, which resolution authorizes the execution and delivery of the Indenture.

(xix) *Escrow Agent Resolution*. Two certified copies of the general resolution of the Escrow Agent authorizing the execution and delivery of certain documents by certain officers and employees of the Escrow Agent, which resolution authorizes the execution and delivery of the Escrow Agreement.

(xx) *15c2-12 Certificates of the Agency and the Authority*. Certificates of the Agency and the Authority “deeming final” the Preliminary Official Statement for purposes of Rule 15c2-12.

(xxi) *8038-G*. Evidence that the federal tax information form 8038-G has been prepared for filing.

(xxii) *Tax Certificate*. A tax certificate in form satisfactory to Bond Counsel.

(xxiii) *CDIAC Statements*. A copy of Notices of Sale required to be delivered to the California Debt Investment Advisory Commission pursuant to Sections 8855(g) and 53583 of the California Government Code.

(xxiv) *Ratings*. Evidence from Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business and from Fitch Ratings, Inc., that the Bonds have been assigned ratings of “_____” and “_____,” respectively.

(xxv) *Verification Report*. A report from a certified public accounting firm verifying the sufficiency of certain matters described in the Official Statement.

(xxvi) *Additional Documents*. Such additional certificates, instruments and other documents as the Underwriters may reasonably deem necessary.

If the Agency or the Authority shall be unable to satisfy the conditions contained in this Purchase Contract, or if the obligations of the Underwriters shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriters, the Agency nor the Authority shall be under further obligation hereunder, except as further set forth in Section 8 hereof.

8. **Expenses**. The Underwriters shall be under no obligation to pay and the Agency shall pay or cause to be paid the expenses incident to the performance of the obligations of the Agency hereunder including but not limited to: (a) the costs of the preparation and printing, or other reproduction (for distribution on or prior to the date hereof) of the Agency Documents and the Authority Documents and the cost of preparing, printing, issuing and delivering the Bonds; (b) the fees and disbursements of any counsel, financial advisors, accountants or other experts or consultants retained by

the Agency and the Authority; (c) the fees and disbursements of Bond Counsel and General Counsel of the Agency and special counsel to the Authority; (d) the fees and disbursements of the rating agencies; (e) the cost of printing and distributing the Preliminary Official Statement and any supplements and amendments thereto and the cost of printing and distributing the Official Statement and any supplements and amendments thereto, including a reasonable number of copies thereof for distribution by the Underwriters; (f) CUSIP Service Bureau fees and charges; (g) Trustee fees; and (h) expenses (included in the expense component of the Underwriters' spread) incurred on behalf of the officers or employees of the Agency and the Authority which are incidental to implementing this Purchase Contract, including, but not limited to, meals, transportation, lodging, and entertainment of those officers or employees.

The Underwriters are required to pay fees to the CDIAC in connection with the Bond offering. Notwithstanding that such fees are solely the legal obligation of the Underwriters, the Agency agrees to reimburse the Underwriters for such fees.

The Underwriters shall pay and the Agency shall be under no obligation to pay all expenses incurred by it in connection with the public offering and distribution of the Bonds, including any advertising expenses and fees of counsel to the Underwriters, and the Underwriters shall pay any costs and expenses incurred in connection with the preparation and distribution of any blue sky surveys or any legal investment memoranda and the costs and fees of counsel to the Underwriters.

9. Notice. Any notice or other communication to be given to the Agency under this Purchase Contract may be given by delivering the same in writing to:

Castaic Lake Water Agency,
27234 Bouquet Canyon Road
Santa Clarita, California 91350-2173
Attention: General Manager

Any notice or other communication to be given to the Authority under this Purchase Contract may be given by delivering the same in writing to:

Upper Santa Clara Valley Joint Powers Authority
27234 Bouquet Canyon Road
Santa Clarita, California 91350-2173
Attention: Executive Director

Any notice or other communication to be given to the Underwriters under this Purchase Contract may be given by delivering the same in writing to the Representative:

Citigroup Global Markets Inc.
1850 Maple Glen Road
Sacramento, California 95864
Attention: David G. Houston, Managing Director

10. Entire Agreement. This Purchase Contract, when accepted by the Agency and the Authority, shall constitute the entire agreement among the Agency, the Authority and the Underwriters with respect to the subject matter hereof and is made solely for the benefit of the Agency, the Authority and the Underwriters (including the successors of the Underwriters). No other person shall acquire or have any right hereunder by virtue hereof, except as provided herein. All of the representations, warranties and agreements of the Agency and the Authority in this Purchase Contract shall remain operative and in full force and effect except as otherwise provided herein, regardless of any investigations made by or on behalf of the Underwriters and shall survive the delivery of and payment for the Bonds.

11. No Advisory or Fiduciary Role. The Agency and Authority acknowledge and agree that: (a) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm's-length commercial transaction among the Agency, the Authority and the Underwriters; (b) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriters are and have been acting solely as a principal and are not acting as the agent, advisor or fiduciary of the Agency or the Authority; (c) the Underwriters have not assumed an advisory or fiduciary responsibility in favor of the Agency or the Authority with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriters have provided other services or are currently providing other services to the Agency and the Authority on other matters) and the Underwriters have no obligation to the Agency or the Authority with respect to the offering contemplated hereby except the obligations expressly set forth in this Purchase Contract; and (d) the Agency and Authority have consulted their own legal, financial and other advisors to the extent deemed appropriate.

12. Counterparts. This Purchase Contract may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

13. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

14. STATE LAW GOVERNS. THE VALIDITY, INTERPRETATION AND PERFORMANCE OF THIS PURCHASE CONTRACT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA.

15. No Assignment. The rights and obligations created by this Purchase Contract shall not be subject to assignment by the Underwriters or the Agency without the prior written consent of the other party hereto.

CITIGROUP GLOBAL MARKETS INC.,
as Representative of itself and
JP MORGAN SECURITIES LLC

By: _____

Its: _____

Accepted as of the date
first stated above:

CASTAIC LAKE WATER AGENCY

By: _____
General Manager

UPPER SANTA CLARA VALLEY JOINT
POWERS AUTHORITY

By: _____
Executive Director

APPENDIX A

**\$ _____
UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY
REVENUE BONDS, SERIES 2016A**

Maturity Date (<u>August 1</u>)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2016		
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		
2032		
2033		
2034		
2035		