

RESOLUTION NO. 2016-04

**RESOLUTION OF THE UPPER SANTA CLARA VALLEY JOINT
POWERS AUTHORITY APPROVING AN OFFICIAL
STATEMENT AND AUTHORIZING CERTAIN OTHER ACTIONS
IN CONNECTION THEREWITH**

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 documents to issue refunding bonds to refinance certain certificates of participation (the "2006A COPs") of the Castaic Lake Water Agency (the "Agency") pursuant to Resolution No. 2016-03 adopted by the Authority on January 27, 2016 (the "Prior Resolution");

WHEREAS, the Agency has informed the Authority that based on recent favorable conditions in the municipal bond market, the Agency may have the opportunity to refinance the 2006A COPs to achieve interest cost savings;

WHEREAS, the Agency has informed the Authority that it intends to proceed with such refinancing and has requested that the Authority approve an official statement to be used in connection therewith.

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 preparation and distribution of the Preliminary Official Statement (excepting therefrom Appendices A and B) (the "Authority Portion") in substantially the form on file with the Secretary of the Board, is hereby approved, subject to final approval as to form by Stradling Yocca Carlson & Rauth, a Professional Corporation ("Special Counsel"). The Executive Director is hereby authorized to sign a certificate pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 relating to the Authority Portion of the Preliminary Official Statement, and the President, Vice-President, Executive Director and Secretary are hereby authorized and directed to execute, approve and deliver the final Authority Portion of the Official Statement with such changes, insertions and omissions as may be approved by Special Counsel, said Authority's officers' execution being conclusive evidenced of such approval. The Underwriter is hereby authorized to distribute copies of said Authority Portion of the Preliminary Official Statement to persons who may be interested in the initial purchase of the previously authorized refunding bonds (the "Bonds") and is directed to deliver copies of any final Authority Portion of the Official Statement to all actual initial purchasers of the Bonds.

2. The President, Vice-President, Executive Director, Treasurer or Secretary and any other proper officer of the Authority are hereby is 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 Bonds, the Indenture of Trust, the Installment Purchase Agreement, the Purchase Contract and this Resolution and actions previously taken by such officers are hereby ratified and confirmed.

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

4. This resolution shall take effect immediately.

ADOPTED this 23rd day of March, 2016.



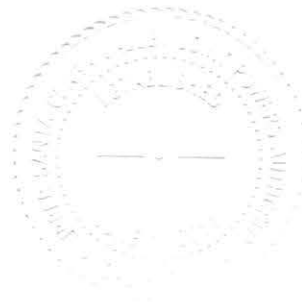
President of the Upper Santa Clara Valley Joint
Powers Authority

ATTEST:



Secretary of the Upper Santa Clara
Valley Joint Powers Authority

(SEAL)



STATE OF CALIFORNIA)
) ss
COUNTY OF LOS ANGELES)

I, April Jacobs, Secretary of the Upper Santa Clara Valley Joint Powers Authority, DO HEREBY CERTIFY that the foregoing Resolution being No. 2016-04, was adopted at a regular meeting of the Board of Directors on March 23, 2016, of said Authority by the following vote:

AYES: Director Campbell, Gladbach and Kelly

NOES: None

ABSTAIN: None

ABSENT: Director Cooper



Secretary



PRELIMINARY OFFICIAL STATEMENT DATED MARCH __, 2016

NEW ISSUE—BOOK-ENTRY ONLY

RATINGS: See the caption "RATINGS"

\$ _____

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

Dated: Date of Delivery

Due: August 1, as shown on the inside cover

The Upper Santa Clara Valley Joint Powers Authority Revenue Bonds, Series 2016A are being issued by the Authority pursuant to an Indenture of Trust, dated as January 1, 2016, by and between the Authority and U.S. Bank National Association, as trustee, and will be payable from the sources described herein. The 2016 Bonds are being issued to (i) finance the acquisition of certain capital improvements of the Castaic Lake Water Agency's (the "Agency") wholesale water system; (ii) prepay the outstanding Castaic Lake Water Agency Revenue Certificates of Participation, Series 2006A (1999 Refinancing Project) and (iii) pay certain costs of issuance.

Interest due on the 2016 Bonds is payable semiannually beginning on August 1, 2016 and each February 1 and August 1 thereafter. The 2016 Bonds are being issued in fully registered book-entry form and initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Purchasers will not receive certificates representing their interest in the 2016 Bonds. Individual purchases will be in principal amounts of \$5,000 and integral multiples thereof. Payments of principal of and interest on the 2016 Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the 2016 Bonds.

The 2016 Bonds are subject to optional and extraordinary redemption prior to maturity as described in this Official Statement.

The 2016 Bonds are limited obligations of the Authority. The 2016 Bonds are payable solely from Revenues and from certain other amounts on deposit in funds and accounts under the Indenture. Revenues consist primarily of Series 2016A Installment Payments received by the Authority from the Agency pursuant to an Installment Purchase Agreement, dated as of January 1, 2016, by and between the Agency and the Authority. The obligation of the Agency to make the Series 2016A Installment Payments is a special obligation of the Agency payable solely from Net Revenues subordinate to the obligation of the Agency to make approximately \$59,845,672 (adjusted for the accreted value of certain capital appreciation certificates as of February 1, 2016) aggregate principal amount of Installment Payments pursuant to the 1999 Installment Purchase Agreement, and on a parity with the obligation of the Agency to make, after the refunding contemplated herein, approximately \$162,605,000 aggregate principal amount of Installment Payments pursuant to the 2008A Installment Purchase Agreement, the 2010A Installment Purchase Agreement, the 2015A Installment Purchase Agreement and principal of and interest on the 2014 Bonds. No revenues of the Agency's retail water system are included in Revenues pledged to the payment of the Series 2016A Installment Payments.

The Agency has covenanted not to incur additional obligations payable from Net Revenues senior to the Series 2016A Installment Payments. The Agency may incur additional obligations payable from Net Revenues on a parity with the Series 2016A Installment Payments, subject to the terms and conditions set forth in the Installment Purchase Agreement.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY PUBLIC AGENCY THEREOF OR ANY MEMBER OF THE AUTHORITY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL AMOUNT OR REDEMPTION PRICE OF, OR INTEREST ON, THE 2016 BONDS. THE AUTHORITY HAS NO TAXING POWERS. THE 2016 BONDS DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE OF CALIFORNIA OR ANY PUBLIC AGENCY THEREOF (OTHER THAN THE AUTHORITY) OR ANY MEMBER OF THE AUTHORITY WITHIN THE MEANING OF ANY STATE OF CALIFORNIA CONSTITUTIONAL OR STATUTORY PROVISION.

MATURITY SCHEDULE
(See inside front cover)

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 AGENCY AND OTHER FUNDS DESCRIBED IN THE INSTALLMENT PURCHASE AGREEMENT, AND DOES NOT CONSTITUTE AN OBLIGATION OF THE AGENCY FOR WHICH THE AGENCY IS OBLIGATED TO PAY FROM ANY OTHER AGENCY REVENUES OR TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE AGENCY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE AGENCY TO MAKE THE SERIES 2016A INSTALLMENT PAYMENTS UNDER THE INSTALLMENT PURCHASE AGREEMENT DOES NOT CONSTITUTE A DEBT OF THE AGENCY OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original discount) on the 2016 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the 2016 Bonds is exempt from State of California personal income tax.

This cover page contains certain information for quick reference only. It is not a complete summary of the 2016 Bonds. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The 2016 Bonds are offered when, as and if issued, subject to approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the Underwriters by their counsel Ballard Spahr LLP, for the Authority by Stradling Yocca Carlson & Rauth, a Professional Corporation, for the Agency by

* Preliminary, subject to change.

Best Best & Krieger LLP, General Counsel to the Agency and for the Trustee by its counsel. It is anticipated that the 2016 Bonds will be available through the facilities of DTC on or about May __, 2016.

Dated: April __, 2016

Citigroup

J.P. Morgan

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

MATURITY SCHEDULE

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>
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Preliminary, subject to change.

CASTAIC LAKE WATER AGENCY

BOARD OF DIRECTORS

Thomas P. Campbell, President
William C. Cooper, Vice President
B.J. Atkins
Edward A. Colley
Robert J. DiPrimio
Dean D. Efstathiou
E.G. "Jerry" Gladbach
R. J. Kelly
Gary Martin
Jacquelyn H. McMillan
William Pecsí

AGENCY STAFF

Matthew Stone, General Manager
April Jacobs, Secretary to the Board
Valerie Pryor, Administrative Services Manager
Carlos Corrales, Controller

SERVICES

General Counsel

Best Best & Krieger, LLP
Riverside, California

Bond Counsel

Stradling Yocca Carlson & Rauth, A Professional Corporation
Newport Beach, California

Financial Advisor

Fieldman, Rolapp & Associates
Irvine, California

Trustee

U.S. Bank National Association
Los Angeles, California

Verification Agent

Grant Thornton LLP
Minneapolis, Minnesota

Table of Contents

<p>INTRODUCTION 1</p> <p>THE FINANCING PLAN 5</p> <p style="padding-left: 20px;">The Refunding Plan 5</p> <p style="padding-left: 20px;">Verification of Mathematical Computations.. 6</p> <p style="padding-left: 20px;">The Project 6</p> <p>ESTIMATED SOURCES AND USES OF FUNDS 7</p> <p>THE 2016 BONDS 7</p> <p style="padding-left: 20px;">Terms of the 2016 Bonds 7</p> <p style="padding-left: 20px;">Redemption of Bonds..... 8</p> <p style="padding-left: 20px;">Notice of Redemption 8</p> <p style="padding-left: 20px;">Selection of Bonds for Redemption 8</p> <p style="padding-left: 20px;">Partial Redemption of Bonds 9</p> <p style="padding-left: 20px;">Effect of Redemption of Bonds 9</p> <p style="padding-left: 20px;">Book-Entry Only System 9</p> <p style="padding-left: 20px;">Transfers and Exchanges Upon Termination of Book-Entry Only System..... 9</p> <p style="padding-left: 20px;">Debt Service Schedule 10</p> <p>SECURITY FOR THE 2016 BONDS 12</p> <p style="padding-left: 20px;">General..... 12</p> <p style="padding-left: 20px;">Water System Revenue Pledge 12</p> <p style="padding-left: 20px;">Rate Stabilization Fund 13</p> <p style="padding-left: 20px;">Rate Covenant..... 14</p> <p style="padding-left: 20px;">Limitations on Parity and Superior Obligations; Subordinate Obligations 14</p> <p>THE CASTAIC LAKE WATER AGENCY 15</p> <p>CONSTITUTIONAL PROVISIONS 15</p> <p style="padding-left: 20px;">Article XIIIB 15</p> <p style="padding-left: 20px;">Proposition 218 16</p> <p style="padding-left: 20px;">Proposition 26 17</p> <p style="padding-left: 20px;">Future Initiatives 18</p>	<p>THE AUTHORITY 18</p> <p>TAX MATTERS 19</p> <p>CERTAIN LEGAL MATTERS 20</p> <p>LITIGATION 20</p> <p style="padding-left: 20px;">The Authority 20</p> <p style="padding-left: 20px;">The Agency 20</p> <p>RATINGS 21</p> <p>FINANCIAL ADVISOR..... 21</p> <p>UNDERWRITING 21</p> <p>CONTINUING DISCLOSURE UNDERTAKING 22</p> <p>MISCELLANEOUS..... 23</p> <p>APPENDIX A INFORMATION RELATING TO THE AGENCY AND THE WATER SYSTEM..... A-1</p> <p>APPENDIX B AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDING JUNE 30, 2015 B-1</p> <p>APPENDIX C SUMMARY OF PRINCIPAL LEGAL DOCUMENTS C-1</p> <p>APPENDIX D FORM OF LEGAL OPINION D-1</p> <p>APPENDIX E DTC AND BOOK-ENTRY ONLY SYSTEM..... E-1</p> <p>APPENDIX F FORM OF CONTINUING DISCLOSURE CERTIFICATE F-1</p>
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NO DEALER, BROKER, SALESPERSON OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION IN CONNECTION WITH THE OFFER OR SALE OF THE 2016 BONDS, OTHER THAN AS CONTAINED IN THIS OFFICIAL STATEMENT, AND, IF GIVEN OR MADE, ANY SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE AGENCY OR THE UNDERWRITERS. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER OF ANY SECURITIES OTHER THAN THOSE DESCRIBED ON THE COVER PAGE OR AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE 2016 BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL TO MAKE SUCH OFFER, SOLICITATION OR SALE. THE OFFICIAL STATEMENT IS NOT TO BE CONSTRUED AS A CONTRACT WITH THE PURCHASERS OF THE 2016 BONDS.

The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness. The Underwriters have provided the following sentence for inclusion in this Official Statement:

The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of this information.

The information and expressions of opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Agency since the date hereof.

This Official Statement contains forward-looking statements, including: (a) statements containing projections of Net Revenues, expenditures and other financial items; (b) statements of the plans and objectives of the Agency for future operations of the water system; (c) statements of future economic performance of the water system; and (d) statements of the assumptions underlying or relating to statements described in (a), (b) and (c) above (collectively, "Forward-Looking Statements"). All statements other than statements of historical facts included in this Official Statement, including without limitation statements under Appendix A—"INFORMATION RELATING TO THE AGENCY AND THE WATER SYSTEM" regarding the Agency's financial position, business strategy, capital resources and plans and objectives for future operations of the wholesale water system, are Forward-Looking Statements. Although such expectations reflected in such Forward-Looking Statements are reasonable, there can be no assurance that such expectations will prove to have been correct. Statements of important factors (collectively, the "Cautionary Statements") that could cause actual results to differ materially from expectations of the Agency are disclosed in this Official Statement. All subsequent written and oral Forward-Looking Statements attributable to the Agency or person acting on behalf of the Agency are expressly qualified in their entirety by the Cautionary Statements.

This Official Statement is submitted in connection with the sale of the 2016 Bonds and may not be reproduced or be used, as a whole or in part, for any other purpose.

In connection with the offering of the 2016 Bonds, the Underwriters may overallocate or effect transactions which stabilize or maintain the market price of the 2016 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the 2016 Bonds to certain dealers and dealer banks and banks acting as agent and others at prices lower than the public offering prices stated on the cover page of this Official Statement, and the Underwriters may change those public offering prices from time to time.

THE 2016 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), IN RELIANCE UPON AN EXEMPTION CONTAINED IN THE ACT. THE 2016 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

The Agency maintains a website. However, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2016 Bonds.

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

INTRODUCTION

General. This Official Statement provides information concerning the issuance of the Upper Santa Clara Valley Joint Powers Authority Revenue Bonds, Series 2016A (the “2016 Bonds”) pursuant to an 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 (the “Trustee”). See the caption “THE 2016 BONDS.”

Purposes of the 2016 Bonds. The 2016 Bonds are being issued to (i) finance the acquisition of certain capital improvements of the Castaic Lake Water Agency’s (the “Agency”) wholesale water system as more particularly described under the caption THE FINANCING PLAN—The Project”; (ii) prepay the outstanding \$35,555,000 aggregate principal amount of Castaic Lake Water Agency Revenue Certificates of Participation, Series 2006A (1999 Refinancing Project) (the “2006A Certificates”) as more particularly described under the caption “THE FINANCING PLAN—The Refunding Plan” and (iii) to pay certain costs of issuance.

Authority for Issuance. The 2016 Bonds are being issued under the Indenture and the Marks-Roos Local Bond Pooling Act of 1985, as amended, constituting Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the “State”).

In connection with the authorization of the 2016 Bonds, the Authority adopted Resolution No. _____ (the “Authorizing Resolution”) approving the 2016 Bonds and the execution and delivery of the Indenture on January 27, 2016 in order to allow the 60 day statutory validation period to run pursuant to Chapter 9 (commencing with Section 860) of Title 10 of Part L of the Code of Civil Procedure of the State of California (the “Validation Statute”) prior to issuance of the 2016 Bonds. As of the date of this Official Statement, no action challenging the validity of the 2016 Bonds or the Indenture has been filed. However, there can be no assurance that an action will not be filed or that a court exercising equitable powers or judicial discretion would not hear an action challenging the validity of the 2016 Bonds and the Indenture brought after the statutory validation period provided under the Validation Statute.

Sources of Payment for the 2016 Bonds. The 2016 Bonds are limited obligations of the Authority. The Bonds are payable solely from Revenues and from certain other amounts on deposit in funds and accounts under the Indenture. Revenues consist primarily of payments (the “Series 2016A Installment Payments”) received from the Agency pursuant to an Installment Purchase Agreement, dated as of January 1, 2016 (the “Installment Purchase Agreement”), by and between the Agency and the Authority. See the caption “SECURITY FOR THE 2016 BONDS.”

The 2016 Bonds do not constitute a charge against the general credit of the Authority. The 2016 Bonds are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts except payments under the Installment Purchase Agreement and other moneys pledged by the Authority under the Indenture. Neither the faith and credit nor the taxing power of the State or any public agency thereof or any member of the Authority is pledged to the payment of the principal amount or redemption price of, or interest on, the 2016 Bonds. The Authority has no taxing power. The 2016 Bonds do not constitute a debt, liability or obligation of the State or any public agency thereof (other than the Authority) or any member of the Authority within the meaning of any State constitutional or statutory provision.

* Preliminary, subject to change.

Pursuant to the Installment Purchase Agreement, the Agency is obligated to pay the Series 2016A Installment Payments as the purchase price for certain capital improvements described in the Installment Purchase Agreement. 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 and other funds described in the Installment Purchase Agreement, and does not constitute a debt of the Agency or of the State of California or any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Net Revenues include Revenues remaining after payment of Operation and Maintenance Costs (as such terms are defined in the Installment Purchase Agreement). The revenues of the retail system (the "Retail System") operated by the Agency through the Santa Clarita Water Division (the "Retail Division" or "SCWD") and the revenues of the Valencia Water Company ("VWC"), 100% of the common stock of which is owned by the Agency, are not included in Revenues. See the caption "SECURITY FOR THE 2016 BONDS."

No Reserve Fund. No reserve fund has been created or will be funded with respect to the 2016 Bonds.

Redemption. The 2016 Bonds are subject to optional and extraordinary redemption as described herein. See the caption "THE 2016 BONDS—Redemption."

Senior Obligations. The obligation of the Agency to make the Series 2016A Installment Payments from Net Revenues is subordinate to the obligation of the Agency to make installment payments under an outstanding Installment Purchase Agreement, dated as of June 1, 1999 (the "1999 Installment Purchase Agreement"), by and between the Agency and the Castaic Lake Water Agency Financing Corporation (the "Corporation"), securing the Castaic Lake Water Agency Revenue Certificates of Participation, Series 1999A (Water System Improvement Project) (the "1999 Certificates"), which are outstanding in the principal amount of approximately \$59,845,672 (adjusted for the accreted value of certain capital appreciation certificates as of February 1, 2016). See Appendix A—"INFORMATION RELATING TO THE AGENCY AND THE WATER SYSTEM" under the caption "THE CASTAIC LAKE WATER AGENCY—Outstanding Obligations—Senior Obligations." The Agency has covenanted not to incur additional obligations payable from Net Revenues senior to the Series 2016A Installment Payments.

Parity Obligations. The obligation of the Agency to make the Series 2016A Installment Payments from Net Revenues is on a parity with the obligation of the Agency to make installment payments under certain installment purchase agreements and debt service for certain bonds, which after the refunding contemplated herein, will be outstanding in the approximate aggregate principal amount of \$162,605,000. The obligation of the Agency to make the Series 2016A Installment Payments will also be on a parity with the Agency's obligation to pay principal of and interest on any tax revenue anticipation notes issued by the Agency, which tax anticipation notes may secure the Authority's Castaic Lake Water Agency Commercial Paper Notes (the "Commercial Paper Program") (collectively, the "Parity Obligations") and certain credit facility agreements entered into by the Agency. See Appendix A—"INFORMATION RELATING TO THE AGENCY AND THE WATER SYSTEM" under the caption "THE CASTAIC LAKE WATER AGENCY—Outstanding Obligations—Parity Obligations."

Additional Parity Obligations. The Agency has covenanted not to incur additional obligations payable from Net Revenues senior to the Series 2016A Installment Payments. The Agency may incur additional obligations on a parity with the Series 2016A Installment Payments, subject to the terms and conditions described under the caption "SECURITY FOR THE 2016 Bonds—Limitations on Parity and Superior Obligations; Subordinate Obligations."

Retail System Obligations. The Agency has executed and delivered two installment purchase agreements outstanding in the approximate aggregate principal amount of \$58,710,000 secured by revenues of the Retail System operated by the Agency through the Retail Division and payable after payment of Retail

System operation and maintenance costs. No Revenues of the Water System are pledged to payment of these installment purchase agreements.

The Valencia Water Company. On December 17, 2012, the Agency entered into a settlement agreement (the “Settlement Agreement”) with The Newhall Land and Farming Company (“Newhall Land”). The Settlement Agreement settled an eminent domain action previously commenced by the Agency to acquire 100% of the outstanding common stock of VWC. Such stock was acquired by the Agency on December 21, 2012, pursuant to the Settlement Agreement.

The Agency’s acquisition of VWC stock and other related matters have been challenged by various parties, both before the California Public Utilities Commission (the “PUC”) and the California Superior Court. See Appendix A—“INFORMATION RELATING TO THE AGENCY AND THE WATER SYSTEM” under the caption “VALENCIA WATER COMPANY—Acquisition by the Agency.” On February 27, 2014, the PUC issued a decision affirming that it did not have jurisdiction over the acquisition by the Agency of VWC stock. The PUC also determined that the PUC no longer had jurisdiction over the rates charged by VWC and certain other matters. One party to the PUC proceeding requested that the PUC rehear certain issues decided in the PUC decision. On December 15, 2014, such party asked the PUC to hold the application for rehearing in abeyance pending a final judgment in certain litigation described below. Notwithstanding such request for a rehearing, the PUC’s jurisdiction over VWC terminated on February 27, 2014.

Two complaints were filed in Los Angeles County Superior Court by the Santa Clarita Organization for Planning and the Environment (“SCOPE”) *et al.* challenging the Agency’s acquisition of VWC. Litigation as to certain of SCOPE’s claims regarding the Agency’s acquisition of VWC is ongoing. A complaint was also filed in Los Angeles County Superior Court by Newhall County Water District (“NCWD”) challenging the Agency’s acquisition of VWC on grounds similar to certain of the grounds set forth in the SCOPE complaints. At the request of the parties, the matter has been stayed for three months to March 17, 2016 to allow for settlement discussions. During the course of the settlement discussions, the negotiation of a potential merger of the Agency and NCWD arose. The discussions on the possible merger are preliminary in nature and the Agency can make no assurance as to whether such merger will occur. The Agency does not expect that any merger with NCWD will have a material adverse effect on the ability of the Agency to pay the Series 2016A Installment Payments.

See Appendix A—“INFORMATION RELATING TO THE AGENCY AND THE WATER SYSTEM” under the caption “VALENCIA WATER COMPANY—Acquisition by the Agency” for further information regarding the Superior Court actions.

The revenues of VWC are not revenues of the Agency and therefore are not pledged to the payment of the Series 2016A Installment Payments. The Agency has received dividends as owner of 100% of the common stock of VWC which dividends, when received, are included in Revenues. The Agency may receive dividends as owner of 100% of the common stock of VWC in the future. If received, the Agency expects to deposit such dividends in the Revenue Fund. See Appendix A—“INFORMATION RELATING TO THE AGENCY AND THE WATER SYSTEM” under the caption “VALENCIA WATER COMPANY—Acquisition by the Agency.”

The Agency and the Service Area. The Agency is located in the northwestern portion of Los Angeles County (the “County”), approximately 35 miles from downtown Los Angeles. The wholesale service of the Agency (the “Wholesale Service Area”) has a population of approximately 280,000, and covers an area of approximately 195 square miles. The majority of the Wholesale Service Area is located in the County, and includes the City of Santa Clarita (the “City”) and other nearby communities. Approximately 20 square miles of the Wholesale Service Area extend into unincorporated rural portions of Ventura County. See Appendix A—“INFORMATION RELATING TO THE AGENCY AND THE WATER SYSTEM” under the caption “THE CASTAIC LAKE WATER AGENCY.”

The Water System of the Agency is supplied through a contract with the State Department of Water Resources (“DWR”), which obtains water from the State Water Project. The Water System facilities of the Agency consist of intake piping, the Earl Schmidt Intake Pump Station, the Earl Schmidt Filtration Plant, the Rio Vista Water Treatment Plant, the Rio Vista Intake Pump Station, the Castaic Conduit and other pipelines and facilities. The maximum annual contract amount of the Agency from the State Water Project (i.e., Table A Amount) is 95,200 acre feet. See Appendix A—“INFORMATION RELATING TO THE AGENCY AND THE WATER SYSTEM” under the caption “THE WATER SYSTEM.” The Water System is also supplied by other sources, including approximately 450 acre feet per year of recycled water, up to 11,000 acre feet per year acquired pursuant to an agreement with Buena Vista Water Storage District and Rosedale-Rio Bravo Water Storage District (the “BVWSD RRBWSD Acquisition Agreement”) and up to 850 acre feet per year pursuant to the Yuba Water Accord (as defined in Appendix A). See Appendix A—“INFORMATION RELATING TO THE AGENCY AND THE WATER SYSTEM” under the caption “WATER SUPPLY—Sources of Supply.”

The Agency does not sell water from the Water System directly to retail users but sells water through SCWD and to three separate retail water purveyors, which include VWC, and two smaller water retailers (collectively, the “Retail Purveyors”). See Appendix A—“INFORMATION RELATING TO THE AGENCY AND THE WATER SYSTEM” under the captions “SANTA CLARITA WATER DIVISION,” “VALENCIA WATER COMPANY” and “OTHER RETAIL PURVEYORS.”

The Agency acquired all of the capital stock of the Santa Clarita Water Company (“SCWC”) in September 1999. The assets of SCWC were subsequently transferred to the Agency and are operated by the Agency as the Retail System through the Retail Division. The portions of the Wholesale Service Area served by the Retail Division (the “Retail Service Area”) encompass approximately 56 square miles, and include portions of the City and unincorporated portions of the County. The Retail Service Area is served by groundwater pumped by the Retail Division and imported water purchased from the Agency by the Retail Division. See Appendix A—“INFORMATION RELATING TO THE AGENCY AND THE WATER SYSTEM” under the caption “SANTA CLARITA WATER DIVISION.”

On December 12, 2012, the Agency acquired the stock of VWC through the settlement of an eminent domain action. The original service area of VWC granted by the California Public Utilities Commission (the “PUC”) was approximately 1,500 acres in the master-planned community of Valencia, a development of Newhall Land. Subsequently, VWC’s service area increased to serve portions of the City and the unincorporated communities of Castaic and Stevenson Ranch. The area served by VWC is served by groundwater from the Alluvial Aquifer and Saugus Formation, imported water from the Agency and recycled water. Litigation challenging the Agency’s acquisition of VWC is currently ongoing in Los Angeles County Superior Court. The Agency does not expect such litigation to have a material adverse impact on VWC’s operations or finances or the ability of the Agency to make the Series 2016A Installment Payments. See Appendix A—“INFORMATION RELATING TO THE AGENCY AND THE WATER SYSTEM” under the caption “VALENCIA WATER COMPANY.”

The Authority. The Authority is a joint exercise of powers agency organized under the provisions of State law governing the joint exercise of powers, being Chapter 5, Division 7, Title 1 of the Government Code of the State (the “Act”) and a Joint Exercise of Powers Agreement, dated as of June 1, 2011 (the “Joint Powers Agreement”), by and between the Agency and the Devil’s Den Water District, a California Water District (“DDWD”), to provide for the financing and refinancing of capital improvement projects of the Agency or DDWD and to finance working capital for the Agency or DDWD by exercising the powers referred to in the Joint Powers Agreement, and any other transaction authorized by law. Under the Act and the Joint Powers Agreement, the Authority has the power to issue bonds to pay the costs of public capital improvements. See the caption “THE AUTHORITY.” The Board of Directors of DDWD is elected by DDWD landowners based upon the assessed valuation of land within DDWD. The Agency owns land representing approximately 96% of the assessed valuation within DDWD.

Professionals Involved in the Offering. U.S. Bank National Association will act as Trustee with respect to the 2016 Bonds. The 2016 Bonds are offered when, as and if issued, subject to approval as to their

legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the Underwriters by their counsel, Ballard Spahr LLP, Salt Lake City, Utah, for the Authority by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, and for the Agency by Best Best & Krieger LLP, Riverside, California, General Counsel to the Agency, and for the Trustee by its counsel. Fieldman, Rolapp & Associates is acting as financial advisor to the Agency.

Other Information About this Official Statement. There follows in this Official Statement (and attached appendices) a brief description of the 2016 Bonds, the security for the 2016 Bonds, the Agency, the Authority and certain other information relevant to the issuance of the 2016 Bonds. The descriptions and summaries of various documents in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements in this Official Statement are qualified in their entirety by reference to each document.

All capitalized terms used herein and not normally capitalized have the meanings assigned to them in the Indenture and the Installment Purchase Agreement, the summaries of which are included in Appendix C, unless otherwise stated in this Official Statement.

The Appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement.

THE FINANCING PLAN

The Refunding Plan

The 2016 Bonds are being issued to provide the funds to prepay, together with certain other moneys, all of the outstanding \$35,555,000 aggregate principal amount of the 2006A Certificates. The 2006A Certificates were initially executed and delivered in 2006 under a Trust Agreement dated as of April 1, 2006 (the "2006A Trust Agreement"), by and among the Corporation, the Agency and U.S. Bank National Association, as trustee (the "2006A Trustee").

Pursuant to the Indenture, the Authority will deliver a portion of the proceeds of the 2016 Bonds to the Trustee to transfer to the 2006A Trustee for deposit in an escrow fund (the "Escrow Fund") established under an Escrow Agreement, dated as of January 1, 2016, by and between the Agency and the 2006A Trustee (the "Escrow Agreement"). Such amounts, together with certain amounts transferred to the 2006A Trustee from the Agency and deposited in the Escrow Fund, will be held in cash or invested in direct general obligations of the United States of America (the "Defeasance Obligations"). The cash and Defeasance Obligations held in the Escrow Fund will be scheduled to mature in such amounts and at such times and bear interest at such rates to provide amounts sufficient to pay regularly scheduled principal and interest with respect to the 2006A Certificates on August 1, 2016 and to pay on August 1, 2016 the prepayment price (equal to 100% of the principal amount thereof) of the 2006A Certificates maturing on and after August 1, 2017.

The amounts held by the 2006A Trustee in the Escrow Fund are pledged solely to the payment of the 2006A Certificates. The funds deposited in the Escrow Fund will not be available for the payment of principal or interest with respect to the 2016 Bonds. Sufficiency of the deposits in the Escrow Fund for those purposes will be verified by Grant Thornton LLP, Minneapolis, Minnesota (the "Verification Agent"). Assuming the accuracy of such computations, as a result of the deposit and application of funds as provided in the Escrow Agreement, the 2006A Certificates will be defeased pursuant to the provisions of the 2006A Trust Agreement, as of the date of issuance of the 2016 Bonds. See the caption "—Verification of Mathematical Computations" below.

Verification of Mathematical Computations

Upon delivery of the 2016 Bonds, the Verification Agent, a firm of independent public accountants, will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to them by the Underwriters relating to: (a) the adequacy of the maturing principal of and interest earned on the Defeasance Obligations, together with the cash to be concurrently deposited in the Escrow Fund, to pay regularly scheduled principal and interest with respect to the 2006C Certificates on August 1, 2016 and to pay on August 1, 2016 the prepayment price (equal to 100% of the principal amount thereof) of the 2006C Certificates maturing on and after August 1, 2017 and (b) the computations of yield of the 2016 Bonds and the Defeasance Obligations which support Bond Counsel's opinion that interest on the 2016 Bonds is not includable in gross income for federal income tax purposes.

The Project

The Agency expects to apply a portion of the proceeds of the 2016 Bonds to finance and reimburse the Agency for costs of the acquisition of certain capital improvements to the Agency's wholesale Water System, including the Foothill Feeder Connection, recycled water facilities and improvements certain wells (together, the "Project"). [TO BE UPDATED]

Environmental approvals for the Project have been prepared or are being prepared. No proceeds of the 2016 Bonds will be expended on any component of the Project for which environmental approval is required prior to compliance with such approval. The Agency expects that substantially all 2016 Bond proceeds deposited in the Acquisition Fund under the Installment Purchase Agreement will be expended within three years.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the 2016 Bonds are set forth below.

Table 1
UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY
Estimated Sources and Uses of Funds

<u>Sources</u>	
Principal Amount of 2016 Bonds	\$
[Transfer from 2006A Certificates Funds] ⁽¹⁾	
Plus Original Issue Premium	
TOTAL	\$
<u>Uses</u>	
Deposit to Escrow Fund	\$
Deposit to Acquisition Fund	
Costs of Issuance ⁽²⁾	
TOTAL	\$

⁽¹⁾ [Amounts transferred from the principal fund and interest fund established with respect to the 2006A Certificates. Amounts transferred from the principal fund and interest fund includes the principal of and interest on the 2006A Certificates due on August 1, 2016.]

⁽²⁾ Includes fees for the Trustee, Financial Advisor's fees, legal fees, printing costs, rating agency fees, underwriter's discount and other costs of delivery.

THE 2016 BONDS

Terms of the 2016 Bonds

The 2016 Bonds will be issued in the aggregate principal amount of \$ _____* and will be dated as of the date of issuance. Interest on the 2016 Bonds is payable by check or draft of the Trustee mailed by first class mail on August 1, 2016 and each February 1 and August 1 thereafter (each an "Interest Payment Date"). The principal of and premium, if any, and interest on the 2016 Bonds is payable in lawful money of the United States of America. Such amounts will 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 fifteenth day of the calendar month preceding the Interest Payment Date (the "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 2016 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 will be made, such payments will 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 will 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. Interest on the 2016 Bonds will accrue at the rates per annum and will mature on the dates set forth on the inside front cover page of this Official Statement. Interest on the 2016 Bonds will be computed based on a year consisting of 360 days and twelve 30-day months. Individual purchases will be made in principal amounts of \$5,000 and integral multiples thereof.

* Preliminary, subject to change.

Principal of the 2016 Bonds is payable in lawful money of the United States of America at the Principal Corporate Trust Office of the Trustee in St. Paul, Minnesota.

Redemption of Bonds

Optional Redemption. In accordance with the Indenture, the 2016 Bonds maturing on or after August 1, 20__ are subject to optional redemption, in whole or in part, at any time on and after August 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 2016 Bonds to be redeemed, together with accrued interest to the date of redemption, without premium.

Extraordinary Redemption from Insurance or Eminent Domain Proceeds. The 2016 Bonds are 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 Installment Payments made by the Agency from Net Proceeds, upon the terms and conditions of, and as provided for in, the Installment Purchase Agreement, at a Redemption Price equal to the principal amount thereof and accrued interest thereon to the redemption date without premium.

Notice of Redemption

The Agency will notify the Trustee at least 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 2016 Bonds pursuant to the Indenture. Notice of redemption will be mailed by the Trustee, not less than 30 nor more than 60 days prior to the redemption date: (i) to the respective Owners of any 2016 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 will be given in the form and in accordance with the terms of the 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 2016 Bonds of such maturity to be redeemed by giving the individual number of each Bond or by stating that all 2016 Bonds between two stated numbers, both inclusive, have been called for redemption and, in the case of 2016 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 2016 Bonds the Redemption Price thereof or of said specified portion of the principal thereof in the case of a 2016 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 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 Bond.

Selection of Bonds for Redemption

If any Bond is in a denomination larger than a minimum Authorized Denomination, a portion of such 2016 Bonds (the minimum Authorized Denomination or any integral multiple thereof) may be redeemed pursuant to the Indenture, in which case the Trustee will, without charge to the Owner, authenticate and issue a replacement 2016 Bond or 2016 Bonds for the unredeemed portion thereof. In the case of a partial redemption of 2016 Bonds, the Trustee will select the 2016 Bonds to be redeemed by lot at such times as directed by the Agency in writing at least 30 days prior to the redemption date and if such selection is more than 60 days before a redemption date, will appropriately identify the 2016 Bonds so called for redemption by stamping

them at the time any 2016 Bonds so selected for redemption is 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 2016 Bond or 2016 Bonds issued in exchange for, or to replace, any Bond so called for prior redemption will likewise be stamped or otherwise identified.

Partial Redemption of Bonds

Upon surrender of any Bond redeemed in part only, the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Agency, a new Bond of Authorized Denominations, and of the same Maturity Date and interest rate, equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

Effect of Redemption of Bonds

If notice of redemption has been duly given pursuant to the Indenture, and money for payment of the Redemption Price of, together with interest accrued to the redemption date on, the 2016 Bonds (or portions thereof) so called for redemption is held by the Trustee, on the redemption date designated in such notice, the 2016 Bonds (or portions thereof) so called for redemption will 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 2016 Bonds so called for redemption will cease to accrue, the 2016 Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of the 2016 Bonds will have no rights in respect thereof except to receive payment of the Redemption Price and accrued interest. Any defect as failure to receive notice will not affect the sufficiency of the proceedings of redemption. All 2016 Bonds redeemed pursuant to the provisions of the Indenture will be cancelled upon surrender thereof and destroyed.

Book-Entry Only System

One fully-registered 2016 Bond for each maturity will be issued in the principal amount of such Bond. Such 2016 Bonds will be registered in the name of Cede & Co. and will be deposited with DTC.

The Agency may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the 2016 Bonds will be printed and delivered and will be governed by the provisions of the Indenture with respect to payment of principal and interest and rights of exchange and transfer.

The Agency cannot and does not give any assurances that DTC participants or others will distribute payments with respect to the 2016 Bonds received by DTC or its nominee as the registered Owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will service and act in the manner described in this Official Statement. See Appendix E hereto for additional information concerning DTC.

Transfers and Exchanges Upon Termination of Book-Entry Only System

Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of the Indenture, by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such 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 2016 Bond or 2016 Bonds are surrendered for transfer, the Trustee will authenticate and deliver a new 2016 Bond or 2016 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 Bond authenticated and delivered upon any transfer. The Trustee may require the payment by any 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 2016 Bonds the Trustee will cancel and destroy the 2016 Bonds it has received.

The 2016 Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee, for a like aggregate principal amount of 2016 Bonds of other authorized denominations of the same series and maturity. The Trustee may charge a sum for each new 2016 Bond authenticated and delivered upon any exchange except in the case of any exchange of temporary 2016 Bonds for definitive 2016 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 2016 Bonds, the Trustee will cancel and destroy the 2016 Bonds it has received.

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

Debt Service Schedule

Set forth below is a table of the annual Series 2016A Installment Payments and the debt service evidenced by the Parity Obligations and the Senior Obligations.

Table 2
CASTAIC LAKE WATER AGENCY
Installment Payment Schedule

<i>Fiscal Year</i>	<i>Senior Obligations⁽¹⁾</i>	<i>Series 2016 Installment Payments</i>			<i>Parity Obligations⁽²⁾</i>	<i>Total Parity Service</i>
		<i>Principal</i>	<i>Interest</i>	<i>Total</i>		
2016	--				\$19,762,345	
2017	--				18,987,151	
2018	--				19,204,990	
2019	--				19,386,423	
2020	--				19,488,034	
2021	--				19,541,190	
2022	\$10,455,000				10,274,431	
2023	10,455,000				10,255,306	
2024	10,455,000				10,247,931	
2025	10,455,000				10,259,556	
2026	10,455,000				10,233,306	
2027	10,455,000				10,245,375	
2028	10,455,000				10,230,397	
2029	10,455,000				10,220,500	
2030	10,455,000				10,210,325	
2031	10,455,000				10,189,000	
2032	--				4,972,875	
2033	--				4,964,250	
2034	--				4,955,625	
2035	--				4,956,250	
2036	--				<u>4,945,625</u>	
TOTAL	\$104,450,000				\$243,530,887	

⁽¹⁾ Includes Installment Payments under the 1999 Installment Purchase Agreement representing the accreted value of the 1999 Certificates.

⁽²⁾ Includes the principal of the 2008A Installment Payments and interest with respect to the 2008A Installment Payments projected at average interest rates of 0.1% in Fiscal Year 2016, 0.1% in Fiscal Year 2017, 1.5% in Fiscal Year 2018, 2.5% in Fiscal Year 2019, 3.0% in Fiscal Year 2020 and 3.0% in Fiscal Year 2021. It also includes interest payments due with respect to the 2010A Installment Purchase Agreement, the 2015A Installment Purchase Agreement and the 2014 obligations under the Citibank Credit Facility Agreement and the Wells Fargo Credit Facility Agreement. Excludes any payment with respect to anticipation notes securing the Commercial Paper Program as no commercial paper notes are currently outstanding. See Appendix A—"THE AGENCY AND THE WATER SYSTEM" under the caption "THE CASTAIC LAKE WATER AGENCY—Outstanding Obligations."

SECURITY FOR THE 2016 BONDS

General

Pursuant to the Indenture, the Authority, for good and valuable consideration, has unconditionally granted, transferred and assigned to the Trustee without recourse all its rights to receive the Revenues (as defined in the Indenture) and to enforce the Installment Purchase Agreement, upon an event of default thereunder for the benefit of the Owners of the 2016 Bonds, for the purpose of securing: (a) the payment of all sums due and owing to the Owners of the 2016 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.

The 2016 Bonds are limited obligations of the Authority. The 2016 Bonds are payable solely from Revenues and from certain other amounts on deposit in funds and accounts under the Indenture. Revenues consist primarily of Series 2016A Installment Payments received from the Agency pursuant to the Installment Purchase Agreement.

The 2016 Bonds do not constitute a charge against the general credit of the Authority. The 2016 Bonds are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts except payments under the Installment Purchase Agreement and other moneys pledged by the Authority under the Indenture. Neither the faith and credit nor the taxing power of the State or any public agency thereof or any member of the Authority is pledged to the payment of the principal amount or redemption price of, or interest on, the 2016 Bonds. The Authority has no taxing power. The 2016 Bonds do not constitute a debt, liability or obligation of the State or any public agency thereof (other than the Authority) or any member of the Authority within the meaning of any State constitutional or statutory provision.

Water System Revenue Pledge

All Revenues and all amounts on deposit in the Revenue Fund and the Rate Stabilization Fund have been irrevocably pledged to the payment of the Series 2016A Installment Payments as provided in the Installment Purchase Agreement, subject however, to the pledge thereon securing Senior Obligations now in existence, and the Revenues will 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 in the Installment Purchase Agreement. Such pledge, together with the pledge created by all other Contracts and Bonds, constitutes a second lien on Revenues, the Revenue Fund and the Rate Stabilization Fund and all amounts on deposit therein as permitted in the Installment Purchase Agreement subordinate to the pledge securing Senior Obligations and subject to the application of Revenues in accordance with the terms of the Installment Purchase Agreement.

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, and does not constitute a debt of the Agency or of the State of California or any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

The obligation of the Agency to make the Series 2016A Installment Payments is absolute and unconditional, and until such time as the Purchase Price has been paid in full (or provision for the payment thereof has been made pursuant to the Installment Purchase Agreement), the Agency will not discontinue or suspend any Series 2016A Installment Payments required to be made by it under the Installment Purchase Agreement 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 are not subject to reduction whether by offset or otherwise and are not conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

Net Revenues means, for any fiscal year of the Agency (currently, the Agency's Fiscal Year begins July 1) ("Fiscal Year"), Revenues remaining after payment of Operation and Maintenance Costs (as such terms are defined in the Installment Purchase Agreement). Net Revenues of the Agency DO NOT include the revenues of the Retail System. See Appendix C—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" under the caption "INSTALLMENT PURCHASE AGREEMENT—Definitions; Rules of Construction; Contents of Certificates and Opinions."

The obligation of the Agency to make the Series 2016A Installment Payments from Net Revenues is subordinate to the obligation of the Agency to make Installment Payments pursuant to the 1999 Installment Purchase Agreement, and on a parity with the obligation of the Agency to make, after the refunding contemplated herein, Installment Payments pursuant to the 2008A Installment Purchase Agreement, the 2010A Installment Purchase Agreement, the 2015A Installment Purchase Agreement, principal of and interest on the 2014 Bonds, any tax revenue anticipation notes heretofore and hereafter issued by the Agency, which tax anticipation notes may secure the Authority's Castaic Lake Water Agency Commercial Paper Notes which may be issued in the future, and certain credit facility agreements entered into by the Agency. See Appendix A—"INFORMATION RELATING TO THE AGENCY AND THE WATER SYSTEM" under the caption "THE CASTAIC LAKE WATER AGENCY—Outstanding Obligations."

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 AGENCY AND OTHER FUNDS DESCRIBED IN THE INSTALLMENT PURCHASE AGREEMENT, AND DOES NOT CONSTITUTE AN OBLIGATION OF THE AGENCY FOR WHICH THE AGENCY IS OBLIGATED TO PAY FROM ANY OTHER AGENCY REVENUES OR TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE AGENCY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE AGENCY TO MAKE THE SERIES 2016A INSTALLMENT PAYMENTS UNDER THE INSTALLMENT PURCHASE AGREEMENT DOES NOT CONSTITUTE A DEBT OF THE AGENCY OR OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Rate Stabilization Fund

The Installment Purchase Agreement continues a special fund designated as the "Rate Stabilization Fund" which was previously created and is held by the Agency in trust. The Agency has covenanted to maintain and to hold the Rate Stabilization Fund separate and apart from other funds so long as any Installment Payments or Bonds remain unpaid. Money transferred by the Agency to the Rate Stabilization Fund in accordance with the Installment Purchase Agreement will be held in the Rate Stabilization Fund and applied in accordance with the 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 the Installment Purchase Agreement or, in the event that all or a portion of the Series 2016A Installment Payments are discharged in accordance with the Installment Purchase Agreement, transfer all or any portion of such amounts for application to the payment of the Series 2016A Installment Payments in accordance with the Installment Purchase Agreement.

Under certain circumstances, moneys received in one Fiscal Year may be required or permitted by generally accepted accounting principles applicable to governmental agencies such as the Agency to be recorded as revenue in a subsequent Fiscal Year, regardless of whether such moneys have been deposited in the Rate Stabilization Fund. See "Appendix B – AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDING JUNE 30, 2015."

Rate Covenant

The Agency has covenanted in the Installment Purchase Agreement that 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 will fix and prescribe rates and charges for Water Service which are reasonably expect to be sufficient to yield during such Fiscal Year Net Revenues (not including amounts transferred from the Rate Stabilization Fund pursuant to the Installment Purchase Agreement 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.

The Agency has also covenanted that 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 the Debt Service payable in such Fiscal Year, the Agency will fix and prescribe such Revenues, other than the Facility Capacity Fees or any other connection fees, that are reasonably expected to be sufficient to yield during such Fiscal Year such Revenues (not including amounts transferred from the Rate Stabilization Fund to the Revenue Fund) equal to 120% of Operation and Maintenance Costs during such Fiscal Year.

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 will 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 described in the prior paragraph.

Failure to produce Net Revenues to equal one hundred twenty percent (120%) of Debt Service at the end of a Fiscal Year is not an Event of Default under the Installment Purchase Agreement so long as the Agency complies with the covenant described above. Such failure may, however, affect the ability of the Agency to issue Bonds or incur Contracts payable from Net Revenues on a parity with the Series 2016A Installment Payments.

Limitations on Parity and Superior Obligations; Subordinate Obligations

Additional Obligations Superior to Series 2016A Installment Payments. The Agency has covenanted in the Installment Purchase Agreement that the Agency will not issue any additional evidences of indebtedness or incur other additional obligations that are payable from or secured by a pledge of and lien on Revenues, any money in the Revenue Fund or any money in the Rate Stabilization Fund superior to the pledge securing the Series 2016A Installment Payments.

Additional Obligations on a Parity with Series 2016A Installment Payments. The Agency has covenanted in the Installment Purchase Agreement that the Agency may issue evidences of indebtedness or incur other obligations that are payable from or secured by a pledge of and lien on Revenues, and any money in the Revenue Fund and the Rate Stabilization Fund on a parity with the pledge securing the Series 2016A Installment Payments pursuant to the following terms and conditions:

(1) The Net Revenues (not including amounts transferred from the Rate Stabilization Fund pursuant to the Installment Purchase Agreement 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

(2) The Net Revenues (not including amounts transferred from the Rate Stabilization Fund pursuant to the Installment Purchase Agreement 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

(3) The estimated Net Revenues (not including amounts transferred from the Rate Stabilization Fund pursuant to the Installment Purchase Agreement 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 the Installment Purchase Agreement 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.

Subordinate Obligations. The Agency may at any time issue evidence of indebtedness or incur other obligations for any lawful purpose that are payable from and secured by a lien on Revenues or moneys in the Revenue Fund or the Rate Stabilization Fund as may from time to time be deposited therein subordinate to the Series 2016A Installment Payments.

THE CASTAIC LAKE WATER AGENCY

Appendix A hereto presents information relating to the Agency and the Water System and certain information relating to the Retail System. The Series 2016A Installment Payments are payable solely from Net Revenues of the Water System. No revenues of the Agency's Retail System or VWC are pledged to the payment of the Series 2016A Installment Payments and no Net Revenues are pledged to the payment of obligations of the Agency's Retail System or VWC.

CONSTITUTIONAL PROVISIONS

Article XIII B

An initiative constitutional amendment entitled Limitations on Government Appropriations was approved by California voters on November 6, 1979. Under the amendment which adds Article XIII B to the

California Constitution (“Article XIII B”), State and local government agencies are subject to an annual limitation on certain appropriations. Appropriations subject to limitation consist of “tax revenues,” State subventions and certain other funds (together herein referred to as “proceeds of taxes”). Article XIII B does not affect the appropriation of money excluded from the definition of “appropriations subject to limitation,” such as debt service on indebtedness existing or authorized before January 1, 1979 or subsequently authorized by the voters and appropriations mandated by any court having proper jurisdiction. Article XIII B also excludes from limitation the appropriation of proceeds from regulatory licenses, user charges or other fees to the extent such proceeds equal “the costs reasonably borne by such entity in providing the regulations, product or service.”

In general terms, Article XIII B provides that the appropriations limit will be based on certain 1978-79 expenditures and will be adjusted annually to reflect changes in cost of living, population and transfer of financial responsibility of providing services from one governmental unit to another. Article XIII B also provides that if an agency’s revenues in any year exceed the amount which is appropriated by such agency in compliance with the provisions of Article XIII B, the excess must be returned during the next two fiscal years by revising tax rates or fee schedules. The Agency’s revenues do not exceed any applicable appropriations limit.

Proposition 218

General. An initiative measure entitled the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIII C and Article XIII D to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.”

Article XIII D. Article XIII D defines the terms “fee” and “charge” to mean “any levy other than an *ad valorem* tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property-related service.” A “property-related service” is defined as “a public service having a direct relationship to property ownership.” Article XIII D further provides that reliance by an agency on any parcel map (including an assessor’s parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership.

Article XIII D requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, if and to the extent that a fee or charge imposed by a local government for water or wastewater service is ultimately determined to be a “fee” or “charge” as defined in Article XIII D, the local government’s ability to increase such fee or charge may be limited by a majority protest.

In addition, Article XIII D includes a number of limitations applicable to existing fees and charges including provisions to the effect that: (i) revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service; (ii) such revenues shall not be used for any purpose other than that for which the fee or charge was imposed; (iii) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel and (iv) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

Based upon the California Second District Court of Appeal decision in *Howard Jarvis Taxpayers Association v. City of Los Angeles*, 85 Cal. App. 4th 79 (2000), which was denied review by the California Supreme Court, it was generally believed that Article III D did not apply to charges for metered water, which

had been held to be commodity charges related to consumption of the service, not property ownership. The Agency was of the opinion that, under similar reasoning, the water rates imposed by the Retail Division were not subject to Article XIII D. In a decision rendered in February, 2004, the California Supreme Court in *Richmond et al. v. Shasta Community Services District* (S105078) upheld a Third District Court of Appeal decision that water connection fees were not property-related fees or charges subject to Article XIII D while at the same time stating in dicta that fees for ongoing water service through an existing connection were property related fees and charges. In October 2004, the California Supreme Court granted review of the decision of the Fourth District Court of Appeal in *Bighorn-Desert View Water Agency v. Beringson*, 120 Cal. App. 4th 891 (2004), in which the appellate court had relied on *Howard Jarvis Taxpayers Association v. City of Los Angeles* and rejected the Supreme Court's dicta in *Richmond et al. v. Shasta Community Services District*. On March 23, 2005, the California Fifth District Court of Appeal held in *Howard Jarvis Taxpayers Association v. City of Fresno*, 127 Cal. App. 4th 914 (2005) that an "in lieu" fee which is payable to the City of Fresno's general fund from its water utility and which is included in the city's water rate structure was invalid. In reaching its decision, the court concluded that the city's water rates were "property related" fees, governed by the limitations of Article XIII D. The City of Fresno requested a review of this decision by the California Supreme Court, which denied review. On July 24, 2006 the Supreme Court ruled in *Bighorn-Desert View Water Agency v. Verjil*. The Court restated the dicta in *Richmond et al. v. Shasta Community Services District* that fees and charges for ongoing domestic water service through an existing connection were property related fees and charges under Article XIII D. The Agency and its general counsel do not believe its wholesale water rates are subject to the substantive and procedural requirements of Article XIII D. The Agency has complied with the procedural and substantive provisions of Article XIII D with respect to rates and charges for the Retail System since 2007.

Article XIII C. Article XIII C provides that the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments. Article XIII C does not define the terms "local tax," "assignment," "fee" or "charge." On July 24, 2006, the Supreme Court held in *Bighorn-Desert View Water Agency v. Verjil* that the provisions of Article XIII C included rates and fees charged for domestic water use. The Supreme Court noted, however, that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations of the public agency involved in the litigation. The Agency and its general counsel do not believe that Article XIII C grants to the voters within the jurisdiction of the Agency the power to repeal or reduce wholesale rates and charges or retail fees and charges levied by SCWD and to be levied by VWC in a manner which would be inconsistent with the statutory or contractual obligations of the legislative body of Agency. However, there can be no assurance of the availability of particular remedies adequate to protect the beneficial owners of the 2016 Bonds. Remedies available to beneficial owners of the 2016 Bonds in the event of a default by the Agency are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the specific limitations on remedies contained in the applicable documents themselves, the right and obligation with respect to the 2016 Bonds is 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, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California. The various opinions of counsel to be delivered with respect to such documents, including the opinion of Bond Counsel (the form of which is attached as Appendix D), will be similarly qualified.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the

reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. The Agency does not believe that the enactment of Proposition 26 affects its ability to charge for services provided by its Water System.

In 2013, a lawsuit naming the Agency was filed in Los Angeles County Superior Court by NCWD seeking to invalidate the wholesale water rates approved by the Agency on February 27, 2013. On July 10, 2014, the Superior Court held that such water rates were a "tax" under Proposition 26 and were not approved in accordance with the procedural requirements under Proposition 218. The Agency filed an appeal on July 30, 2014 and on January 19, 2016, the Court of Appeal upheld the trial court's ruling in favor of NCWD. The Agency does not expect to appeal the Court of Appeal's decision to the California Supreme Court. On February 24, 2016, the Agency adopted a new wholesale water rate structure for calendar years 2016 through 2018. See Appendix A—"INFORMATION RELATING TO THE AGENCY AND THE WATER SYSTEM" under the caption "WATER SUPPLY—Water Rates and Charges" for a discussion of the Agency's water rates and charges and the foregoing litigation related thereto.

Future Initiatives

Articles XIII B, XIII C and XIII D were enacted by voter initiative. There can be no assurance that the voters of the State will not approve another initiative that could affect the Agency, its operations or financial condition or the Net Revenues.

THE AUTHORITY

The Authority is a joint powers authority organized pursuant to the Joint Powers Agreement. The Joint Powers Agreement was entered into pursuant to the provisions of the Act. The Authority is governed by a board of four Directors comprised of two members appointed by the Agency and two members appointed by DDWD. The Authority was created to provide for the financing and refinancing of capital improvement projects of the Agency or DDWD and to finance working capital for the Agency or DDWD by exercising the powers referred to in the Joint Powers Agreement, and any other transaction authorized by law. Under the Act, the Authority has the power to issue bonds to pay the costs of public capital improvements. Neither the Agency nor DDWD is responsible for repayment of the indebtedness of the other.

The Board of Directors of DDWD is elected by DDWD landowners based upon the assessed valuation of land within DDWD. The Agency owns land representing approximately 96% of the assessed valuation within DDWD. As the owner of the majority of the land within DDWD, the Agency has the ability to elect the Board of Directors of DDWD. While the Board of Directors of DDWD currently consists of members of the Agency Board, there can be no assurance that DDWD Board members will be Agency Board members in the future.

TAX MATTERS

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the 2016 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the 2016 Bonds is exempt from State personal income tax. Bond Counsel notes that, with respect to corporations, interest on the 2016 Bonds may be included as an adjustment in the calculation of alternative minimum taxable income.

The difference between the issue price of a 2016 Bond (the first price at which a substantial amount of the 2016 Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such 2016 Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a 2016 Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the 2016 Bond Owner will increase the 2016 Bond Owner's basis in the 2016 Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the 2016 Bond is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State personal income tax.

Bond Counsel's opinion as to the exclusion from gross income of interest (and original issue discount) on the 2016 Bonds is based upon certain representations of fact and certifications made by the Agency and others and is subject to the condition that the Agency complies with all requirements of the Code that must be satisfied subsequent to the issuance of the 2016 Bonds to assure that interest (and original issue discount) on the 2016 Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the 2016 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2016 Bonds. The Agency has covenanted to comply with all such requirements.

The amount by which a 2016 Bond Owner's original basis for determining loss on sale or exchange in the applicable 2016 Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the 2016 Bond Owner's basis in the applicable 2016 Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a 2016 Bond Owner realizing a taxable gain when a 2016 Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2016 Bond to the Owner. Purchasers of the 2016 Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The IRS has initiated an expanded program for the auditing of tax exempt bond issues, including both random and targeted audits. It is possible that the 2016 Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2016 Bonds might be affected as a result of such an audit of the 2016 Bonds (or by an audit of similar municipal obligations). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the 2016 Bonds to the extent that it adversely affects the exclusion from gross income of interest on the 2016 Bonds or their market value.

It is possible that subsequent to the issuance of the 2016 Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the 2016 Bonds or the market value of the 2016 Bonds. No assurance can be given that subsequent to the issuance of the 2016 Bonds such changes or interpretations will not occur.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture, the Installment Purchase Agreement and the Tax Certificate relating to the 2016 Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) on the 2016 Bonds for federal income tax purposes with respect to any 2016 Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth.

Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the 2016 Bonds is excluded from gross income for federal income tax purposes provided that the Agency continues to comply with certain requirements of the Code, the ownership of the 2016 Bonds and the accrual or receipt of interest (and original issue discount) on the 2016 Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the 2016 Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the 2016 Bonds.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix D.

CERTAIN LEGAL MATTERS

The validity of the 2016 Bonds is subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, acting as Bond Counsel. The form of such legal opinion is attached hereto as Appendix D and such legal opinion will be attached to each 2016 Bond. Bond Counsel expresses no opinion as to the accuracy, completeness or fairness of this Official Statement or other offering materials relating to the 2016 Bonds and expressly disclaims any duty to advise the Owners of the 2016 Bonds as to matters related to this Official Statement.

Certain legal matters will be passed on for the Underwriters by their counsel Ballard Spahr LLP, Salt Lake City, Utah ("Underwriters' Counsel"), for the Authority by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, for the Agency by Best Best & Krieger LLP, Riverside, California, and for the Trustee by its counsel. Payment of the fees of Bond Counsel and Underwriters' Counsel is contingent upon issuance of the 2016 Bonds.

LITIGATION

The Authority

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the Authority, threatened against the Authority affecting the existence of the Authority or the titles of its officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the 2016 Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the action of the Authority contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the Authority or its authority with respect to the 2016 Bonds or any action of the Authority contemplated by any of said documents.

The Agency

See Appendix A—"INFORMATION RELATING TO THE AGENCY AND THE WATER SYSTEM" under the caption "Litigation" for information with respect to litigation affecting the Agency.

RATINGS

The Agency expects that Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") will assign the 2016 Bonds the rating of "___" (____) and that Fitch Ratings, Inc., ("Fitch") will assign the 2016 Bonds the rating of "___" (____). There is no assurance that any credit rating given to the 2016 Bonds will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by S&P or Fitch if, in their judgment, circumstances so warrant. Any downward revision or withdrawal of a rating may have an adverse effect on the market price of the 2016 Bonds. Such ratings reflects only the views of S&P and Fitch, as the case may be, and an explanation of the significance of such ratings may be obtained from S&P and Fitch, as the case may be.

The Agency has covenanted in a Continuing Disclosure Certificate to file on EMMA, notices of any ratings changes on the 2016 Bonds. See the caption "CONTINUING DISCLOSURE UNDERTAKING" below and Appendix F—"FORM OF CONTINUING DISCLOSURE CERTIFICATE." Notwithstanding such covenant, information relating to ratings changes on the 2016 Bonds may be publicly available from the rating agencies prior to such information being provided to the Agency and prior to the date the Agency is obligated to file a notice of rating change on EMMA. Purchasers of the 2016 Bonds are directed to the ratings agencies and their respective websites and official media outlets for the most current ratings changes with respect to the 2016 Bonds after the initial issuance of the 2016 Bonds.

FINANCIAL ADVISOR

The Authority has retained Fieldman, Rolapp & Associates, Irvine, California (the "Financial Advisor") as financial advisor in connection with the issuance of the 2016 Bonds. The Financial Advisor is has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The fees being paid to the Financial Advisor are contingent upon the issuance of the 2016 Bonds.

The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

UNDERWRITING

The 2016 Bonds are being purchased by Citigroup Global Markets Inc., as representative of itself and J.P. Morgan Securities LLC (together, the "Underwriters") pursuant to a Purchase Contract, dated April __, 2016, by and among the Underwriters, the Authority and the Agency (the "Purchase Contract"). The purchase price of the 2016 Bonds is equal to \$_____, being the aggregate principal amount of the 2016 Bonds of \$_____, less an underwriters' discount of \$_____ and plus original issue premium of \$_____. The Purchase Contract provides that the Underwriters will purchase all of the 2016 Bonds, if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel, and certain other conditions.

The initial public offering prices stated on the inside front cover of this Official Statement may be changed from time to time by the Underwriters. The Underwriters may offer and sell the 2016 Bonds to certain dealers (including dealers depositing Bonds into investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering prices.

Citigroup Global Markets Inc. has entered into a retail distribution agreement with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Services Inc. ("UBSFS"). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the 2016 Bonds.

Citigroup Global Markets Inc. and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Citigroup Global Markets Inc. and its affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Agency for which they received or will receive customary fees and expenses. In addition, certain affiliates of Citigroup Global Markets Inc. are lenders, and in some cases agents or managers for the lenders, under credit and liquidity facilities.

In the ordinary course of their various business activities, Citigroup Global Markets Inc. and its respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Agency.

J.P. Morgan Securities LLC has entered into a negotiated dealer agreement (the “Dealer Agreement”) with Charles Schwab & Co., Inc. (“CS&Co.”) for the retail distribution of certain securities offerings, including the 2016 Bonds, at the original issue prices. Pursuant to the Dealer Agreement, CS&Co. will purchase 2016 Bonds from J.P. Morgan Securities LLC at the original issue price less a negotiated portion of the selling concession applicable to any 2016 Bonds that CS&Co. sells.

CONTINUING DISCLOSURE UNDERTAKING

The Agency has covenanted in a Continuing Disclosure Certificate dated the date of execution and delivery of the 2016 Bonds (the “Continuing Disclosure Certificate”) to provide annually certain financial information and operating data relating to the Agency by not later than 270 days following the end of its Fiscal Year (commencing with Fiscal Year 2016) including the audited Financial Statements of the Agency for each such Fiscal Year (together, the “Annual Report”), and to provide notices of the occurrence of certain other enumerated events.

The Annual Report will be filed by the Agency with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/> (“EMMA”). The notices of enumerated events will be filed by the Agency with EMMA. The form of the Continuing Disclosure Certificate is attached hereto at Appendix F.

In the past five years, the Agency has been subject to continuing disclosure certificates previously entered into with respect to the 1999 Certificates, the Parity Obligations and the Retail System Obligations (each a “Prior Continuing Disclosure Undertaking”). Pursuant to the Prior Continuing Disclosure Undertakings, the Agency agreed to file its audited financial reports, certain operating data relevant to the respective obligations, notices of certain enumerated events and notices of the occurrence of certain other enumerated events, if material.

On May 13, 2014 and May 28, 2014, the Agency filed supplements to its continuing disclosure reports for the last five fiscal years with respect to the 1999 Certificates and the Parity Obligations to include information relating to facility capacity fee rates, with respect to the 1999 Certificates only, revenue information for water sold to the Retail Purveyors, as required by the Prior Continuing Disclosure Undertakings for the 1999 Certificates and the Parity Obligations and with respect to the 1999 Certificates and the 2004A Certificates, information regarding the debt surety reserve surety policies on deposit in the reserve funds created with respect thereto.

On May 13, 2014, the Agency filed a supplement to its continuing disclosure reports with respect to the Retail System Obligations (for the last four Fiscal Years with respect to the 2010B Certificates and for the last three Fiscal Years with respect to the 2011A Bonds) to include information showing the largest customers of SCWD, required by the Prior Continuing Disclosure Undertakings for the Retail System Obligations.

The Agency cannot assure potential investors in the 2016 Bonds that, in the last five years, notices of changes in the ratings of Agency obligations resulting from each change in the rating of a bond insurer insuring such obligations were filed with EMMA. The Agency can confirm that the current ratings of Agency obligations insured by bond insurers are on file with EMMA. Other than such ratings change notices described above, the Agency is not aware of any events in the last five years which may have required the filing of significant event notices under the Prior Continuing Disclosure Undertakings that were not filed.

As described above, the Agency believes that it is in compliance in all material respects with the Prior Continuing Disclosure Undertakings.

In order to ensure compliance by the Agency with its continuing disclosure undertakings in the future, the Board of Directors approved disclosure procedures on March 26, 2014 (the "Disclosure Procedures"). Pursuant to the Disclosure Procedures, the Administrative Services Director is required to take steps to ensure that continuing disclosure filings are prepared and filed in a timely manner.

MISCELLANEOUS

Insofar as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the Owners of the 2016 Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Authority.

**UPPER SANTA CLARA VALLEY JOINT POWERS
AUTHORITY**

President

Secretary

APPENDIX A

INFORMATION RELATING TO THE AGENCY AND THE WATER SYSTEM

The following information relates to the Agency and the Agency's Water System. Such information is presented for general purposes only. The Series 2016A Installment Payments are payable solely from Net Revenues. No revenues of the Agency's Retail System are pledged to the payment of the Series 2016A Installment Payments and no Net Revenues are pledged to the payment of the Agency's Retail System or obligations related thereto.

THE CASTAIC LAKE WATER AGENCY

Authority and Purpose

The Agency was organized on April 20, 1962 under Assembly Bill No. 26, Chapter 28, California Statutes of 1962, the Castaic Lake Water Agency Law (the "Agency Law"), enacted by the State Legislature. The Agency was initially called the Upper Santa Clara Valley Water Agency until the State Legislature changed the Agency's name to the Castaic Lake Water Agency.

The Agency was formed to provide the Wholesale Service Area with a supplemental water supply from the State Water Project, and provide the necessary treatment and conveyance facilities to deliver this water. The Agency originally entered into an agreement to receive State Water Project water supplies in 1963, and today the Agency's contract amount is for 95,200 acre-feet per year. The Water System is also supplied by other sources, including approximately 400 acre-feet per year of recycled water, up to 11,000 acre-feet per year acquired pursuant to the BVWSD-RRBWS Acquisition Agreement and up to 850 acre-feet per year pursuant to the Yuba Water Accord. See the caption "WATER SUPPLY—Sources of Supply."

The Agency provides supplemental wholesale water through its Water System to the Retail Purveyors, which in turn sell water to approximately 71,000 residential, industrial and commercial customer accounts within the Wholesale Service Area (as defined below). Although the Agency entered into water service contracts with the Retail Purveyors in the 1970s and 1980s, there are not currently any water service contracts with any of the Retail Purveyors which the Agency enforces or which the Agency believes are enforceable. As a result, the Retail Purveyors are not obligated to purchase water from the Agency. The Retail Purveyors are the Santa Clarita Water Division of the Castaic Lake Water Agency ("SCWD"), Los Angeles County Waterworks District No. 36, Newhall County Water District ("NCWD") and Valencia Water Company ("VWC"). See the captions "SANTA CLARITA WATER DIVISION," "VALENCIA WATER COMPANY" and "OTHER RETAIL PURVEYORS."

In September 1999, the Agency acquired the stock of SCWC through the settlement of an eminent domain action. The assets of SCWC were subsequently transferred to the Agency and are operated by the Agency as the Retail System through SCWD. The Agency provides retail water service through SCWD. See the caption "SANTA CLARITA WATER DIVISION." Revenues of the Retail System are accounted for as a separate enterprise fund of the Agency and are not a component of the Revenues of the Agency pledged as security for the 2016 Installment Payments. Until August 2011, the Water System of the Agency received annual transfers from SCWD for the repayment of the Interfund Loan, which provided funds for the acquisition of SCWD. The Agency treated such annual transfers from SCWD as Revenues of the Water System. In August 2011, the Authority issued its 2011A Bonds, which are secured by revenues of the Retail System, a portion of the proceeds of which were used to pay the balance of the Interfund Loan. See the Official Statement under the captions "INTRODUCTION—Retail System Obligations" and "SECURITY FOR THE 2016 BONDS."

In December 2012, the Agency acquired the stock of VWC through the settlement of an eminent domain action. The assets of VWC have not been transferred to the Agency. VWC continues to operate as a separate legal entity under the direction of a board of directors appointed by the Agency as the owner of 100% of the stock

of VWC. Revenues of VWC are not a component of the Revenues of the Agency pledged as security for the 2016 Bonds or to any obligations of the Agency's Retail System. See the caption "VALENCIA WATER COMPANY" below for a discussion of litigation involving the acquisition of the stock of VWC by the Agency.

On April 21, 2014, NCWD filed an action in the Los Angeles County Superior Court challenging the Agency's acquisition of VWC. At the request of the parties, the matter has been stayed for three months to March 17, 2016 to allow for settlement discussions. During the course of the settlement discussions, the negotiation of a potential merger of the Agency and NCWD arose. The discussions on the possible merger are preliminary in nature and the Agency can make sure assurance as to whether such merger will occur. The Agency does not expect that any merger with NCWD will have a material adverse effect on the ability of the Agency to pay the Series 2016A Installment Payments. See the caption "VALENCIA WATER COMPANY—Acquisition by the Agency" for more information with respect to the litigation between the Agency and NCWD.

The Agency Law and the 1986 Amendment

General. Under the Agency Law, the Agency is authorized to acquire water and water rights within the State; to develop, store and transport such water; and to provide, sell and deliver water for beneficial uses and purposes. The Agency Law also authorizes the Agency to exercise the power of eminent domain; to levy and collect taxes; to fix, revise and collect rates or other charges for the delivery of water, use of facilities or property or provisions for service; to borrow money, incur indebtedness and issue bonds; and to construct, operate and maintain works for the development of hydroelectric power for use by the Agency in the operation of its works. Such energy may be marketed only at wholesale to any public or private entity or to the State and federal governments.

1986 Amendment. The Agency Law was amended in 1986 by the enactment of Chapter 832, California Statutes of 1986 (the "1986 Amendment"), which enhanced the Agency's ability to provide for water use planning and the financing of additional water facilities for the Wholesale Service Area. Among the various provisions of the 1986 Amendment, the Agency Board was expanded to a total of 11 members, with appointed directors nominated by the Retail Purveyors and subject to approval by the Agency Board. See the caption "—Agency Organization and Management."

To further the Agency's capital improvement program, the 1986 Amendment also enabled and required the Agency to establish Water Service Areas (the "Water Service Areas") within the Wholesale Service Area for the purpose of providing a source of money for the Agency's capital budget. Under the 1986 Amendment, the funding and apportionment of the Agency's capital budget must be on the principle of benefit received by the lands and people within each Water Service Area. The Agency may set different rates, charges, fees, assessments and taxes in each Water Service Area to fund the needs of the Agency's capital program. The Agency may also levy property taxes, but only for payment of the Agency's State Water Project obligation or debt service on general obligation bonds. The 1986 Amendment also broadened the ability of the Agency to raise revenues to provide for water improvement projects.

Under the 1986 Amendment (Section 24.1 of the Agency Law), the Agency may annually fix on the basis of benefit a water standby charge (the "Standby Charge") within any Water Service Area to which Agency water is made available in an amount not to exceed \$40 per acre or parcel of less than an acre. However, the Agency does not currently levy a Standby Charge.

The 1986 Amendment (Section 26.1 of the Agency Law) also permitted the Agency to establish and impose a facility capacity fee (the "Facility Capacity Fee") for the right to make a new retail connection through a Retail Purveyor to the Water System. See the caption "THE WATER SYSTEM—Facility Capacity Fee."

The Wholesale Service Area

The Agency is located in the northwestern portion of the County, approximately 35 miles from downtown Los Angeles. The wholesale service Area of the Agency (the "Wholesale Service Area") has a population of

approximately 280,000, and covers an area of approximately 195 square miles. The majority of the Wholesale Service Area is located in the County, and includes the City of Santa Clarita (the “City”) and other nearby communities. Approximately 20 square miles of the Wholesale Service Area extend into unincorporated rural portions of Ventura County.

Agency Organization and Management

The Agency Board consists of a total of 11 members, of which two directors are nominated by the Retail Purveyors, subject to Agency Board approval, and the remaining nine are elected by the voting public for staggered four-year terms. The Wholesale Service Area is divided into three divisions for electoral purposes, with two directors elected by the voters of each division and three additional directors elected at-large by the voters of the Agency. The names of the current members of the Agency Board are set forth below, together with brief biographical information regarding each member.

**Table 3
CASTAIC LAKE WATER AGENCY
Board of Directors**

<i>Name/Office</i>	<i>Elected/ Appointed</i>	<i>Expiration of Term (January)</i>	<i>Occupation</i>
Thomas P. Campbell, President, Director at Large	Jan. 2001	Jan. 2019	Principal Engineer, Metropolitan Water District
William C. Cooper, Vice President, Director at Large	Jan. 1993	Jan. 2017	Retired Special Projects Manager – Water System Operations, Metropolitan Water District
B. J. Atkins, Director, Newhall County Water District	Jan. 2009	Jan. 2017	Business Owner
Edward A. Colley, Director, Division 1	Jan. 2003	Jan. 2019	Teacher
Robert J. DiPrimio, Director, Division 2	Jan. 2014	Jan. 2019	Vice President, San Gabriel Valley Water Company
E.G. “Jerry” Gladbach, Director, Division 2	Jan. 1985	Jan. 2017	Retired Engineer
Dean D. Efstathiou, Director, Los Angeles County Waterworks District No. 36	Nov. 1992	Jan. 2019	Retired Chief Deputy Director of Public Works, Los Angeles County
R. J. Kelly, Director, Division 1	April 2003	Jan. 2017	Business Owner
Gary Martin, Director at Large	Feb. 2013	Jan. 2019	Retired Engineer
Jacquelyn H. McMillan, Director, Division 3	Jan. 2003	Jan. 2019	Senior Governmental Affairs Representative, Metropolitan Water District
William Pecs, Director, Division 3	Dec. 1998	Jan. 2017	Retired

The daily operations of the Agency are administered by the General Manager, Matthew Stone, and other Agency staff.

Matthew Stone as appointed the General Manager in December 2015. Prior to joining the Agency, Mr. Stone served as General Manager to the Rancho California Water District in Temecula, California. Mr. Stone had also served as the Associate General Manager of the Municipal Water District of Orange County for eleven years and as the Principal Engineer of the Municipal Water District of Orange County for three years. In addition, Mr. Stone served for eight years with RBF Consulting where he worked on numerous projects of the District in various capacities including Project Engineer, Project Manager, and Director of Water Resources. Mr. Stone holds a Bachelor of Science in Civil Engineering from Santa Clara University, a Master of Public Administration from

the University of La Verne and a Master of Science in Environmental Engineering from Loyola Marymount University. Mr. Stone is a registered Civil Engineer within the State of California.

April Jacobs is the Secretary of the Agency and has served as Secretary to the Agency Board since August 2005. Ms. Jacobs has been employed by the Agency since January 2004. Prior to employment by the Agency, Ms. Jacobs was employed at VWC.

Valerie Pryor is the Administrative Services Manager for the Agency and serves as Chief Financial Officer and Treasurer. She has held this position since 2003. Ms. Pryor holds a Master of Arts in Urban Planning and a Bachelor of Arts in Geography from the University of California at Los Angeles as well as a post-graduate Diploma in Economics from Bristol University. Prior to working for the Agency, Ms. Pryor worked for the City of Los Angeles, as the head of Administrative Services for the Department of Transportation. She also worked for the City of Los Angeles City Administrative Officer, performing budget and policy analysis for a number of City of Los Angeles departments. She is a member of the California Municipal Treasurer's Association, the California Society of Municipal Finance Officers and the Government Finance Officers Association. She serves as an Alternate Director for the State Water Project Contractors Authority.

Carlos Corrales is the Controller of the Agency. Mr. Corrales holds a Master of Public Administration from California State University Northridge and a Bachelor in Accounting from Polytechnic University of the Philippines. Prior to working for the Agency, Mr. Corrales worked for the City of San Fernando, Los Angeles County Metropolitan Transportation Authority and The Salvation Army. He is a member of the California Society of Municipal Finance Officers, the Government Finance Officers Association and the Institute of Management Accountant.

Employee Relations; Retirement Benefits

As of December 31, 2015, the Agency had 138 employees, of which 57 were assigned to SCWD, and 10 were part-time employees. No Agency employees are represented by a labor union. The Agency has not experienced any strike or other labor actions.

Pension Plan. All qualified permanent and probationary employees are eligible to participate in the Agency's separate Miscellaneous Employee Pension Plans (the "Plans"), cost-sharing multi-employer defined benefit pension plans administered by the California Public Employees Retirement System (CalPERS). Benefit provisions under the Plan is established by State statute and Agency resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website or may be obtained from their executive office: 400 P Street, Sacramento, CA, 95814.

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

On September 12, 2012, the State Governor signed AB 340, which implements pension reform in the State. Effective January 1, 2013, AB 340, among other things: (i) requires public retirement systems and their participating employers to share equally with employees the normal cost rate for such retirement systems; (ii) prohibits employers from paying any portion of the required member contributions to such retirement systems for employees hired after January 1, 2013 who are new PERS members (those who were not already enrolled in a public retirement system through their previous employers or who moved between employers or public retirement systems with a 6 month break in service) ("New Members"); (iii) establishes a compulsory maximum non safety benefit formula of 2.5% at age 67; and (iv) defines final compensation as the highest average annual pensionable

compensation earned during a 36 month period. AB 340 closed the Agency's CalPERS 2% at 55 Risk Pool Retirement Plan to new employee entrants effective December 31, 2012. All employees hired after January 1, 2013 are eligible for the Agency's CalPERS 2.0% at 62 Retirement Plan.

The Plan groups are as follows:

- *Classic Members* - employees hired before January 1, 2013, are enrolled in the CalPERS Local Miscellaneous 2% at 55 Plan.
- *New Members* - in accordance with the PEPR, employees hired on or after January 1, 2013, are enrolled in the CalPERS Local Miscellaneous 2% at 62 Plan.

The Plan's provisions and benefits in effect at June 30, 2015, are summarized as follow:

	<i>Classic Members</i>	<i>New Members</i>
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years' service	5 years' service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50-55	52-62
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1% to 2.5%
Required employee contribution rates	7%	6.50%
Required employer contribution rates	12.33%	6.70%

Contributions. Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of change in the rate. Funding contributions for both Plans are determined annually on actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2015, the contributions recognized as part of pension expense were as follows:

	<i>Classic Members</i>	<i>New Members</i>	<i>Total</i>
Contributions - Employer	\$883,050	\$899	\$883,949

Pension Liabilities. As of June 30, 2015, the Agency reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	<i>Classic Members</i>	<i>New Members</i>	<i>Total</i>
Net pension liability	\$5,974,227	\$39	\$5,974,266

The Agency's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured at June 30, 2014, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014 using standard update procedures.

The following table shows the Agency's proportionate share of the risk pool collective net pension liability over the measurement period.

	<i>Classic Members</i>			<i>New Members</i>			<i>Total</i>
	<i>Plan Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Plan Net Pension Liability/(Asset)</i>	<i>Plan Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Plan Net Pension Liability/(Asset)</i>	
	<i>(a)</i>	<i>(b)</i>	<i>(c)=(a)-(b)</i>	<i>(a)</i>	<i>(b)</i>	<i>(c)=(a)-(b)</i>	
June 30, 2013	\$33,224,839	\$25,061,896	\$ 8,162,943	\$215	\$162	\$53	\$ 8,162,996
June 30, 2014	35,202,037	29,227,810	5,974,227	228	189	39	5,974,266
Increase/(Decrease)	1,977,198	4,165,914	(2,188,716)	13	27	(14)	(2,188,730)

The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The Agency's proportionate share of the pension liability of the Plan as of the actuarial valuation date of June 30, 2013 for the measurement date of June 30, 2014, was as follows:

	<i>Classic Members</i>	<i>New Members</i>
June 30, 2013 (Valuation Date)	100%	100%
June 30, 2014 (Measurement Date)	<u>100</u>	<u>100</u>
Increase/(Decrease)	0%	0%

Actuarial Assumptions. Plan contributions and liabilities were determined as part of the June 30, 2013 actuarial valuations using the following actuarial assumptions:

	<i>Classic Members</i>	<i>New Members</i>
Valuation date	June 30, 2013	June 30, 2013
Measurement date	June 30, 2014	June 30, 2014
Actuarial cost method	Entry-age normal cost method	
Actuarial assumptions:		
Discount rate	7.50%	7.50%
Inflation rate	2.75%	2.75%
Payroll growth	2.00%	2.00%
Projected salary increase (a)	Varies by entry age and service	
Investment rate of return (b)	7.50%	7.50%
Mortality	Derived using CalPERS Membership Data for all funds	

CalPERS reported significant investment losses in 2009 and has since reported investment gains for Fiscal Years 2011, 2012, 2013, 2014 and 2015 in excess of 20.7%, 1.0%, 12.5%, 18.4% and 2.4%, respectively. Future earnings performance may increase or decrease future contribution rates for plan participants, including the Agency. The Agency does not expect any future contribution increases to have a material adverse effect on the Agency's obligation to make the Series 2016A Installment Payments.

For additional information with respect to the Agency's pension plans, see Note 13 of the Agency's Comprehensive Annual Financial Report attached to the Official Statement as Appendix B.

Other Post-Employment Benefits. The Governmental Accounting Standards Board published Statement No. 45 ("GASB 45"), requiring governmental agencies that fund post-employment benefits on a pay-as-you-go basis, such as the Agency, to account for and report the outstanding obligations and commitments related to such post-employment benefits in essentially the same manner as for pensions.

The Agency offers post-employment healthcare benefits (medical and dental) ("OPEB") to qualified employees who retire from the Agency and meet the Agency's vesting requirements. The Agency participates in the CalPERS California Employer's Retiree Benefit Trust Program ("CERBT"), a prefunding plan trust fund. Beginning with the Fiscal Year ended June 30, 2009, the Agency partially pre-funded the CERBT plan and maintains reserves (and records a liability) for the difference between the funded amount and the actuarially determined Annual Required Contribution ("ARC") cost. In Fiscal Year 2015, the Agency contributed \$658,893

to the CERBT trust fund and \$363,378 in age adjusted contributions for current retiree OPEB premiums. As of June 30, 2015, there were 37 retirees and beneficiaries receiving benefits under the OPEB program.

The Agency engaged an actuarial consultant to calculate the Agency's post-employment benefits liability. Results of this study indicate that as of July 1, 2015, the total unfunded actuarial accrued liability ("UAAL") for the Agency's OPEB Program was \$7,540,000. The annual amount required to be paid to amortize this liability over 30 years and to accumulate an appropriate amount for current employers so that the UAAL does not increase the ARC is \$1,016,000. The Agency's net OPEB assets were \$2,253,909, \$4,120,734 and \$4,498,947 for Fiscal Years 2013, 2014 and 2015, respectively. The Agency's ARC was \$1,045,000, \$638,000 and \$631,795 for Fiscal Years 2013, 2014 and 2015, respectively. The Agency has budgeted to fully pre-fund the ARC in Fiscal Year 2016. Pre-funding moneys are deposited in the California Employers' Retiree Benefit Trust Fund through CalPERS. The Agency does not expect that any increased funding of post-employment benefits will have a material adverse effect on the ability of the Agency to make the Series 2016A Installment Payments.

For additional information with respect to the Agency's post-employment benefits, see Note 14 of the Agency's Comprehensive Annual Financial Report attached to the Official Statement as Appendix B.

Budget Process

The Agency staff provides the Agency Board with a budget including estimates of revenues and expenditures for operations for the upcoming Fiscal Year. The Agency Board conducts public meetings and makes such revisions as it deems desirable, and typically adopts a final budget by July 1 each year. In July of each year the Agency receives billing for the upcoming calendar year from DWR (for State Water Project water). On or about August 15 of each year, the Agency receives confirmation from the County and the County of Ventura regarding the Wholesale Service Area's current assessed values and the resulting expected tax levy.

The budget for Fiscal Year 2016 was approved on June 24, 2015 and [has not been amended since such date of approval]. See the caption "WATER SUPPLY—Sources of Supply—Groundwater Banking Programs."

Insurance

The Agency is a member of the Association of California Water Agencies Joint Powers Insurance Authority (the "JPIA"), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The JPIA arranges and administers programs of insurance for the pooling of self-insured losses, and purchases excess insurance coverage for its members. The JPIA began operations on October 1, 1979 and has continued without interruption since that time.

As of June 30, 2014, the Agency limits and deductibles for liability, property, and workers compensation programs of the JPIA are as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$1,000,000, combined single limit per occurrence. The JPIA purchased additional excess coverage layers of \$59,000,000 for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.
- Property losses are paid at the replacement cost for buildings, fixed equipment and personal property on file, if replaced within two years after the loss, otherwise such losses are paid on an actual cash value basis, subject to a \$5,000 deductible per loss, and actual cash value for mobile equipment, subject to a \$1,000 deductible per loss, and licensed vehicles, subject to a \$500 deductible per loss. The JPIA purchased excess coverage for a combined total of \$100,000,000 per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$100,000,000 per occurrence, subject to various deductibles depending on the type of equipment.

- Workers compensation insurance up to State statutory limits for all work-related injuries/illnesses covered by State law, and employer's liability coverage up to \$4,000,000. The JPIA is self-insured up to \$2,000,000 and excess coverage has been purchased.

In addition to the above, the Agency also has the following insurance coverage:

- Crime coverage up to \$1,000,000 per loss, including public employee dishonesty, including public officials who are required by law to give bonds for the faithful performance of their service, forgery or alteration and computer fraud, subject to a \$1,000 deductible.

For additional information with respect to the Agency's insurance coverage, see Note 15 of the Agency's Comprehensive Annual Financial Report attached to the Official Statement as Appendix B.

Outstanding Obligations

Senior Obligations. In connection with the execution and delivery of the 1999 Certificates, currently outstanding in the principal amount of \$59,845,672 (adjusted for the accreted value of capital appreciation certificates as of February 1, 2016), the Agency entered into the Installment Purchase Agreement, dated as of June 1, 1999 (the "1999 Installment Purchase Agreement"), by and between the Agency and the Castaic Lake Water Agency Financing Corporation (the "Corporation"), which is secured by Revenues of the Agency and payable from Net Revenues of the Agency on a basis prior to the Series 2016A Installment Payments. The Agency has covenanted in the Installment Purchase Agreement not to incur additional obligations payable from Net Revenues senior to the Series 2016A Installment Payments.

Parity Obligations. In connection with the execution and delivery of the Agency's Adjustable Rate Refunding Revenue Certificates of Participation, Series 2008A (the "2008A Certificates"), currently outstanding in an aggregate principal amount of \$27,975,000, the Agency entered into the Installment Purchase Agreement, dated as of February 1, 2008, by and between the Agency and the Corporation, which is secured by Revenues of the Agency and payable from Net Revenues of the Agency on a parity with the Series 2016A Installment Payments. The 2008A Certificates currently bear interest at a variable interest rate, reset weekly.

The Agency entered into an amended and restated interest rate swap transaction with Citibank in connection with the execution and delivery of the 2008A Certificates (the "Amended 2004B Swap Agreement"). In August 2014, the Agency exercised its right to terminate the Amended 2004B Swap Agreement at the notional amount thereof.

In connection with the execution and delivery of the 2008A Certificates, the Agency entered into a Reimbursement Agreement dated as of April 1, 2008 with Wells Fargo Bank, National Association, as amended by that First Amendment to Reimbursement Agreement dated as of March 1, 2013 (the "Wells Fargo Credit Facility Agreement"). The term of the Wells Fargo Credit Facility Agreement expires on May 6, 2016, unless extended in accordance with its terms. Certain payments under the Wells Fargo Credit Facility Agreement are payable from Net Revenues on a parity with the Series 2016A Installment Payments. The Agency approved the extension of the Wells Fargo Credit Facility Agreement on March 23, 2016 and currently expects the extension to be completed on _____, 2016.

In connection with the execution and delivery of the Agency's Refunding Revenue Certificates of Participation, Series 2010A (2001 Refunding Project) (the "2010A Certificates"), currently outstanding in an aggregate principal amount of \$57,055,000, the Agency entered into the Installment Purchase Agreement, dated as of May 1, 2006 (the "2010A Installment Purchase Agreement"), by and between the Agency and the Corporation, which is secured by Revenues of the Agency and payable from Net Revenues of the Agency on a parity with the Series 2016A Installment Payments.

In June 2014, the Agency issued its Refunding Revenue Bonds, Series 2014A pursuant to an Indenture of Trust dated as of March 1, 2014 (the "2014 Bonds"). The 2014 Bonds are currently outstanding in an aggregate

principal amount of \$14,050,000. Debt service payments on the 2014 Bonds are secured by Revenues of the Agency and are payable from Net Revenues of the Agency on a parity with the Series 2016A Installment Payments.

In connection with the execution and delivery of the Authority's Revenue Bonds, Series 2015A (the "2015A Bonds"), currently outstanding in an aggregate principal amount of \$63,525,000, the Agency entered into the Installment Purchase Agreement, dated as of November 1, 2011, by and between the Agency and the Authority, which is secured by Revenues of the Agency and payable from Net Revenues of the Agency on a parity with the Series 2016A Installment Payments.

The Agency may issue from time to time tax revenue anticipation notes to secure the Authority's Castaic Lake Water Agency Commercial Paper Notes (the "Commercial Paper Notes"). Tax revenue anticipation notes are a general obligation of the Agency payable from taxes, income, revenue, cash receipts and other moneys received by the Agency which are lawfully available for the payment of current expenses and other obligations of the Agency. Tax revenue anticipation notes issued by the Agency are additionally secured by Revenues of the Water System on a parity with the 2016 Bonds and other Contracts and Bonds. In connection with the Commercial Paper Program, the Agency entered into the dated as of December 9, 2011 with Citibank, N.A. (the "Citibank Letter of Credit Agreement"). Certain payments under the Citibank Letter of Credit Agreement are payable on a parity with the Series 2016A Installment Payments. The Citibank Letter of Credit expires on November 13, 2017, unless further extended in accordance with its terms.

The aggregate principal amount of commercial paper notes issued under the Commercial Paper Program that may be outstanding at any one time cannot exceed the lesser of: (a) \$50,000,000; (b) the principal amount of the currently outstanding tax and revenue anticipation notes; and (c) an amount which can be drawn under an irrevocable direct pay letter of credit to pay principal of the commercial paper notes, such as the Citibank Letter of Credit Agreement. On July 1, 2015, the Agency issued a tax and revenue anticipation note with a maturity date of October 1, 2016 in the principal amount of \$55,000,000 to replace the existing tax and revenue anticipation note. No Commercial Paper Notes are currently outstanding.

Future Obligations. The Agency currently expects to issue additional obligations payable from Net Revenues on a parity with the Series 2016A Installment Payments in Fiscal Years 2018, 2020 and 2023 (the "2018 Bonds," the "2020 Bonds" and the "2023 Bonds," respectively). The Agency expects to use the proceeds of the 2018 Bonds, the 2020 Bonds and the 2023 Bonds to finance the cost of capital improvements to the Agency's Water System. The estimated principal amounts of the 2018 Bonds, the 2020 Bonds and the 2023 Bonds are \$37,500,000 and \$53,500,000 and \$15,400,000 respectively. The 2018 Bonds, the 2020 Bonds or the 2023 Bonds may be issued earlier or later than the times currently projected or in amounts other than as currently projected. The timing and amounts of such issuance will depend on market conditions.

In addition, the Agency may incur additional obligations in connection with the California Eco Restore ("EcoRestore") Project and the California Water Fix, which are collaborative efforts between water agencies, environmental organizations and State and federal agencies to develop a comprehensive conservation plan for the Delta (as defined below). Payments on obligations incurred in connection with the EcoRestore and the California Water Fix are expected to be payable from ad valorem property taxes levied pursuant to the Agency Law and not from Revenues. See the caption "THE WATER SYSTEM—Future State Water Project Obligation."

Retail System Obligations. The Agency has executed and delivered the Retail Revenue System Certificates of Participation, Series 2010B (Santa Clarita Water Division) (the "2010B Certificates") pursuant to a Trust Agreement dated as of March 1, 2010 and an Installment Purchase Agreement dated as of March 1, 2010 (the "2010B Installment Purchase Agreement"). The obligation of the Agency to make installment payments under the 2010B Installment Purchase Agreement (the "2010B Installment Payments") in the currently outstanding principal amount of \$13,185,000 is secured by revenues of the Retail System operated by the Agency through the Retail Division and payable after payment of Retail System operation and maintenance costs. No Revenues of the Water System are pledged to payment of the 2010B Installment Payments.

The Upper Santa Clara Valley Joint Powers Authority issued its Refunding Revenue Bonds, Series 2011A (Santa Clarita Water Division) (the “2011A Bonds”) pursuant to an Indenture of Trust dated as of July 1, 2011 and an Installment Purchase Agreement dated as of July 1, 2011 (the “2011A Installment Purchase Agreement”). A portion of the proceeds of the 2011A Bonds were used to reimburse the Water System for the balance of the Interfund Loan relating to the acquisition of the Retail Division. The 2011A Bonds currently outstanding in the aggregate principal amount of \$45,525,000 are payable solely from revenues of the Retail System and payable after payment of Retail System operation and maintenance costs. No Revenues of the Water System are pledged to pay principal of and interest on the 2011A Bonds.

The 2010B Certificates and the 2011A Bonds shall be referred to herein as the “Retail System Obligations.”

Other Long-Term Obligations. On April 30, 1963, the Agency entered into a water supply contract with DWR for a water supply from the State Water Project (the “State Water Project Contract”), under which the Agency has agreed to make payments which include, among other charges, capital charges and operation and maintenance charges. Under the State Water Project Contract, in any year the Agency fails or is unable to raise sufficient funds by other means, the Agency is required to levy upon all property in the Agency not exempt from taxation a tax sufficient to provide for all payments thereunder then due or to become due within such year.

Although the State Water Project Contract was not required to be, and was not, submitted for approval by voters in the Agency, relevant case law (*Goodman v. County of Riverside*, 140 Cal. App. 3d 900, 190 Cal. Rptr. 7 (Cal. App. 4th Dist. (1983)) (the “Goodman Case”) has held that similar State Water Project contracts not approved by the voters are nevertheless deemed to be voter approved indebtedness for purposes of Article XIII A of the California Constitution (Proposition 13). The Goodman Case held that, when the voters approved the Burns-Porter Act in 1960 (which authorized the construction and financing of the State Water Project), they intended that the cost to finance construction, operation, maintenance and replacement of the State Water Project would be paid by local agencies through their water contracts, which in turn could be paid through local property taxes.

Based on current case law, the Agency has historically levied, and expects to continue to levy, property taxes to pay amounts due under the State Water Project Contract. The Agency has covenanted in the Installment Purchase Agreement to comply with the provision of the State Water Project Contract, which requires the levying of property taxes to the extent necessary.

The Agency, together with other State Water Project contractors, is negotiating an extension of the State Water Project Contract beyond its current expiration date of June 30, 2038. The Agency cannot predict if or when such extension may occur or what the exact terms and conditions such extension may include. The Agency has covenanted in the Installment Purchase Agreement that it will neither take nor omit to take any action under any contract, including the State Water Project Contract, if the effect of such act or failure to act would in any manner impair or adversely affect the ability of the Agency to make the Series 2016A Installment Payments. See the caption in Appendix C, “PARTICULAR COVENANTS—Compliance with Contracts.”

On May 22, 2007, the Agency entered into the BVWSD-RRBWS Acquisition Agreement for the acquisition of up to 11,000 acre-feet of water supply per year for a 30-year period. See the caption “WATER SUPPLY” for further discussion of this program.

WATER SUPPLY

Sources of Supply

Table A Amounts from the State Water Project. The Water System of the Agency is supplied with water from the State Water Project through DWR under the State Water Project Contract. On April 30, 1963, the Agency entered into an agreement with DWR which, as amended, provides for a contract Table A Amount. In

1991, the Agency added to the then-existing 41,500 acre-feet¹ per year of Table A Amount by acquiring a Table A Amount of 12,700 acre-feet per year when it purchased the water supply of the Devil's Den Water District. In March 1999, the Agency purchased an additional annual Table A Amount of 41,000 acre-feet per year from the Kern County Water Agency through its member unit, the Wheeler Ridge-Maricopa Water Storage District. The Agency's current annual State Water Project Table A Amount is 95,200 acre-feet. However, the Agency's current demand is less than this full contract Table A Amount.

The State Water Project Contract expires by its terms on June 30, 2038, but contains a provision granting the Agency the right to renew. DWR and the State Water Project contractors held a series of 23 public negotiating sessions between May 2013 and June 2014. Such negotiating sessions resulted in an "Agreement in Principle" to amend the existing State Water Project contracts to extend them through December 31, 2085 and to make certain changes relating to the billing process under such contracts. The Agency, other State Water Project contractors and DWR have signed the Agreement in Principle as a means to start the environmental review process required under the California Environmental Quality Act ("CEQA"). The Agreement in Principle does not represent a commitment by the Agency, other State Water Project contractors or DWR to extend the State Water Project contracts but to analyze the proposed extensions through the preparation of an environmental impact report under CEQA. The notice of preparation of the environmental impact report relating to the proposed extension was issued on September 12, 2014. The Agency currently expects to renew the State Water Project Contract on or prior to the end of the current term upon substantially similar financial terms, however, the Agency cannot predict if or when such extension may occur or what the exact terms and conditions such extension may include.

In general, DWR delivers State Water Project water from reservoirs in northern and central California via the California Aqueduct to water agencies throughout northern, central and southern California. Currently, water from the State Water Project's reservoirs flows into the Delta area at the confluence of the Sacramento and San Joaquin Rivers (the "Delta") and is pumped out of the Delta into the California Aqueduct for delivery to DWR's contracting agencies with Table A Amounts from the State Water Project. The State Water Project consists of 760 miles of canals and pipelines and total reservoir storage of 5.8 million acre-feet.

The total Table A Amounts of all agencies contracting with DWR is approximately 4.1 million acre-feet per year. The capital improvement program of the Agency includes projects designed to increase the reliability of the State Water Project's water deliveries.

The State Water Project is the subject of many studies and much discussion concerning its water supply delivery reliability. Primarily, the EcoRestore and the California Water Fix are collaborative efforts between water agencies, environmental organizations and State and federal agencies to develop a comprehensive conservation plan for the Delta. The EcoRestore and the California Water Fix are intended to be comprehensive solutions to protect fish species and create a sustainable water delivery system. See the caption "THE WATER SYSTEM—Future State Water Project Obligation" below for a discussion on the EcoRestore and the California Water Fix.

In addition, as a result of the Monterey Agreement (described below under the caption "—Monterey Agreement"), DWR produces a State Water Project Delivery Capability Report on a biennial basis. The first of these reports was published in 2003. In July 2015, DWR released the State Water Project Delivery Capability Report 2015 updating DWR's estimate of the existing (as of 2015) and future (Early Long-Term) water delivery reliability factors. The report shows that future State Water Project ("SWP") deliveries will be impacted by two significant factors. The first is significant restrictions on SWP and Central Valley Project (CVP) Delta pumping required by the biological opinions issued by the U.S. Fish and Wildlife Service (December 2008) and National Marine Fisheries Service (June 2009). The second is climate change, which the report concludes is altering the hydrologic conditions in the State. The overall reliability of State Water Project deliveries remain about the same as levels set forth in the reliability report released in 2013.

¹ An acre foot is the amount of water that would cover an acre of land to a depth of one foot, and equals 325,828 gallons.

State Water Project deliveries to the Agency have been impacted by litigation filed by various parties in 2007 and thereafter. See the caption “Litigation—Exports from the Delta” for a detailed discussion of such litigation.

Based on the 2010 Santa Clarita Valley Urban Water Management Plan and the State Water Project Delivery Capability Report 2015, the Agency believes there are likely to be sufficient water supplies available for pending and future residential and commercial developments within the Agency service area through 2050. However, there can be no assurance that such developments will not be revised in the future. See the caption “Litigation—Exports from the Delta” for a discussion of the impact of certain court rulings on Agency water supplies.

Monterey Agreement. In December 1994, the State Water Project contractors (including the Agency) and DWR reached an understanding known as the “Monterey Agreement.” The Monterey Agreement aimed to increase the reliability of existing water supplies and equalize the effect of water shortages on agricultural and urban users. Under the Monterey Agreement, water is delivered based upon contract Table A Amounts, and in years of water shortage, each participating water contractor will receive a prorated portion of its Table A Amounts. The Monterey Agreement has been substantially implemented since its execution via contract amendments between DWR and the State Water Project contractors in 1995 (the “Monterey Amendments”).

The Monterey Agreement provides opportunities for the Agency (through its contract with DWR) to increase its water supply, water management activities and future supply reliability.

In 1995, a lawsuit was filed by the Planning and Conservation League (and other plaintiffs) against DWR challenging the Monterey Agreement under CEQA. The trial court ruled in favor of DWR, and on September 15, 2000 the California Court of Appeal ruled in favor of the plaintiffs (*Planning and Conservation League v. Central Coast Water Authority and DWR*, No. C024576, 3d District, September 15, 2000). The Court of Appeal held that the Environmental Impact Report (the “EIR”) prepared in connection with the adoption of the Monterey Agreement was improperly prepared by the Central Coast Water Authority, as “lead agency” under CEQA, rather than by DWR, and that the EIR was insufficient in that it failed to discuss implementation of a “no project” alternative. The court concluded that a new EIR must be prepared and adopted. Finally, the Court of Appeal held that the trial court erroneously dismissed the plaintiffs’ challenge to DWR’s transfer of title to a water storage facility and execution of amended contracts under the Monterey Agreement.

The Court of Appeal remanded the case to the trial court to oversee DWR’s preparation of a new EIR and to consider whether the Monterey Amendments may continue to be implemented while the new EIR is being prepared. The Court of Appeal also reinstated a cause of action challenging the validity of the transfer of the Kern Water Bank to Kern County Water Agency. On October 25, 2000, DWR and Central Coast Water Authority filed a petition asking the California Supreme Court to review the appellate court decision. The California Supreme Court denied this petition on December 13, 2000.

After the Court of Appeal’s decision, DWR, the State Water Project contractors and the plaintiffs in the case entered into confidential mediation proceedings in the spring of 2001. Settlement was reached in the fall of 2002 and finalized, via execution of contract amendments, in May 2003. The Agency is a party to the settlement agreement. The settlement agreement has allowed implementation of the Monterey Amendments to continue as they have since 1995 while a new EIR was prepared.

DWR completed a final EIR and concluded the remedial CEQA review for the project on May 4, 2010. Following DWR’s completion of the EIR, three new lawsuits were filed challenging the project. Central Delta Water Agency, South Delta Water Agency, California Water Impact Network, California Sportfishing Protection Alliance, and the Center For Biological Diversity filed a lawsuit against DWR in Sacramento County Superior Court challenging the validity of the EIR under CEQA and the validity of underlying agreements under a reverse validation action (the “Central Delta I” case). These same plaintiffs filed a reverse validation lawsuit against the Kern County Water Agency in Kern County Superior Court (“Central Delta II”). This lawsuit targets a transfer of land from Kern County Water Agency to the Kern Water Bank, which was completed as part of the original

Monterey Amendments. The third lawsuit is an EIR challenge brought by Rosedale-Rio Bravo Water Storage District and Buena Vista Water Storage District (“Rosedale-Rio Bravo”) against DWR in Kern County Superior Court. The two Kern County cases have been transferred to Sacramento Superior Court and the three cases were consolidated for trial. On March 6, 2014, the Sacramento Superior Court held that the EIR did not comply with CEQA because it failed to sufficiently describe or consider the environmental impact of the Kern Water Bank’s future operations and limited its analysis to an unrepresentative historically wet period (1995-2004). The hearing on the remedies phase related to the analysis of the Kern Water Bank was held on September 5, 2014. The trial court issued a final ruling on October 2, 2014, requiring decertification of the entire Monterey Plus Amendment EIR (as opposed to partial certification), but cautioned that this does not require DWR to prepare an entirely new EIR and only the new EIR sections will be subject to challenge. Importantly, prior project approvals are to remain in place and the Kern Water Bank may continue to operate while DWR corrects the EIR. DWR must correct the deficiencies in the EIR by June 30, 2016.

The court entered the final judgment and signed the writ of mandate on November 24, 2014 and DWR filed an initial return to the writ on December 30, 2014. However, the petitioners also filed a notice of appeal on December 30, 2014. Roll International Corporation, Paramount Farming Company, LLC, and Westside Mutual Water Company, filed a cross-appeal appealing all those portions of the trial court’s judgment adverse to them concerning the first cause of action (CEQA cause of action), as well as all “judgments, orders, rulings, and findings” that were adverse to them in the remainder of the action (including discovery motions). The appeal process is not likely to be completed until 2017. Any impact of the outcome of this litigation on the Agency’s State Water Project supplies cannot be determined at this time.

Groundwater Banking Programs. The Agency currently has initiated four groundwater banking accounts in three separate programs. In January 2016 the Agency’s Stored Water Recovery Program within the Semitropic Water Storage District’s Groundwater Banking Program (The “Semitropic Banking Program” became operational. Under this agreement two short-term ten-year accounts containing 35,970 acre-feet were transferred into this new program. Under this agreement the Agency can store an additional 15,000 acre-feet. The term of the Semitropic Banking Program extends through 2035 with the option of a 10 year renewal. The Agency may withdraw up to 5,000 acre-feet annually from its accounts in the Semitropic Banking Program. The term of the Semitropic Banking Program extends through 2035 with the option of a 10-year renewal. In September 2005, the Agency initiated participation in the Rosedale-Rio Bravo Water Storage District Groundwater Banking Program (the “Rosedale-Rio Bravo Banking Program”). This program allows the storage of 20,000 acre-feet annually of the Agency’s State Water Project Table A Amount or other State Water Project supplies, and has a contract term through 2035, renewable according to the terms of the Agency’s water supply contract with DWR. As of January 1, 2016, the Agency had available 94,200 acre-feet stored in the Rosedale-Rio Bravo Banking Program. In 2015 the Agency exercised an option under the Rosedale-Rio Bravo Banking Program agreement to construct additional extraction wells and conveyance facilities that are anticipated to increase the reliable quantities that can be withdrawn by approximately 7,500 acre-feet annually. These facilities are anticipated to be completed in late 2016. In calendar year 2014 and 2015 the Agency withdrew approximately 2,800 and 3,000 acre-feet respectively from its Rosedale-Rio Bravo Banking Program account. In 2014 the Agency withdrew 4,950 acre-feet from one of its Semitropic short-term accounts.

In 2011, the Agency implemented a two-for-one exchange program with Rosedale-Rio Bravo Water Storage District pursuant to which the Agency recovers one acre-foot of water for each two acre-feet stored. This program has a maximum of 19,000 acre-feet, or 9,500 acre-feet of recoverable water. In 2011 and 2012, the Agency delivered water to the account such that after losses, 9,440 acre-feet of recoverable water is currently available. The Agency also implemented a two-for-one banking program with the West Kern Water District in Kern County and delivered 5,000 acre-feet in 2011, resulting in a recoverable total of 2,500 acre-feet. Both the total stored and total recoverable are the maximums under the exchange programs. In calendar year 2014, the Agency withdrew approximately 2,000 acre-feet from the West Kern Water District exchange program for use in the Agency’s service area leaving a balance of 500 acre-feet.

Recycled Water. Starting in September 2003, the Agency began adding recycled water to its supply. The Agency is currently serving about 450 acre-feet per year of recycled water. In future years, the Agency may be

capable of delivering as much as 17,000 acre-feet per year of recycled water, based on a report entitled "Reclaimed Water System Master Plan" dated September 1993 and a draft report entitled "Recycled Water Master Plan" dated May 2002, both prepared for the Agency by Kennedy/Jenks Consultants. The environmental impact report for the 2002 draft Recycled Water Master Plan was approved by the Agency Board in March 2007. The Agency is currently preparing an updated Recycled Water Master Plan which will be completed toward the end of 2016. The Agency plans to undertake the expansion of the recycled water program through multiple phases of capital improvements over a number of years. Concurrent with the preparation of the updated Recycled Water Master Plan the Agency is proceeding with several recycled water projects (Phase II projects). See the caption "THE WATER SYSTEM—Capital Improvement Plan" for further information with respect to Phase II of the Agency's recycled water program, most of which are expected to be completed by calendar year 2022.

Buena Vista and Rosedale-Rio Bravo Water Acquisition. On May 22, 2007, the Agency entered into a Purchase Agreement with Buena Vista Water Storage District and Rosedale-Rio Bravo Water Storage District to purchase up to 11,000 acre-feet of water per year for a 30-year period. This supply is from a program that provides for the capture, spreading, storage, recovery and export of water, including high-flow Kern River water which is a pre-1914 appropriative water right. The term of such Purchase Agreement is from January 1, 2007 through December 31, 2036. When the original term expires, the BVWSD-RRBWS Acquisition Agreement is anticipated to be extended to a date certain consistent with any extensions of the Agency's Water Supply Contract with DWR, although there can be no assurance of such extension or the terms of any such extension. Payments under the BVWSD-RRBWS Acquisition Agreement are expressly subordinate to the payment of the Series 2016A Installment Payments.

Other Water Supply Agreements. In 2009, the Agency entered into an agreement with DWR to participate in the Yuba Water Accord program (the "Yuba Water Accord"). This non-State Water Project water supply is available to the Agency in critically dry years as a result of DWR agreements with Yuba County Water Agency and the United States Bureau of Reclamation relating to settlement of water rights issues on the Lower Yuba River in northern California. Additional supplies may be available in wetter years. The quantity of water varies depending on hydrology, and the extent of participation by other State Water Project contractors. While the Agency may receive up to 850 acre-feet per year pursuant to the Yuba Water Accord, Fiscal Year 2016 operating plans assume that the Agency will not receive any water pursuant to the Yuba Water Accord

Newhall Land owns rights to approximately 1,600 acre-feet per year of Kern River water from the Nickel Ranch (the "Nickel Ranch Program"). The Agency currently expects that such water will be allocated to the Newhall Ranch project and will effectively offset demand for Agency water for that area in the future.

California Drought and Response

State Water Project Allocations. Hydrological conditions in California can vary widely from year to year. In 2013, much of California experienced one of the driest years on record and such dry conditions continued through 2014.

On January 31, 2014, DWR reduced the SWP contractors' 2014 Table A allocations percentage to zero. Under a zero percent allocation SWP contractors do not receive any of their Table A Amounts, with the exception of carryover amounts from 2013. On March 2, 2015, DWR increased the contractor's Table A allocations to 20 percent. The Agency's actual SWP Table A allocation for 2015 was approximately 11,075 acre-feet. Based on a January 26, 2016 announcement by DWR, the Agency's SWP contractors' Table A allocations for 2016 is currently 30 percent, which is approximately 28,560 acre-feet. The allocation for 2016 is subject to revision by DWR.

Governor's Executive Order. As a result of the ongoing drought, on January 17, 2014, the Governor Edmund G. Brown proclaimed a drought emergency. On April 1, 2015, Governor Brown issued an executive order (the "2015 Executive Order") mandating, among other provisions, a 25% reduction in potable urban water usage in California (as compared to potable water usage in 2013) through February 28, 2016. The 2015 Executive Order provides that the actual mandatory reduction required of each water supplier by the State Water Resources

Control Board (SWCRB) vary based on per capita water usage, with those areas with high per capita water usage being required to achieve proportionately higher reductions than those areas with lower per capita water usage.

On February 2, 2016, the reductions mandated by the 2015 Executive Order were extended through October 31, 2016. In connection with such extension, the general framework of the regulations implementing the 2015 Executive Order described below were left intact, however, urban water suppliers are now provided credits and adjustments based on climate and recognition of significant investments made to create local, drought-resilient sources of potable water.

On May 5, 2015, following a formal rulemaking process and public comment period, the SWRCB adopted an emergency regulation to implement the 2015 Executive Order. The regulation became effective immediately upon approval by the Office of Administrative Law on May 15, 2015, and will remain in effect for 270 days from such date. Under the regulation, 411 urban water providers in the State are classified into nine tiers and assigned a required conservation standard which is imposed on each tier. The tier classifications are based upon a water supplier's per capita water usage in the three month period from July to September 2014. The conservation standard applied to the tiers ranges from a 4% reduction in total potable water production (although no water providers were proposed to be classified in such tier absent the demonstration by a water provider of satisfaction of certain specified criteria) to a 36% reduction in total potable water production from 2013 levels. As adopted, the regulation requires areas with high per capita water usage to achieve proportionately greater reductions in water use than those with low use. The regulation provides that the 2,600 "small water suppliers" in the State that serve fewer than 3,000 customers or deliver less than 3,000 acre-feet of water annually are required to either achieve a 25% conservation standard or restrict outdoor irrigation to no more than two days per week. Commercial, industrial and institutional properties that are not served by a water supplier (or are self-supplied) are similarly required to either achieve a 25% conservation standard or restrict outdoor irrigation to no more than two days per week. Under the regulation, compliance by the 411 urban water suppliers will be assessed for the period of June 2015 through February 2016 as compared to water usage in the corresponding prior timespan of June 2013 through February 2014. In addition to the total monthly water production and specific reporting on residential use and enforcement action previously adopted by the SWRCB, the regulation adopted May 5, 2015 also includes new reporting requirements for urban water suppliers to include information on water use in the commercial, industrial and institutional sectors. In order to enforce compliance by water suppliers, the regulation authorizes the SWRCB to issue informational orders, conservation orders or cease and desist orders requiring additional specific actions by a water supplier that is not meeting its conservation standard. Failure to provide information requested pursuant to an informational order within the required timeframe would be subject to civil liability of up to \$500 per day for each day out of compliance. Water agencies that violate cease and desist orders may be subject to a civil liability of up to \$10,000 a day.

The 2015 Executive Order as implemented by the SWRCB does not require the Agency, as a wholesaler, to reduce wholesale water sales. Pursuant to the SWRCB regulations issued under the 2015 Executive Order, SCWD, NCWD and VWC are required to achieve a 32%, 28% and 24% reduction, respectively. Los Angeles County Waterworks District No. 36, as a small water supplier, is required to either achieve a 25% conservation standard or restrict outdoor irrigation to no more than two days per week. Through January 2016, the cumulative water reduction for SCWD, NCWD, VWC and Los Angeles County Waterworks District No. 36 was 29.4%, 27.3%, 30.4% and 27.0%, respectively.

While reductions in water usage resulting from implementation of the 2015 Executive Order may adversely affect the Agency's projected operating results set forth under the caption "WATER SYSTEM FINANCIAL INFORMATION—Revenues, Operation and Maintenance Costs and Coverage," the effect of any such reduction would likely be minimized by the current wholesale rate structure. The Agency does not currently believe that such reductions, if achieved by SCWD, VWC or the other Retail Purveyors, will have a material adverse effect on the Agency's ability to pay the Series 2016A Installment Payments which secure the 2016 Bonds. The Agency is obligated under the Installment Purchase Agreement to set rates and charges sufficient to provide Net Revenues equal to 120% of Debt Service due in each Fiscal Year as more particularly described under the caption "SECURITY FOR THE 2016 BONDS—Rate Covenant.

Agency Drought Response Actions and Impact. The Agency projects that it will be able to meet existing demands for imported water in Fiscal Years 2016 and 2017 even if dry conditions continue. In addition to water purchased pursuant to the BVWSD-RRBWS Acquisition Agreement, the Agency will meet imported water demands from previously unused SWP water and other supplies stored in SWP surface reservoirs, and the Agency's groundwater banking and exchange programs described above.

Water Supply Limitations

Factors beyond the control of the Agency could impair the ability of the Agency to supply water to its customers in an amount sufficient to yield Net Revenues sufficient to pay the Series 2016A Installment Payments when due. Such factors could include, without limitation, the following:

Weather Patterns. The Agency's existing sources of water could become limited due to changes in Statewide weather patterns caused by climate changes and other factors. The Santa Clarita Valley was not adversely affected during the Statewide drought from 1987 through 1992 nor the current drought that began in 2012 because the combination of State Water Project deliveries and banked water deliveries to the Agency and locally supplied groundwater were sufficient to meet demand. However, there can be no assurance that currently available water supplies would be sufficient to meet demand under current and future conditions in the event of long-term climate changes that could alter snowpack levels or precipitation patterns. In its most recent California Water Plan (Update 2013), DWR assessed the possible impacts of climate changes on the State's future water supplies and the State Water Project. The Agency, as a State Water Project contractor, will receive updated information from DWR on any impacts to its State Water Project allocations and will update its water supply planning accordingly.

Challenges to Department of Water Resources Water Supplies. DWR faces various challenges in continuing to supply imported water to its respective member agencies. The ability of the Agency to service the Retail Purveyors is significantly dependent upon its receipt of imported water from DWR. No assurance can be given that additional water supplies will be secured, or that the Agency will receive its full Table A Amount pursuant to its contract with DWR. A description of the challenges DWR faces in continuing to supply imported water as well as a variety of other operating information with respect to DWR is included in detail under the caption "STATE WATER PROJECT WATER SUPPLY" in DWR'S Official Statement dated August 25, 2015, relating to its Central Valley Project Water System Revenue Bonds Series AU (Index Floating Rate Bonds) ("DWR's Water Supply Disclosure"). The Agency incorporates DWR's Water Supply Disclosure by specific reference in this Official Statement. DWR's Water Supply Disclosure is the disclosure of DWR and, accordingly, the Agency does not make any representations as to the accuracy or completeness of DWR's Water Supply Disclosure or as to the absence of material adverse changes in DWR's Water Supply Disclosure after the date hereof. See the caption "—Projected Water Sources."

DWR has entered into certain continuing disclosure agreements pursuant to which it is contractually obligated for the benefit of owners of certain outstanding obligations to file with certain information repositories annual reports, notices of certain material events as defined under Rule 15c2-12 of the Exchange Act ("Rule 15c2-12") and annual audited financial statements (the "Department of Water Resources Information"). This information is to be filed by DWR with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>. DWR disclosure documents and annual reports should be reviewed for information pertaining to water supply matters. *DWR has not entered into any contractual commitment with the Agency, the Trustee or the Owners of the 2016 Bonds to provide Department of Water Resources Information to the Agency or the Owners of the 2016 Bonds. The Agency has not incorporated by reference the information filed by DWR described above and neither the Agency nor the Underwriter assume any responsibility for the accuracy of DWR Information.*

Water Quality Compliance

Water Treatment and Monitoring. The Agency, as the operator of facilities which treats water on behalf of public water systems for the purpose of rendering it safe for human consumption, is subject to the California

Safe Drinking Water Act and the Drinking Water Regulatory Program of the SWRCB's Division of Drinking Water in implementation of amendments to that act which were added in 1989 and 1996, as well as other state and federal statutes and regulations concerning water quality. To comply with the SWRCB Regulations for Primary and Secondary Drinking Water Standards outlined under the California Administrative Code Title 22, the Agency has a water quality laboratory at the Rio Vista Water Treatment Plant ("Rio Vista Plant"). This laboratory is fully accredited by the SWRCB. Continuous water quality monitoring and daily testing are performed at both treatment plants.

Agency facilities currently comply with all applicable State and federal regulations regarding both plant design and water quality standards.

Perchlorate Contamination in Certain Production Wells. In 1997, four production wells in the Saugus Formation were found to be contaminated with perchlorate (a chemical used in the manufacture of solid rocket propellants, munitions and fireworks). The Saugus Formation provides the Santa Clarita Valley with firming supplies of water during dry years, and all of the affected wells are owned by Retail Purveyors. Two additional production wells in the alluvial aquifer tested positive for perchlorate in 2002 and 2005. Three of the wells are owned by SCWD, two wells are owned by VWC, and the other well is owned by Newhall County Water District. All six wells were temporarily closed after the detection of perchlorate. VWC has since abandoned one impacted well and replaced it with a new well drilled in an uncontaminated portion of the Saugus Formation. In addition, VWC's Q-2 well was temporarily closed and outfitted with wellhead treatment in 2005, but was restored to service without wellhead treatment in 2007. The total production capacity of the three remaining closed wells is 7,200 gallons per minute, which represents about 10% of the total production capacity of the Retail Purveyors.

In late 2010, perchlorate was detected in VWC's V-201 well at levels above the maximum allowable amount and the well was taken out of service by VWC. Engineering and permitting efforts are underway by VWC to allow for installation of wellhead treatment at the V-201 well in order to return it to service in 2016. Low levels of perchlorate have also been detected in VWC's V-205 well and it has been taken out of service by VWC as a precautionary measure.

The Agency and the affected Retail Purveyors filed suit in November 2000 against the current and prior owners of the Whittaker-Bermite industrial site, a 996 acre site upon which a munitions manufacturing facility that is the suspected source of the perchlorate contamination was located, seeking restoration of the lost production capacity and other specified damages. The litigation was filed in federal court pursuant to the Comprehensive Environmental Response, Compensation & Liability Act of 1980 (42 USC Section 9601 et seq. or "CERCLA"). The defendants to the litigation served the Agency with counterclaims alleging that the Agency and the affected Retail Purveyors contributed to the migration of the perchlorate contamination from the manufacturing facility through the pumping of groundwater from the affected wells.

In May 2007, a comprehensive settlement was executed by the Agency, the Retail Purveyors, and the defendants (the "Perchlorate Contamination Settlement"), which involves estimated potential payment of up to \$100,000,000 by the defendants. Funds have been deposited in escrow which will be disbursed to the Agency and the Retail Purveyors to pay for the costs of restoration of wells and contamination removal. The cleanup program is now underway. The Agency has completed construction of the perchlorate treatment facility and related distribution system and the Agency Saugus 1 and 2 wells (two of the four wells that were shut down in 1997) returned to service in January 2011. The perchlorate treatment facility includes an ion exchange process located at the Rio Vista Intake Pump Station. The Perchlorate Contamination Settlement also provides funds to assist in the payment of operation and maintenance costs for such system for up to 30 years, which the agencies estimate to cost as much as \$50,000,000.

Approximately \$33,800,000 has been reimbursed to the agencies for past expenditures pursuant to the Perchlorate Contamination Settlement. Another \$5,000,000 to \$10,000,000 will be available to construct wells and pipelines to supply water that will replace capacity lost from contaminated wells. Approximately \$1,000,000 is reimbursed to the agencies annually for operations and maintenance costs related to activities related to restoration of wells and contamination removal. Amounts reimbursed to the Agency for such operations and

maintenance costs are treated as Revenues of the Water System. See the caption “WATER SYSTEM FINANCIAL INFORMATION – Historical Operating Results and Debt Service Coverage.” An additional \$10,000,000 is available to allow the agencies to immediately treat any additional wells that could become impacted by perchlorate contamination in the future. An escrow account established by the defendants and their insurers is the source of this “rapid response fund.”

The Perchlorate Contamination Settlement also calls for the agencies to seek grant funding, such as money made available by the Department of Defense or the State, to pay for monitoring, treatment, and other costs not covered by the agreement.

Wholesale Service Area Water Production

Table 4 below sets forth the sources of total water supply for the Retail Purveyors within the Wholesale Service Area, and includes both groundwater pumped from wells by the Retail Purveyors and State Water Project water acquired and treated by the Agency but does not include groundwater that is pumped directly by the region’s agricultural and certain private interests not served by the Retail Purveyors. The fluctuations in groundwater production and consumption of imported water supplied are the result of several factors, including shifts in water consumption patterns by the Retail Purveyors between groundwater and Agency-supplied water, including increased purchases by SCWD; population growth; dry or wet weather conditions locally and in Northern California; the temporary shutdown of certain production wells operated by the Retail Purveyors due to perchlorate contamination; and other factors. The Agency anticipates that future water production will be impacted by such factors, as in the past.

Table 4
CASTAIC LAKE WATER AGENCY
Historic Water Production
(Acre-feet)⁽¹⁾

<i>Calendar Years</i>	<i>Local Production⁽²⁾</i>	<i>Agency Supplied⁽³⁾</i>	<i>Agency Recycled Water</i>	<i>Agency Saugus 1&2 Wells</i>	<i>Total</i>	<i>Increase/ (Decrease)</i>
2015	27,114	24,773	456	2,961	55,304 ⁽⁴⁾	(18.88)%
2014	32,109	33,092	474	2,503	68,178 ⁽⁴⁾	(7.19)
2013	26,671	43,281	400	3,108	73,460	5.38
2012	30,770	35,558	428	2,956	69,712	7.57
2011	30,840	30,850	373	2,784	64,805	1.15

- ⁽¹⁾ Certain water production numbers set forth above reflect adjustments made subsequent to the relevant calendar year.
 - ⁽²⁾ Represents groundwater that could be supplied by the Retail Purveyors. Groundwater pumping by Retail Purveyors generates revenue for Retail Purveyors, but not for the Agency.
 - ⁽³⁾ Represents State Water Project water supplied to the Retail Purveyors by the Agency from DWR under the State Water Project Contract as well as water from the BVWSD-RRBWSD Acquisition Agreement and the Yuba Water Accord.
 - ⁽⁴⁾ Decrease in 2014 and 2015 is a result of conservation by water users in response to the current drought in California and increase in groundwater production by the Retail Purveyors. See “WATER SUPPLY – California Drought and Response.”
- Source: Agency; 2014 Santa Clarita Valley Water Report.

Projected Water Sources

The Agency has adopted the 2010 Urban Water Management Plan. Because of changing water supply conditions, the Agency has worked with the Retail Purveyors to update projected water supply and demand figures from those set forth in the 2010 Urban Water Management Plan. The table below sets forth the estimated potential sources of supply in calendar years 2020 and 2025 based on the 2010 Urban Water Management Plan and the 2014 Facility Capacity Fee Study, which contains information prepared to justify the Agency’s Facility Capacity Fees approved in Fiscal Year 2010. These figures reflect estimates assuming average weather

conditions, groundwater pumping by the Retail Purveyors and the Agency based on the groundwater operating plan, and the use of recycled water and other sources under development by the Agency.

**Table 5
CASTAIC LAKE WATER AGENCY
Projected Water Sources
(Acre-feet)**

<i>Calendar Year</i>	<i>Local Groundwater Production⁽¹⁾</i>	<i>Agency Supplied Imported Water⁽²⁾⁽³⁾</i>	<i>Agency Supplied Recycled Water⁽²⁾⁽⁴⁾</i>	<i>Total Anticipated Sources</i>	<i>Estimated Demand⁽⁵⁾</i>
2020	33,600	74,357	3,050	111,007	88,500
2025	34,600	74,057	5,550	114,207	96,900

⁽¹⁾ Represents groundwater provided by the Retail Purveyors.

⁽²⁾ Sources of revenue for the Agency.

⁽³⁾ Represents: (i) the amount of State Water Project water (57,900 acre-feet in 2020 and 57,600 in 2025) estimated to be available to the Agency as presented in the 2010 Urban Water Management Plan as revised by the most recent State Water Project Delivery Reliability Report from DWR for existing conditions; (ii) up to 11,000 acre-feet of water from the BVWSD-RRBWSA Acquisition Agreement; (iii) approximately 1,607 acre-feet of water from the Nickel Ranch Program; (iv) up to 850 acre-feet of water from the Yuba Water Accord; and (v) 3,000 acre-feet of water from Saugus 1 and 2 wells.

⁽⁴⁾ Reflects current recycled water use plus projected addition of the Vista Canyon project supply by 2020.

⁽⁵⁾ Calendar year 2020 estimated demand based on an increase of 2 percent per annum from calendar year 2016 demand. Calendar year 2025 demand is as provided in the 2010 Urban Water Management Plan.

Source: Agency.

The Agency is currently undertaking the development of a new urban water management plan which it expects to complete in calendar year 2016.

THE WATER SYSTEM

Water Conveyance and Treatment Facilities

The Agency owns and operates water conveyance pipelines and water treatment facilities to supply water delivered through the State Water Project to the Retail Purveyors within its boundaries. The California Aqueduct releases water to the Agency at the Castaic Lake Reservoir (the "Castaic Reservoir"). The Castaic Reservoir is a multiple use reservoir owned by DWR which serves as the terminal point of the west branch of the California Aqueduct.

The Agency's facilities are described below.

Intake Piping. The Earl Schmidt Filtration Plant receives water from a connection to the State Water Project's 60-inch diameter outlet conduit from the Castaic Reservoir. A 54-inch diameter conduit connects with the State's outlet conduit and eventually decreases in diameter to 42 inches before forming the header manifold for the Pump Station.

Earl Schmidt Intake Pump Station. The Earl Schmidt Intake Pump Station (the "Pump Station") is located near the shore of the afterbay below the Castaic Dam located at the southern end of Castaic Reservoir. The Pump Station consists of five 350 horsepower vertical turbine pumps each with a rating at 1.2 to 15.5 million gallons per day ("mgd") and two 350 horsepower vertical turbine pumps each with a rating of 14 mgd. The pumping units are used when the water level in the reservoir falls below the elevation necessary to permit gravity flow of water from the reservoir to the filtration plant. The Pump Station can deliver at least 56 mgd to the Earl Schmidt Filtration Plant.

Earl Schmidt Filtration Plant. The Earl Schmidt Filtration Plant (the “Schmidt Plant”), located at the southern end of the Castaic Reservoir, treats State Water Project water for domestic uses. The Schmidt Plant was completed in 1980 with an original capacity of 12.5 mgd and was expanded to a capacity of 25 mgd in 1988. In 2001, the Schmidt Plant was re-rated at 33.6 mgd. In 2005, the Schmidt Plant was expanded to 56 mgd. The treatment process includes ozonation, coagulation, contact clarification, and filtration through anthracite filters. Chloramination occurs after treatment. Wash water is recovered, treated and returned to the headworks. The Schmidt Plant also includes sludge drying facilities, an air-water filter backwash system, and facilities for chemical application of coagulants, disinfectants, pH control, and taste and odor control. Two steel tanks provide a total of ten million gallons of treated water storage.

Rio Vista Water Treatment Plant. The Rio Vista Water Treatment Plant (the “Rio Vista Plant”) is located in the City of Santa Clarita and treats water for domestic uses. Its current capacity is 66 mgd, but the site has sufficient area for a treatment plant with an ultimate capacity of 120 mgd. The treatment process technology includes ozonation, coagulation, contact clarification and filtration through anthracite filters. Chloramination occurs after treatment. Wash water is recovered and returned to the headworks. The Rio Vista Plant includes sludge drying facilities, an air-water filter backwash system, and facilities for chemical application of coagulants, disinfectants, pH control, and taste and odor control. Two clear well reservoirs provide a total of 30 million gallons of treated water storage.

The Rio Vista Plant site includes the seven-acre Water Conservatory Garden and Learning Center (the “Garden”), which informs and educates local water consumers on the source and treatment of their water supply, as well as means to conserve this precious resource. The Garden and other water education programs of the Agency have received numerous awards, honors and grants from the American Water Works Association, the Association of California Water Agencies, and the California Department of Education, among others.

Rio Vista Intake Pump Station. The Rio Vista Intake Pump Station pumps water from The Metropolitan Water District of Southern California (“MWD”) Foothill Feeder to the Rio Vista Water Treatment Plant.

Water Transmission Pipelines. The Castaic Conduit serves as the pipeline connection between the Schmidt Plant and the Rio Vista Plant. It also serves as the main pipeline for conveying treated water to the Retail Purveyors through a series of turnouts and laterals.

The portion of the Castaic Conduit between the State outlets works and the Pump Station has a nominal design capacity of 67 mgd. Southerly of the Schmidt Plant, the Castaic Conduit was designed with a nominal capacity of 50 mgd along the length of the 54-inch diameter pipeline, which extends approximately five miles southeast through the center of the Wholesale Service Area eventually transitioning to a 39-inch diameter pipeline with a design capacity of 27 mgd, where it connects with the Honby and Newhall Laterals which in turn provide water to the Retail Purveyors. Approximately two miles of 84-inch diameter pipeline with a nominal capacity of 124 mgd the Rio Vista Plant to the 39-inch diameter pipeline.

The Agency constructed the Newhall Parallel which connected to the treated water pipeline and provides additional water to the southern portion of Valencia. The Newhall Parallel begins as a 54-inch pipeline and reduces to a 24-inch pipeline. Additionally, the Agency has constructed three phases of the Magic Mountain Pipeline, a 42-inch pipeline that connects to the Newhall Parallel and will provide water to the western portion of the Service Area.

Sand Canyon System. In 2007 the Agency completed construction of the Sand Canyon Pipeline System which consists of a pump station, pipeline and reservoir to convey imported water from the end of the existing Honby Lateral to the southern Sand Canyon area. The reservoir also provides emergency storage. The Sand Canyon Pipeline is a 48-inch pipeline, approximately 5 miles in length that delivers water to retail purveyors through seven turnouts. The Sand Canyon Pump Station has a capacity of 30,000 gallons per minute. The Sand Canyon Reservoir can store up to 7,000,000 gallons of treated water.

The Agency delivers water to the Retail Purveyors through twenty-six turnouts.

Historic Water Sales and Wholesale Water Sales Revenues

The following table presents a summary of historic water sales of imported water from the Agency in acre-feet and wholesale water sales revenues received by the Agency.

Table 6
CASTAIC LAKE WATER AGENCY
Historic Water Sales By Agency
(Acre-feet)
and
Historic Wholesale Water Sales Revenues⁽¹⁾

<i>Fiscal Year</i>	<i>Water Sales</i>	<i>Increase/(Decrease)</i>	<i>Water Sales Revenues</i>	<i>Increase/(Decrease)</i>
2015	26,471	(35.13)% ⁽²⁾	\$16,336,483 ⁽⁶⁾⁽⁷⁾	(5.74)%
2014	40,806	8.91	17,325,234 ⁽⁶⁾⁽⁷⁾	(4.82)
2013	37,469	15.91 ⁽³⁾	18,203,490 ⁽⁵⁾⁽⁶⁾	20.61
2012	32,325	2.12 ⁽³⁾	15,260,161 ⁽⁴⁾⁽⁶⁾	13.63
2011	31,654	(8.64) ⁽⁴⁾	13,282,806 ⁽⁵⁾⁽⁶⁾	21.55

- ⁽¹⁾ Includes revenues from the sale of imported water and does not include sale of recycled water or groundwater.
- ⁽²⁾ Decrease attributable to mandatory conservation measures implemented by the Retail Purveyors.
- ⁽³⁾ Increase attributable to dry hydrological conditions in the Agency’s service territory.
- ⁽⁴⁾ Decrease attributable to wet hydrological conditions in the Agency’s service territory and general economic downturn.
- ⁽⁵⁾ Increases attributable to rate increases approved by the Agency.
- ⁽⁶⁾ Amounts do not include charge of \$20 per acre-foot designated for operating reserves. The Agency discontinued the \$20 per acre-foot charge when it adopted a new rate structure in February 2013, which went into effect on July 1, 2013. See the caption “—Water Rates and Charges” below for a discussion on the Agency’s current rate structure and certain litigation with respect thereto.
- ⁽⁷⁾ Decrease attributable to a new rate structure, which was adopted by the Agency Board in February 2013 and went into effect on July 1, 2013. See the caption “—Water Rates and Charges” below for a discussion on the Agency’s current rate structure and certain litigation with respect thereto.

Source: Agency.

Projected Water Sales and Wholesale Water Sales Revenues

The following table projects annual water sales of State Water Project and other imported water from the Agency and wholesale water sales revenues received by the Agency based on current demand and water sales estimates derived from the 2014 Facility Capacity Fee Study and the 2010 Urban Water Management Plan and reflects Fiscal Years 2015 water sales through 2019.

Table 7
CASTAIC LAKE WATER AGENCY
Projected Water Sales By Agency
(Acre-feet)

<i>Fiscal Year</i>	<i>Water Sales</i>	<i>Increase/ (Decrease)</i>	<i>Wholesale Water Sales Revenues⁽¹⁾</i>	<i>Increase/ (Decrease)</i>
2016 ⁽²⁾⁽³⁾	23,800	(10.09)%	\$16,790,300	2.78%
2017 ⁽⁴⁾	24,228	1.80	19,103,700	13.79
2018 ⁽⁴⁾	24,665	1.80	20,349,900	6.52
2019 ⁽⁴⁾	25,108	1.80	21,754,660	6.90
2020 ⁽⁴⁾	25,560	1.80	23,533,362	8.23

⁽¹⁾ Projected wholesale water sales revenues reflect the rates adopted by the Agency Board in February 2016 as described under the caption “—Water Rates and Charges” below and does not include sale of recycled water or groundwater.

⁽²⁾ Reflects unaudited actual Fiscal Year 2016 amounts through January 31, 2016 and five months of projected amounts.

⁽³⁾ Reflects a projected reduction of Agency water sales from Fiscal Year 2015 levels due to mandatory conservation measures and changes in Retail Purveyor operations in response to the current drought.

⁽⁴⁾ Projected increase in Wholesale Water Sales Revenues in Fiscal Year 2017 due to projected increase in wholesale water fixed rate charges of 9% effective April 1, 2016, 9% effective January 1, 2017 and 6% effective January 1, 2018. Projected increase in Water Sales and Water Sales Revenues thereafter reflect projected Retail Purveyor demand derived from the 2010 Urban Water Management Plan. See the caption “—Water Rates and Charges” below for a discussion on the Agency’s wholesale rate structure and certain litigation with respect thereto.

Source: Agency.

Water Rates and Charges

Wholesale rates and charges are charged to the Retail Purveyors to pay for the capital expenditures and Operation and Maintenance Costs of the Agency are set on an annual basis by action of the Agency Board. Such wholesale rates and charges are not subject to the approval of the voters or other governmental entities. See the Official Statement under the caption “CONSTITUTIONAL PROVISIONS.”

On February 24, 2016, the Agency Board adopted a rate structure effective April 1, 2016 for calendar years 2016, 2017 and 2018 that is designed to recover operating costs. The new rate structure includes both fixed and variable components as follows: (i) a general benefit fixed charge designed to recover 80 percent of the general fixed costs of the Agency that is determined on the basis of a three-year rolling average of the total water demand of each Retail Purveyor; (ii) an imported demand fixed charge designed to recover 80 percent of the fixed costs of the Agency directly related to supply and delivery of water that is determined on the basis of a ten-year rolling average of the imported water demand of each Retail Purveyor; and (iii) a variable charge that is based on a per acre-foot charge for the treatment and distribution of imported water within the Agency’s service area and also 20 percent of the fixed costs incurred by the Agency. There can be no assurance, however, that the Agency Board will not alter such rates and rate structures prior to their effective date.

In 2013, a lawsuit naming the Agency was filed in Los Angeles County Superior Court by NCWD, one of the Retail Purveyors. In addition to the Agency, the lawsuit named as defendants Los Angeles County Waterworks District No. 36, VWC and SCWD. The lawsuit seeks to invalidate the wholesale water rates approved by the Agency on February 27, 2013 and effective on July 1, 2013. On July 10, 2014, the Superior Court held that such water rates were a “tax” under Proposition 26 and were not approved in accordance with the procedural requirements under Proposition 218. See the Official Statement under the caption “CONSTITUTIONAL PROVISIONS.” The Agency filed an appeal on July 30, 2014 and on January 19, 2016, the Court of Appeal upheld the trial court’s ruling in favor of NCWD. The Agency does not expect to appeal the Court of Appeal’s decision to the California Supreme Court.

[UPDATE ON WHOLESALE RATE SETTING]

The Retail Purveyors are billed on a monthly basis and must remit payment to the Agency within 30 days of billing to remain eligible to receive future water deliveries.

In recent years several initiative measures have been proposed or adopted which affect the ability of local governments to increase taxes and rates. There is no assurance that the electorate or the State legislature will not at some future time approve additional limitations that could affect the ability of the Agency to implement rate increases, which could reduce Net Revenues and adversely affect the security for the Series 2016A Installment Payments. See the Official Statement under the caption "CONSTITUTIONAL PROVISIONS."

Agency Revenue Derived from Property Taxes

The County levies a 1% property tax on behalf of all taxing agencies in the County, including the Agency. The Agency's receipt of such property tax revenues is in addition to the Agency's levy of property taxes upon all property in the Agency not exempt from taxation to pay amounts due under the State Water Project Contract. See the caption "THE CASTAIC LAKE WATER AGENCY—Outstanding Obligations—Other Long-Term Obligations." All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, nonprofit hospitals and charitable institutions.

The taxes collected are allocated to taxing agencies within the County, including the Agency, on the basis of a formula established by State law enacted in 1979 and modified from time to time. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (due to new construction, change of ownership, or a 2% inflation allowance allowed under Article XIII A of the State Constitution) prorated among the jurisdictions which serve the tax rate area within which the growth occurs. Tax rate areas are groups of parcels which are taxed by the same taxing entities. Cities, counties, special districts and school districts share the growth of "base" revenues from each tax rate area. Assessed valuation growth is cumulative, i.e., each year's growth in property value becomes part of each agency's allocation in the following year.

California law exempts \$7,000 of the assessed valuation of an owner-occupied dwelling but this exemption does not result in any loss of revenue to local agencies since an amount equivalent to the taxes which would have been payable on such exempt values is made up by the State.

Under Assembly Bill 454 (Statutes of 1987, Chapter 921) ("AB 454"), the State reports to each county auditor-controller only the county-wide unitary taxable value of State-assessed utility property, without an indication of the distribution of the value among tax rate areas. The provisions of AB 454 apply to all State-assessed property except railroads and non-unitary properties, and do not constitute an elimination of a revision of the method of assessing utilities by the State Board of Equalization. AB 454 allows generally valuation growth or decline of State-assessed unitary property to be shared by all jurisdictions within a county.

From time to time legislation has been considered as part of the State budget to shift property tax revenues from special districts to school districts or other governmental entities. While legislation enacted in connection with the 1992-93 State budget shifted approximately 35% of many special districts' shares of the countywide 1% *ad valorem* property tax, the share of the countywide 1% *ad valorem* property tax pledged to debt service by special districts, such as the Agency, was exempted. The 2004-05 State budget reallocated additional portions of the special districts' shares of the countywide 1% *ad valorem* property tax shifting a portion of the property tax revenues collected by the County from special districts to school districts. As a result of the 2004-05 State budget, the Agency lost approximately \$14.2 million of property tax revenues, cumulatively, over Fiscal Years 2005 and 2006. Pursuant to the State fiscal year 2005 budget, such property tax revenues reverted to the Agency in Fiscal Year 2007.

On November 2, 2004, California voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State may not, among other things: (i) shift property taxes from local governments to schools or community

colleges; or (ii) change how 1% *ad valorem* property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature. Beginning in Fiscal Year 2010, the State is allowed to shift to schools and community colleges a limited amount of local government property tax revenues if certain conditions are met, including: (a) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State; and (b) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Given the magnitude of the State’s projected budgetary deficit, it is possible that the Governor may propose legislation to shift additional local property tax revenue, including tax revenue of the Agency, in the event of a severe financial hardship.

On July 28, 2009, the Governor of the State signed a revised State fiscal year 2010 budget which included a shift of approximately 8% of the 1% *ad valorem* property tax revenues (other than unitary taxes) from certain local agencies, including the Agency, to school districts and other governmental agencies. The Agency participated in the State of California Proposition 1A Receivables Program to securitize its receivable from the State, and as a result received the funds shifted, without interest, in two installment payments in 2010 from the California Statewide Communities Development Authority (“CSCDA”). Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

There can be no assurance that the property tax revenues the Agency currently expects to receive will not be further reduced pursuant to State legislation enacted in the future. If the property tax formula is permanently changed in the future it could have a material adverse effect on the receipt of property tax revenue by the Agency. The Agency currently expects that existing reserves and the statutory authority to raise water rates may offset future property tax revenue losses. 1% *ad valorem* property tax revenues constitute Revenues pledged to payment of the Series 2016A Installment Payments. See the Official Statement under the caption “SECURITY FOR THE 2016 BONDS—Revenue Pledge” and Appendix C—“DEFINITIONS AND SUMMARY OF THE INDENTURE” under the caption “Definitions—Revenues.”

The table below sets forth the total amount of Revenues received by the Agency from the Agency’s share of the 1% *ad valorem* property taxes levied in the County and Ventura County.

**Table 8
CASTAIC LAKE WATER AGENCY
Agency Share of 1% Property Tax Levy**

<i>Fiscal Year</i>	<i>Agency Share of 1% Levy</i>	<i>Increase/ (Decrease)</i>
2015	\$ 21,618,468	8.10%
2014	19,998,202	2.63
2013	19,485,514	(0.13)
2012	19,511,363	(1.36)
2011	19,780,599	(0.16)

Source: Agency.

Further information with respect to assessed valuations in the County and Ventura County and the Agency’s share of 1% *ad valorem* property taxes is set forth on pages 76-79 of the Agency’s Fiscal Year 2015 Comprehensive Annual Financial Report attached hereto as Appendix B.

Service Area Growth and Development Entitlements

Based on current development activity, the Agency currently expects moderate growth within its Wholesale Service Area in the current and next few Fiscal Years. The Agency’s capital improvement program is

based on projected water demands at final build-out of the Agency's service area. Although it is uncertain when specific development(s) will occur, for purposes of planning the Agency has assumed all of these developments will occur over the next 35 years.

As reported in the Agency's 2010 Urban Water Management Plan, each of the four Retail Purveyors provided projected water demands through the year 2050 based on development projects that are under evaluation, are in the planning process, or the result of their own water planning efforts within their service area. The total projected water demand by the four retail Purveyors (which excludes groundwater pumping by individuals and local agriculture) within the Agency's service area is estimated to increase from 88,500 acre-feet in 2020 to 138,968 acre-feet in 2050, representing an average annual increase of 1.8%. These projections were compared with population projections prepared by the City and County and were found to be reasonable and consistent with long term planning assumptions for the Agency's service area. The timing of future development is dependent on a number of factors, including but not limited to litigation, general economic conditions and real estate market conditions.

Proposed real estate development within the Wholesale Service Area is contingent upon the construction and acquisition of a number of public improvements. The installation of the necessary infrastructure improvements and the construction of residential development is subject to the receipt of discretionary approvals and entitlements from a number of public agencies, and has in some cases been the subject of litigation brought by opponents to such development. The failure to obtain any necessary approvals could adversely affect the planned land development within the Wholesale Service Area.

In addition, there can be no assurance that land development operations within the Wholesale Service Area will not be adversely affected by adverse economic conditions, a decline in real estate value or future government policies, including governmental policies to restrict or control development. In recent years, a number of communities in Southern California, including the City, have placed on the ballot initiative measures intended to control the rate of future growth. See the caption "OTHER RETAIL PURVEYORS—Litigation and Administrative Actions."

Facility Capacity Fees

The 1986 Amendment to the Agency Law authorized the Agency to implement Facility Capacity Fees for each new retail connection to the Retail Purveyors' water systems, which the Agency began imposing on October 1, 1987. The actual amount of Facility Capacity Fee charged varies depending on the Agency's projected cost to provide water to a given Water Service Area in which the subject property is located. The Facility Capacity Fee is based upon the cost to treat and transmit one acre foot of water per year to the Water Service Area.

Facility Capacity Fees are paid to the Agency directly by developers or property owners within the Wholesale Service Area shortly before the issuance of a building permit by the County or the City. If a connection is not ultimately made to the property that is the subject of the permit, the Facility Capacity Fees are refunded. Although the City and County direct building permit applicants to the Agency for the payment of the Facility Capacity Fees, there is no formal contractual arrangement between the Agency and the County or the City. The Agency monitors the issuance of building permits by the County and City to determine whether Facility Capacity Fees have been paid.

Certain amendments to the Agency Law in 1989 authorized the Agency to secure the payment of delinquent and unpaid Facility Capacity Fees by filing with the County recorder a certificate specifying the amount of the unpaid fees and the name and address of the person responsible for those fees. Facility Capacity Fees were updated in 2010 with the preparation and adoption of a 2014 Facility Capacity Fee Study (formerly called the Data Document).

The following table sets forth the Agency's income from Facility Capacity Fees for all Water Service Areas for Fiscal Years 2010 through 2014. The current Facility Capacity Fees went into effect on January 1, 2012.

Facility Capacity Fees charged in the Agency's 10 Water Service Areas range from \$10,803 per acre-foot to \$19,367 per acre-foot depending on the Agency's Water Service Area.

Table 9
CASTAIC LAKE WATER AGENCY
Total Facility Capacity Fee Income
(Fiscal Years ending June 30)

<i>Fiscal Year</i>	<i>Facility Capacity Fee Income</i>
2015	\$8,193,540
2014	8,695,534
2013	7,914,110
2012	5,986,620
2011	3,220,225

Source: Agency

The following table summarizes the Agency's projected Facility Capacity Fee income for the current and next four Fiscal Years. The Fiscal Year 2016 figure reflects the Agency's current estimate of Facility Capacity Fees to be collected in 2016. Facility Capacity Fee projections for subsequent years are based on the projected average annual amount of Facility Capacity Fees through Fiscal Year 2050 that will generate the amount of Facility Capacity Fee revenues set forth in the 2014 Facility Capacity Fee Study. Such projections assume an increase in development activity within the Agency beginning in Fiscal Year 2017. Failure of development activity to increase as projected would have a material adverse impact upon collection of Facility Capacity Fees. The Agency does not believe that lower than currently projected development activity would have a material adverse impact on the ability of the Agency to pay the Series 2016A Installment Payments given the Agency's other sources of Revenues.

Table 10
CASTAIC LAKE WATER AGENCY
Projected Facility Capacity Fee Income
(Fiscal Years ending June 30)

<i>Fiscal Year</i>	<i>Projected Facility Capacity Fee Income</i>
2016 ⁽¹⁾	\$8,500,000
2017	9,100,000
2018	12,748,800
2019	13,969,900
2020	12,752,600

⁽¹⁾ [Reflects unaudited actual Fiscal Year 2016 amounts through January 31, 2016 and five months of projected amounts.]

Source: Agency.

Capital Improvement Program

The Agency's engineering staff, in conjunction with a financial consultant, annually updates the Agency's projections of future water demand and capital improvement projects. Such evaluation has identified several near-term projects that are necessary to serve the needs of the Retail Purveyors. These projects will extend the Agency's water transmission system, expand its recycled water system, expand its water treatment capacity, provide improved reliability to its State Water Project supply, develop groundwater supplies within or outside the Wholesale Service Area of the Agency, and replace the groundwater extraction capacity lost due to perchlorate contamination. The Agency's engineering staff has identified projects which may be undertaken over the next eight Fiscal Years with total estimated costs (in Fiscal Year 2016 dollars) of approximately \$151,000,000. See

the Official Statement under the caption “THE FINANCING PLAN—The Project” for a description of the improvements to be financed by a portion of the proceeds of the 2016 Bonds.

The Agency anticipates financing the cost of these capital improvement from Agency revenues and existing reserves, proceeds of commercial paper notes issued under the Commercial Paper Program, State or federal loans and grants, cost recovery from the parties liable for the perchlorate contamination of groundwater as well as future financings. The actual timing of these expenditures will depend upon development activity within the Agency, increases in 1% ad valorem property tax revenues available to the Agency and other factors. The Agency is currently projecting additional financings contributing approximately \$96,000,000 (in Fiscal Year 2016 dollars) toward the costs of these projects. For planning purposes the Agency is projecting that such financings will be undertaken in Fiscal Years 2018, 2020 and 2023. There can be no assurance that such financings will be undertaken in the amounts or at the times currently projected.

Projects undertaken by the Agency, including those undertaken in the capital improvement program of the Agency, are generally subject to the CEQA. Projects involving the participation of certain federal agencies are also subject to the National Environmental Policy Act of 1969, as amended (42 U.S.C. Section 4321) (“NEPA”). As part of its regular planning and budgetary process, the Agency gives careful attention to environmental considerations.

Under CEQA, a project which may have a significant effect on the environment and which is to be carried out or approved by a public agency must comply with a comprehensive environmental review process, including the preparation of an environmental impact report. An EIR includes an independent technical analysis of the project’s potential impacts, as well as the comments of other agencies with jurisdiction over the project and the comments of interested members of the public. If the agency determines that the project itself will not have a significant effect on the environment, it may adopt a written statement (called a negative declaration) to that effect, and it need not prepare an EIR. Once an agency approves or determines to carry out a project, either following the EIR process or after adopting a negative declaration, it must file a written notice of such determination with the county clerk or, if State approval is required, the Office of Planning and Research. Any action or proceeding challenging the agency’s determination must be brought within 30 days following the posting of such notice.

Future State Water Project Obligation

On July 25, 2012, Governor Jerry Brown and Secretary of the Interior Ken Salazar announced key proposed elements to advance the Bay Delta Conservation Plan (“BDCP”) planning process, including north Bay-Delta water diversion facilities with a total capacity of 9,000 cubic-feet per second (“cfs”), two tunnels sized to minimize energy use during operations and a “decision tree” process for unresolved operation criteria such as fall and spring outflows. The Draft BDCP and associated Draft Environmental Impact Report/Environmental Impact Statement (“EIR/EIS”) were completed on December 13, 2013.

The DHCCP and the BDCP are programs consisting of joint efforts by agencies of the federal government and the State and local agencies to fund and plan habitat conservation and water supply activities in the Delta, including certain water conveyance options with respect to certain water conservation and conveyance facilities (the “Isolated Facilities”). In spring 2015, DWR announced that BDCP would move from a Section 10 permit to a Section 7 permit process under the Federal Endangered Species Act. As a practical matter, this split the project into two distinct parts known as California Water Fix (Alternative 4A), the conveyance portion, and EcoRestore, the restoration portion. California Water Fix is Alternative 4A in the recirculated environmental document, and the preferred alternative

Pursuant to a Memorandum of Agreement Regarding Collaboration on the Planning, Preliminary Design and Environmental Compliance for the Delta Habitat Conservation and Conveyance Program in Connection with the Development of the Bay Delta Conservation Plan, dated December 10, 2008 (the “MOA”), the San Luis and Delta-Mendota Water Authority (“SLDMWA”), the DWR, the United States Bureau of Reclamation, the Santa Clara Valley Water District (a member of the SLDMWA), the State Water Project Contractors Authority (the

“SWPCA”), MWD and the Kern County Water Agency (each a member of the SWPCA), and Westlands Water District (a member of SLDMWA), have agreed to undertake certain planning, preliminary design and environmental compliance activities referred to as the DHCCP and the BDCP with respect to the Isolated Facility. Based on current estimates contained in the BDCP, the design, engineering and other pre-construction costs and the cost of construction of the Isolated Facility by DWR is approximately \$15.7 billion (in 2014 dollars).

Pursuant to the MOA, 50% of the DHCCP and BDCP planning, preliminary design, and environmental compliance (the “Planning Phase”) costs were allocated to SLDMWA, with the remaining 50% of such costs being allocated to DWR (the “State Share”). DWR’s current estimate of the DHCCP Planning Phase costs through the currently expected issuance of a record of determination in Fiscal Year 2016 is approximately \$240,000,000. To assist DWR in funding the State Share of the Planning Phase costs, the Agency and certain other State Water Project contractors entered into certain agreements (the “Supplemental Funding Agreements”) with DWR to fund on a pay-as-you-go basis, the State Share. The Agency contributed approximately \$1,300,000 as its share of the State Share toward the Planning Phase costs.

DWR, State Water Project contractors and the SLDMWA are currently considering how to finance the next phase of the California Water Fix which involves the cost of design, engineering and certain other pre-construction costs (“Pre-Construction Phase”). The cost of the Pre-Construction Phase is estimated to be \$1,200,000,000, with 50% of such costs expected to be allocated to DWR pursuant to the MOA. In connection therewith, the Agency is currently considering entering into an amendment to the Supplemental Funding Agreement to a pay a portion of DWR’s share of the Pre-Construction Phase. If all State Water Project contractors who executed a Supplemental Funding Agreement enter into an amendment to participate in the Pre-Construction Phase, the Agency’s share of the Pre-Construction Phase costs would be approximately \$15,000,000. As the Pre-Construction Phase is expected to be financed, the Agency does not anticipate any pay-as-you-go contributions or contributions toward debt service for the Pre-Construction Phase in the next three Fiscal Years.

There can be no assurance that the Pre-Construction Phase will be undertaken. In the event the Pre-Construction Phase is undertaken, there can no assurance that the Agency will enter into an amendment to the Supplemental Funding Agreement. If the Agency enters into an amendment, the Agency’s share of the Pre-Construction Phase costs will depend on the participation of other State Water Project contractors.

Pursuant to the Supplemental Funding Agreement, the Agency’s pay-as-you-go contribution already paid under the Supplemental Funding Agreement is expected to be refunded if and when DWR issues revenue bonds for construction of the Isolated Facility. Until such date, the Agency expects to pay its share of the costs to finance Pre-Construction Phase costs through the levy of ad valorem taxes pursuant to the Agency Law.

Design and construction of the Isolated Facility is anticipate to take 16 years, if commenced in [2016] as currently projected, would not be completed until at least [2032]. There can be no assurance that projected costs of the Isolated Facility referred to above will not increase as a result of revisions to the project, increases in construction or other costs related thereto or otherwise, including the final allocation of costs among the parties. Any changes could be material. In addition, there can be no assurance that the Isolated Facility, if undertaken, would be completed within the timeframe currently projected. Any such delay in completion could be material. Any costs incurred by the Agency with respect to the Isolated Facility from *ad valorem* property taxes levied pursuant to the Agency Law and not from Revenues. See the caption “THE CASTAIC LAKE WATER AGENCY—Outstanding Obligations—Other Long-Term Obligations.”

WATER SYSTEM FINANCIAL INFORMATION

Historical Financial Operations

A copy of the most recent audited financial statements of the Agency prepared by Charles Z. Fedak & Company, Cypress, California (the “Auditor”) are included as Appendix B. The Agency’s contract with the Auditor does not require consent of the Auditor for the use of the financial statements in this Official Statement. The Auditor’s letter concludes that the Agency’s financial statements present fairly, in all material respects, the

respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Agency as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. The Auditor has not reviewed this Official Statement.

Historical Operating Results and Debt Service Coverage

The table below is a summary of the operating results of the Water System for the last five Fiscal Years. These results have been derived from the audited financial statements of the Agency but exclude certain noncash items and include certain other adjustments.

The Agency accounts for moneys received and expenses paid in accordance with generally accepted accounting principles applicable to governmental agencies such as the Agency (“GAAP”). In certain cases GAAP requires or permits moneys collected in one Fiscal Year to be recognized as revenue in a subsequent Fiscal Year and requires or permits expenses paid or incurred in one Fiscal Year to be recognized in a subsequent Fiscal Year. See “APPENDIX B — AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDING JUNE 30, 2015.” Except as otherwise expressly noted herein, all financial information derived from the Agency’s audited financial statement reflect the application of GAAP.

See Note 1 of the Agency’s Comprehensive Annual Financial Report attached to the Official Statement as Appendix B for a discussion of accounting practices of the Agency.

Table 11
CASTAIC LAKE WATER AGENCY
Historic Operating Results and Debt Service Coverage
(Fiscal Years ending June 30)⁽¹⁾

	2011	2012	2013	2014	2015
Revenues					
Facility Capacity Fees	\$ 3,220,225	\$ 5,986,620	\$ 7,914,110	\$ 8,695,534	\$ 8,193,540
Share of 1% Property Taxes	19,780,599	19,511,363	19,485,514	19,998,202	21,618,468
Water Sales ⁽²⁾	14,351,396	16,489,875	19,474,884	17,973,853	17,148,629
Santa Clarita Water Division Payments ⁽³⁾	3,884,907	803,370	—	—	—
Interest Income ⁽⁴⁾	775,980	403,166	770,133	1,452,751	1,466,273
Other Revenues	368,952	243,728	540,825	219,705	384,468
Perchlorate Contamination Settlement (CIP) ⁽⁵⁾	45,671	—	4,941	1,378,477	386,050
Perchlorate Contamination Settlement (O&M) ⁽⁶⁾	306,663	1,079,874	1,375,575	338,852	1,084,367
One-Time Water Sales ⁽⁷⁾	—	—	4,125,000	7,848,218	—
Grants and Reimbursements	—	459,615	1,203,264	245,749	2,645,953
Reimbursements from Annexing Parties ⁽⁸⁾	—	—	—	2,601,138	295,206
Miscellaneous ⁽⁹⁾	1,235,256	82,060	34,494	11,584	46,819
Total Revenues	\$ 43,969,649	\$ 45,059,671	\$ 54,928,740	\$ 60,764,063	\$ 53,269,773
Operation and Maintenance Costs⁽¹⁰⁾	\$ 14,792,957	\$ 14,689,283	\$ 16,598,347	\$ 18,328,631	\$ 20,508,624
Revenues Available for Senior Debt Service	\$ 29,176,692	\$ 30,370,388	\$ 38,330,393	\$ 42,435,432	\$ 32,761,149
Senior Debt Service					
1994 Installment Payments	6,701,081	6,694,075	6,681,500	6,685,400	—
1999 Installment Payments ⁽¹¹⁾	—	—	—	—	—
2001A Installment Payments ⁽¹²⁾	—	—	—	—	—
2004A Installment Payments ⁽¹³⁾	1,087,245	1,085,485	1,088,350	1,085,950	—
Total Senior Debt Service	\$ 7,788,326	\$ 7,779,560	\$ 7,769,850	\$ 7,771,350	\$ —
Senior Debt Service Coverage⁽¹⁴⁾	3.75	3.90	4.93	5.46	--
Net Revenues	\$ 21,388,366	\$ 22,590,828	\$ 30,560,543	\$ 34,664,082	\$ 32,761,149
Parity Debt Service					
2006A Installment Payments ⁽¹⁵⁾	\$ 3,316,044	\$ 3,317,610	\$ 3,307,175	\$ 3,308,775	\$ 3,307,975
2006C Installment Payments ⁽¹⁶⁾	5,867,888	5,856,563	5,863,369	5,865,400	5,868,375
2008A Installment Payments ⁽¹⁷⁾	2,044,126	2,014,370	2,008,735	1,898,414	5,217,814
2010A Installment Payments	3,087,708	5,318,706	5,308,406	5,297,606	5,294,606
2014A Revenue Bonds	—	—	—	—	583,537
Total Parity Debt Service	\$ 14,315,766	\$ 16,507,249	\$ 16,487,685	\$ 16,370,195	\$ 20,272,307
Parity Debt Service Coverage⁽¹⁸⁾	1.49	1.37	1.85	2.12	1.62
Total Debt Service Coverage⁽¹⁹⁾	1.32	1.25	1.58	1.76	1.62
Revenues Available for Other Purposes	\$ 7,072,600	\$ 6,083,579	\$ 14,072,858	\$ 18,293,887	\$ 12,488,842

⁽¹⁾ May not match amounts in the Agency's audited financial statements due to rounding.

⁽²⁾ Includes sale of SWP water, recycled water, groundwater and certain other water. In certain years, includes sale of water by the Agency to Devil Den Water District.

⁽³⁾ Payment by Retail System to Water System of principal and interest on the Interfund Loan related to the acquisition of SCWC. Based on payment schedule adopted by the Agency and SCWC. In August 2011, the Upper Santa Clara Valley Joint Powers Authority issued its 2011A Bonds, a portion of the proceeds of which were used to pay the balance of the Interfund Loan. See the caption "INTRODUCTION—Retail System Obligations."

⁽⁴⁾ Excludes interest earned on debt service reserve funds and financing proceeds funds and unrealized gains on investments. Fiscal Years 2014 and 2015 amounts include dividends received from VWC by the Agency as the owner of 100% of the common stock of VWC. See the caption "VALENCIA WATER COMPANY—Acquisition by the Agency."

(Footnotes continued on following page)

(Continued from previous page)

- (5) Amounts received from various sources for capital projects relating to the Perchlorate Contamination Settlement. See the caption "WATER SUPPLY—Water Quality Compliance" above.
- (6) Amounts received by the Agency for operations and maintenance costs relating to the Perchlorate Contamination Settlement. See the caption "WATER SUPPLY—Water Quality Compliance" above.
- (7) Sale of surplus water to certain Kern County Water Agency member units. Excludes reimbursement to Newhall Land for Newhall Land's deposit for BVWSD-RRBWSD Acquisition Agreement water.
- (8) Reimbursements from annexing parties are based on the Tesoro service area annexation currently underway.
- (9) Excludes certain unrealized losses on investments in certain years.
- (10) Excludes all amounts (including operation and maintenance costs) paid to DWR under the State Water Project Contract which have been paid from taxes levied by the Agency and which the Agency levied in accordance with covenants in connection with certain Parity Obligations and administrative costs attributable to capital improvement program. See Note 1 of the Agency's audited financial statements attached hereto as Appendix B.
- (11) The Agency executed and delivered the 1999 Certificates in the currently outstanding principal amount of approximately \$59,845,672 (adjusted for the accreted value of capital appreciation certificates as of February 1, 2016). The first payment of principal of and interest on the outstanding 1999 Certificates, which are capital appreciation certificates, is due in Fiscal Year 2022.
- (12) In 2010, the Agency refunded all of the then-outstanding 2001A Certificates with a portion of the proceeds of the 2010A Certificates.
- (13) In 2014, the Agency refunded all of the then-outstanding 2004A Certificates with a portion of the proceeds of the 2014 Bonds. Excludes prepayment of scheduled principal and interest with respect to the 2004A Installment Payments due in Fiscal Year 2015 in connection with the refunding of the 2004A Certificates in Fiscal Year 2014.
- (14) Coverage calculated as "Revenues" (as defined in the Indenture) Available for Senior Debt Service divided by Senior Debt Service.
- (15) After the refunding contemplated herein, there will not be any 2006A Certificates outstanding. See the Official Statement under the captions "REFUNDING PLAN" and "SECURITY FOR THE 2016 BONDS—Limitations on Parity and Superior Obligations; Subordinate Obligations."
- (16) In 2015, the Agency refunded all of the then-outstanding 2006C Certificates with a portion of the proceeds of the 2015A Bonds.
- (17) Net of payments received by the Agency from the Amended 2004B Swap Agreement. In August 2014, the Agency terminated the Amended 2004B Swap Agreement. See the caption "THE CASTAIC LAKE WATER AGENCY—Outstanding Obligations."
- (18) Coverage calculated as Net Revenues divided by Parity Debt Service.
- (19) Coverage calculated as Revenues available for Senior Debt Service divided by the sum of Senior Debt Service and Parity Debt Service. Source: Agency.

Agency Reserve Policy. In addition to the Debt Service coverage shown above, the practice of the Agency has been to keep significant general reserves. These Agency reserves are not pledged to the payment of the Series 2016A Installment Payments or the 2016 Bonds, but they are anticipated to be available to pay Agency expenses if necessary. The Agency's reserve policies include Operating Reserves of three months of operating expenditures, Debt Service Reserves of annual debt service less restricted debt service reserve funds, Capital Reserves of one year of the current pay-as-you-go capital improvement program and liquidity reserves of 500 days of operating expenditures less the Operating Reserves. There can be no assurance that the Agency Board will not revise the reserve policy in the future.

In connection with the acquisition of 100% of the common stock of VWC as described under the caption "VALENCIA WATER COMPANY—Acquisition by the Agency," the Agency advanced \$58,640,000 from Agency reserves and certain other moneys to fund the Settlement Agreement. The Agency has elected to treat all dividends received as the owner of 100% of the common stock of VWC as Revenues so long as the advance described above remains outstanding. See the caption "VALENCIA WATER COMPANY—Acquisition by the Agency."

Projected Revenues, Operation and Maintenance Costs and Coverage

The table below provides a projection of the operating results of the Agency for the Water System for Fiscal Years 2016 through 2020, reflecting the Agency's estimate of projected financial results based on certain significant assumptions concerning future events and circumstances, and based on the assumptions set forth in the footnotes to the table. Such assumptions are material in the development of the financial projections of the Agency, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations could be material.

**Table 12
CASTAIC LAKE WATER AGENCY
Projected Net Revenues and Coverage
(Fiscal Years ending June 30)**

	2016 ⁽¹⁾	2017	2018	2019	2020
Revenues					
Facility Capacity Fees ⁽²⁾	\$ 8,500,000	\$ 9,100,000	\$12,748,800	\$ 13,969,900	\$12,752,600
Share of 1% Property Taxes ⁽³⁾	22,718,500	23,851,900	24,939,857	25,937,452	26,974,950
Water Sales – Fixed Charges ⁽⁴⁾	13,140,600	13,603,700	14,549,900	15,483,700	16,753,200
Water Sales – Variable Charges ⁽⁴⁾	3,649,700	5,500,000	5,800,000	6,270,960	6,780,162
Other Water Sales ⁽⁵⁾	684,700	700,000	992,040	1,033,931	1,077,762
Investment Income ⁽⁶⁾	1,645,200	1,649,000	1,785,544	7,476,623	7,566,437
Other Revenues ⁽⁷⁾	271,000	266,000	266,000	256,000	256,000
Perchlorate Contamination Settlement (CIP) ⁽⁸⁾	584,000	-	1,000,000	1,000,000	1,000,000
Perchlorate Contamination Settlement (O&M) ⁽⁸⁾	1,100,000	1,100,000	1,100,000	1,122,000	1,144,440
Grants and Reimbursements ⁽⁹⁾	2,411,200	100,000	-	-	-
Reimbursements from Annexing Parties ⁽¹⁰⁾	283,100	291,500	306,100	321,400	337,500
One-Time Water Sales ⁽¹¹⁾	-	-	-	-	-
Miscellaneous	19,100	19,100	19,100	19,100	19,100
Total Revenues	\$ 55,007,100	\$ 56,181,200	\$63,507,341	\$ 72,891,066	\$74,662,151
Operation and Maintenance Costs ⁽¹²⁾	\$22,206,300	\$ 23,829,900	\$24,374,690	\$ 25,857,639	\$26,573,636
Revenues Available for Senior Debt Service	\$ 32,800,800	\$ 32,351,300	\$39,132,651	\$ 47,033,427	\$48,088,515
Senior Debt Service					
1999 Installment Payments ⁽¹³⁾	--	--	--	--	--
Total Senior Debt Service	--	--	--	--	--
Senior Debt Service Coverage	N/A	N/A	N/A	N/A	N/A
Net Revenues	\$ 32,800,800	\$ 32,351,300	\$39,132,651	\$ 47,033,427	\$48,088,515
Parity Debt Service					
2006A Installment Payments	\$ 3,304,776	\$ --	\$ --	\$ --	\$ --
2008A Installment Payments ⁽¹⁴⁾	5,246,872	5,503,570	5,739,958	5,945,417	6,049,303
2010A Installment Payments	5,285,781	5,282,606	5,278,906	5,284,056	5,273,681
2014A Bonds	3,168,975	3,152,025	3,149,400	3,135,100	3,146,500
2015A Installment Payments	2,755,943	5,048,950	5,036,725	5,021,850	5,018,550
2016A Installment Payments ⁽¹⁵⁾	564,063	2,192,056	4,290,050	4,288,400	4,281,125
2018 Installment Payments ⁽¹⁶⁾	--	--	--	2,471,525	2,471,525
Total Parity Debt Service	\$20,326,410	\$ 21,179,207	\$23,495,039	\$ 26,149,348	\$26,243,684
Parity Debt Service Coverage ⁽¹⁷⁾	1.61	1.53	1.67	1.80	1.83
Total Debt Service Coverage	1.61	1.53	1.67	1.80	1.83
Revenues Available for Other Purposes	\$ 12,474,390	\$ 11,172,093	\$ 15,537,612	\$20,887,079	\$21,844,831

⁽¹⁾ [Certain projections reflect unaudited actual Fiscal Year 2016 amounts through January 31, 2016 and projected amounts from February 1, 2016 through June 30, 2016.]

⁽²⁾ Reflects projected Agency Facility Capacity Fee revenues summarized in Table 10. See the caption "THE WATER SYSTEM—Facility Capacity Fees."

⁽³⁾ Reflects projected Agency share of revenues from the 1% *ad valorem* property tax levy summarized in Table 8 for Fiscal Year 2016. See the caption "THE WATER SYSTEM—Agency Revenue Derived From Property Taxes." Property tax revenues are projected to increase approximately 4% per annum from Fiscal Year 2016 amount.

⁽⁴⁾ Includes sale of SWP water and certain other imported water. Reflects water rates approved in 2016 discussed under the caption "THE WATER SYSTEM—Water Rates and Charges." See the caption "THE WATER SYSTEM—Projected Water Sales and Wholesale Water Sales Revenues." Projected revenues after Fiscal Year 2016 reflect increases in wholesale fixed rates of 9% per annum and increases in wholesale variable rates of 9% per annum from Fiscal Year 2016 rates.

(Footnotes continued on following page)

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- (5) Projected increase in Fiscal Year 2018 result of a projected increase in recycled water and Saugus well water rates. Reflects increases of approximately 4% per annum thereafter.
 - (6) Assumes earnings at 0.8% for Fiscal Year 2016, 1.5% for Fiscal Year 2017, 1.5% for Fiscal Years 2018 and 2019 and 1.5% thereafter on each Fiscal Year's estimated average cash balance, which is assumed to equal to reserve fund balances in conformance with Agency policy. Fiscal Years 2016 through 2018 include projected dividends of approximately \$300,000 from VWC. Fiscal Years 2019 and 2020 amounts include projected resolution of pending litigation and an increase in dividends from VWC to approximately \$5,200,000 reflecting the commencement in Fiscal Year 2018 of repayment of the interfund loan. See the captions "VALENCIA WATER COMPANY—Acquisition by the Agency" and "THE WATER SYSTEM—Water Rates and Charges."
 - (7) Includes laboratory, lease, and other revenues projected to decrease as a result of expiring cellular tower leases.
 - (8) Amounts for capital projects and operations and maintenance costs reimbursed pursuant to the Perchlorate Contamination Settlement. See the caption "WATER SUPPLY—Water Quality Compliance." Reimbursements for operations and maintenance costs projected to remain stable through Fiscal Year 2018 and increase at 2.0% per annum thereafter.
 - (9) Includes grants and reimbursements for the Upper Santa Clara River Integrated Regional Water Management grant program, generally to fund conservation programs, provided by DWR Proposition 84.
 - (10) Reimbursements from annexing parties are based on the Tesoro service area annexation currently underway. Reimbursements are based on estimated costs for 500 acre-feet of Buena Vista Water Storage District and Rosedale-Rio Bravo Water Storage District water. See the caption "WATER SUPPLY—Sources of Supply."
 - (11) Sale of surplus water to four Kern County Water Agency member units.
 - (12) General operations and maintenance costs projected to increase approximately 7.3% in Fiscal Year 2017 from Fiscal Year 2016 budgeted amount and increases by approximately 2.3% and 6.1% in Fiscal Years 2018 and 2019, respectively. Excludes all amounts (including operation and maintenance costs) paid to DWR under the State Water Project Contract which have historically been paid from taxes levied by the Agency and which the Agency has covenanted under the Installment Purchase Agreement to continue to levy in the future and administrative costs attributable to capital improvement program.
 - (13) The Agency executed and delivered the 1999 Certificates in the currently outstanding principal amount of approximately \$59,845,672 (adjusted for the accreted value of capital appreciation certificates as of February 1, 2016). The first payment of principal of and interest on the outstanding 1999 Certificates, which are capital appreciation certificates, is due in Fiscal Year 2022. See the Official Statement under the caption "SECURITY FOR THE 2016 BONDS—Limitations on Parity and Superior Obligations; Subordinate Obligations."
 - (14) The 2008A Certificates bear interest at a variable interest rate, reset weekly. The projected interest payments assume average interest rates of 0.5% in Fiscal Year 2016, 1.0% in Fiscal Year 2017, 1.5% in Fiscal Year 2018, 2.5% in Fiscal Year 2019, 3.0% and in Fiscal Year 2020.
 - (15) Projected at an all-in true interest cost of 3.31% and a principal amount of \$57,200,000.
 - (16) Projected at an all-in true interest cost of 4.22% and a principal amount of \$37,500,000. Projected financing is based on capital improvement project funding needs that are subject to change. See the captions "THE CASTAIC LAKE WATER AGENCY—Outstanding Obligations—Future Obligations" and "THE WATER SYSTEM—Capital Improvement Program."
 - (17) Coverage calculated as Net Revenues divided by Parity Debt Service.
- Source: Agency.

Litigation

Except as otherwise described in this Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the Agency, threatened against the Agency affecting the existence of the Agency or the titles of its officers to their respective offices or seeking to restrain or to enjoin the sale or issuance of the 2016 Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the action of the Agency contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the Agency or its authority with respect to the 2016 Bonds or any action of the Agency contemplated by any of said documents. As described below, there are lawsuits and claims against the Agency, which are incidental to the ordinary course of operations of the Water System.

Litigation Relating to the Agency. The Agency is currently involved in litigation regarding its acquisition of VWC. See the caption "VALENCIA WATER COMPANY—Acquisition by the Agency. The Agency does not expect to appeal the Court of Appeal's decision with respect to certain litigation and challenges to the water rates and structure the Agency adopted in February, 2013 described under the caption "THE WATER SYSTEM—Water Rates and Charges."

Delta Litigation. Various legal challenges have been filed impacting the conveyance of water through the Delta by DWR via the SWP and by the United States Bureau of Reclamation via the CVP. These have

included such cases as *Watershed Enforcers v. Broderick (California Department of Fish and Game), et al.* (Alameda County Superior Court, J. Smith, presiding) (the “Watershed Smelt Litigation”), which relates to the SWP; *Natural Resources Defense Council v. Kempthorne (United States Department of the Interior)* (United States District Court for the Eastern District of California, J. Wanger, presiding) (the “Delta Smelt OCAP Litigation”) and *Pacific Coast Federation of Fisherman’s Association/Institute for Fisheries Resources v. Gutierrez* (United States Department of Commerce) (United States District Court for the Eastern District of California, J. Wanger, presiding) (the “Salmon OCAP Litigation”), which relate to the coordinated operations of the CVP and SWP; and *State Water Contractors (“SWC”), San Luis and Delta Mendota Water Authority, Westlands Water District (“WWD”), et al. v. California Department of Fish and Game* (Sacramento Superior Court) (“Longfin Smelt Litigation”), which also relates to the operations of the SWP.

The above-listed lawsuits constitute challenges to a Biological Opinion (“BO”) relating to the coordinated operations of the CVP and SWP; required permitting for “incidental take” related to the SWP; a decision to list a new species as threatened under the California Endangered Species Act (“CESA”), or other, similar grounds. The factual bases for these cases relate to claims of recent population declines of pelagic organisms, which include the delta smelt, longfin smelt, and certain salmon species, in and around the Delta. While there are other potential causes for the decline of these Delta fish, the BOs, permitting requirements, and listing decisions that underlie these cases have significantly curtailed SWP and CVP deliveries and threaten to further curtail them.

Watershed Smelt Litigation. On October 4, 2006, Watershed Enforcers, a nonprofit organization related to the California Sportfishing Protection Alliance, filed an action against DWR in the Alameda County Superior Court, alleging that DWR was illegally operating certain pumping facilities without obtaining a “take” permit under CESA). Kern County Water Agency (“KCWA”) and SWC, a non-profit association of twenty-seven public agencies, including the Agency, and others intervened as real-parties-in-interest in the action in support of DWR. The fish species at issue were endangered winter-run Chinook salmon, threatened Delta smelt and spring-run Chinook. The court determined that DWR did not have the required State permit to “take” protected fish species in the Delta, and, on April 17, 2007, issued a final order directing DWR to shut down its Delta export pumps in 60 days unless it obtained a determination from the State Department of Fish and Game (“DFG”) that SWP operations are in compliance with CESA. Immediate appeals were filed, which stayed enforcement of such order. In July 2009, DWR obtained a Consistency Determination (the “CD”) from DFG providing CESA incidental take coverage and DWR, SWC and KCWA dismissed their appeals. Other parties continued to litigate the appeal on other issues, which have all been determined. The case is now closed.

The CD for Delta smelt, however, is based upon the December 2008 Operating Criteria and Plan (“OCAP”) BO (the “2008 BO”) issued by the United States Fish and Wildlife Service (“FWS”) to the Bureau. If the litigation challenging the 2008 BO is successful and the 2008 BO is ruled invalid, this may, in turn, render the CD issued by DFG to DWR invalid absent a court order allowing the CD to remain in effect until FWS issues a new BO. SWC has filed a challenge in Kern County Superior Court, subsequently transferred to Sacramento Superior Court, to DFG’s CD to provide a judicial remedy to continue SWP operations in the event that the 2008 BO is ruled invalid. This case is currently stayed.

Delta Smelt OCAP Litigation. In 2005, a coalition of environmental and sportfishing organizations challenged the no jeopardy and no adverse modification findings in a 2005 OCAP BO in the United States District Court for the Eastern District of California. In May 2007, Judge Wanger ruled that the 2005 OCAP BO was unlawful and inadequate. Following a subsequent remedies hearing, the court determined that the water supply to the SWP and CVP would have to be reduced by up to one-third (approximately 2,000,000 acre-feet per year) to mitigate for impacts to the declining population of Delta smelt, and based on that determination issued an interim injunction, which was to remain in effect until a new BO for Delta smelt was prepared.

The 2008 BO prepared by FWS and delivered to the Bureau on December 15, 2008 appeared to create water supply impacts greater than those that had already resulted from the Delta Smelt OCAP Litigation court’s interim injunction. This led to the filing of five separate challenges to the 2008 BO in 2009 by SLDMWA, SWC, MWD, Central Delta Water Agency, and the Coalition for a Sustainable Delta. The challenges were consolidated before Judge Wanger. On May 28, 2009, Judge Wanger granted the motion for preliminary injunction filed by

plaintiffs SLDMWA and WWD, which was joined by SWC and the other plaintiffs, finding that plaintiffs were likely to prevail on their National Environmental Policy Act (“NEPA”) challenge to the 2008 BO. Thereafter, the plaintiffs filed motions for summary judgment, which Judge Wanger granted in part, determining that the Bureau must perform environmental review under NEPA prior to accepting and implementing the BO and its restrictive measures that would result in a further reduction in water deliveries from the SWP and CVP and other impacts.

On December 14, 2010, Judge Wanger issued a decision on summary judgment finding that there were major scientific and legal flaws in the 2008 BO. The court found that some but not all of the restrictions on project operations contained in the 2008 BO were arbitrary, capricious and unlawful. On May 18, 2011, Judge Wanger issued a final amended judgment directing the FWS to complete a new draft biological opinion by October 1, 2011, and a final biological opinion with environmental documentation by December 1, 2013. Later stipulations and orders changed the October 1, 2011 due date for a draft biological opinion to December 14, 2011. A draft biological opinion was issued on December 14, 2011. The draft biological opinion deferred specification of a reasonable and prudent alternative and an incidental take statement pending completion of environmental impact review under NEPA. The federal defendants and environmental intervenors appealed the final judgment invalidating the 2008 BO to the U.S. Court of Appeals for the Ninth Circuit. State Water Project and Central Valley Project contractor plaintiffs cross-appealed from the final judgment. On March 13, 2014, the Ninth Circuit reversed the district court’s findings that portions of the BO failed to meet the requirements of the ESA and its regulations, but upheld the requirement that the Bureau was required to perform NEPA review. Currently, plaintiffs still have time to request reconsideration of the decision or appeal to the United States Supreme Court, but, barring such actions, the decision will be considered final, and the BO fully enforceable, likely leading to additional cutbacks on CVP and SWP deliveries of water conveyed through the Delta.

Salmon OCAP Litigation. In the Salmon OCAP Litigation, the United States District Court for the Eastern District of California issued a summary judgment order invalidating a 2004 BO related to certain salmon species, steelhead, and other aquatic species, finding it unlawful and inadequate on a variety of legal grounds under the ESA, and holding that NEPA review was required. A new BO was released on June 4, 2009 (the “2009 BO”) by the National Marine Fisheries Services which contained new measures concerning complex habitat management schemes and studies which are likely to cause additional water supply impacts. As a result, seven separate actions challenging the 2009 BO were filed in the United States District Court for the Eastern District of California and assigned to Judge Wanger, including challenges by the SWC, MWD, and KCWA. The court consolidated the cases under the caption Consolidated Salmon Cases.

On May 25, 2010, the court granted the plaintiffs’ request for preliminary injunction in the Consolidated Salmon Cases, restraining enforcement of two requirements under the salmon biological opinion that limit exported water during the spring months based on San Joaquin River flows into the Bay-Delta and reverse flows on the Old and Middle Rivers. Hearings on motions for summary judgment in the Consolidated Salmon Cases were held on December 16, 2010. On September 20, 2011, Judge Wanger issued a decision on summary judgment, finding that the salmon biological opinion was flawed, and that some but not all of the project restrictions in the biological opinion were arbitrary and capricious. On December 12, 2011, Judge O’Neill (who was assigned to this case following Judge Wanger’s retirement) issued a final judgment in the Consolidated Salmon Cases. The final judgment remands the 2009 salmon biological opinion to the National Marine Fisheries Service, and directs that a new draft salmon biological opinion be issued by October 1, 2014, and that a final biological opinion be issued by February 1, 2016, after completion of environmental impact review under NEPA. On January 19, 2012, Judge O’Neill approved a joint stipulation of the parties that specifies how to comply with one of the salmon biological opinion restrictions that applies to water project operations in April and May of 2012. In January and February 2012, the federal defendants and environmental intervenors filed appeals of the final judgment in the Consolidated Salmon Cases, and the SWP and CVP contractors filed cross-appeals, but the NEPA holding was not appealed and thus stands. A hearing before the Ninth Circuit on the appeals was held in September 2014, however, no decision has been issued.

Longfin Smelt Litigation. The California Fish and Game Commission listed the longfin smelt as a threatened species under CESA in March 2009. On February 23, 2009, in anticipation of the listing action, the DFG issued a CESA section 2081 incidental take permit to DWR authorizing the incidental take of longfin smelt

by the State Water Project. This permit authorizes continued operation of the State Water Project under the conditions specified in the section 2081 permit through December 31, 2018. SWC filed suit against the DFG on March 25, 2009, alleging that the export restrictions imposed by the section 2081 permit have no reasonable relationship to any harm to longfin smelt caused by State Water Project operations, are arbitrary and capricious and are not supported by the best available science. Such litigation was recently settled and dismissed.

The Agency cannot predict the outcome of these Delta-related cases. However, the Agency believes that any new decision or order by a State or Federal court related to one or more of the above-described BOs and leading to adverse decisions reducing SWP supplies would not have a material impact on the Agency's ability to make the Series 2016A Installment Payments (and to pay debt service on other Contracts and Bonds).

DWR disclosure documents and annual reports filed by DWR pursuant to Rule 15c2-12 with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>, should be reviewed for information pertaining to the above described Delta-related cases. DWR has not entered into any contractual commitment with the Agency, the Trustee or the Owners of the 2016 Bonds to provide such information to the Agency or the Owners of the 2016 Bonds. Neither the Agency nor the Underwriter assume any responsibility for the accuracy of such disclosures.

SANTA CLARITA WATER DIVISION

Payments by SCWD to the Agency for water purchases from the Water System are included in Agency Revenues pledged to payment of the Series 2016A Installment Payments. Other revenues received from SCWD customers do not constitute Revenues pledged to the payment of Series 2016A Installment Payments and SCWD's operation and maintenance costs do not constitute Operation and Maintenance Costs payable from such Revenues.

Acquisition by the Agency

The Agency acquired the stock of SCWC in September 1999, and subsequently changed the corporate status of SCWC to a not-for-profit corporation. The assets of SCWC were subsequently transferred to the Agency and are operated by the Agency as the Retail System through SCWD. The Agency provides retail water service within the Retail Service Area through SCWD.

Santa Clarita Water Division Management and Operation

Oversight of SCWD is by the Agency Board. The daily operations of SCWD are administered by the Retail Manager, Keith Abercrombie, and financial operations are overseen by the Retail Administrative Officer, Elizabeth Ooms-Graziano.

Keith Abercrombie is the Retail Manager of SCWD. Mr. Abercrombie received his Bachelor of Science degree in Agricultural Business from Colorado State University and received his Masters in Business Administration, Agribusiness from Santa Clara University. Prior to employment with the Agency, Mr. Abercrombie served as General Manager of the Valencia Water Company. Mr. Abercrombie previously worked at the Newhall Land and Farming Company serving as assistant to the Vice President of Agriculture and Manager of Energy Resources. Mr. Abercrombie holds a Grade 5 Water Distribution Operator certification and a Grade 2 Water Treatment Operator certification from the State Water Resources Control Board – Division of Drinking Water, and is a member of the American Water Works Association and the Association of California Water Agencies.

Elizabeth Ooms-Graziano is the Retail Administrative Officer of SCWD. Ms. Ooms-Graziano holds a Bachelor's degree in Accounting from California State University, Northridge. Prior to employment with the Agency, Ms. Ooms-Graziano worked as Controller for Sunshine Canyon Landfill, Browning Ferris Industries of California, a division of Allied Waste Incorporated, and also for Bradley Landfill and Simi Valley Landfill, both

divisions of Waste Management Incorporated as Staff Accountant, Accounting Supervisor, Assistant Controller and Controller. Ms. Ooms-Graziano is a member of the California Society of Municipal Finance Officers and the Government Finance Officers Association.

Santa Clarita Water Division Service Area

The SCWD service area encompasses approximately 55 square miles, or approximately 35,200 acres, located in the northern portion of the County, serving portions of the City and certain unincorporated areas of the County including the communities of Saugus, Canyon Country and a portion of West Newhall. The Retail Service Area lies entirely within the Agency's Wholesale Service Area boundaries and has a population of approximately 121,998.

Retail Water System

SCWD supplies potable water from both imported water purchased from the Agency, accounting for approximately 75-85% of supply, and groundwater sources, accounting for approximately 15-25% of supply, depending upon annual operating conditions. See Table 15 under the caption "—Water Deliveries and Service Connections." Allocation rights to the groundwater basin have not been adjudicated. Based on the 2014 Santa Clarita Valley Water Report, the groundwater basin has not been and is not projected to be overdrafted on a long term historic basis.

The Retail System consists of the following facilities:

- 13 Import Water Connections
- 14 groundwater wells
- 18 pressure zones with 14 sub-zones and 5 hydro-pneumatic systems
- 23 booster stations
- 48 water storage tanks
- 76 million gallons of water storage
- 340 miles of pipeline

Water Deliveries and Service Connections

SCWD currently provides water service to approximately 30,322 service connections. Existing land use within the retail service area is principally residential. As of December 31, 2015, approximately 95% of the retail customers of the Agency were residential users (based on active accounts), 3% were commercial users and 2% were other users (including public authorities, irrigators, government, industrial, institutional and fire service).

The following table details a five-year history of water deliveries and service connections for the Retail System.

Table 13
SANTA CLARITA WATER DIVISION
Historic Water Deliveries and Service Connections⁽¹⁾⁽²⁾

<i>Fiscal Year</i>	<i>Groundwater (Acre-feet)</i>	<i>Saugus 1 & 2 Wells (Acre-feet)</i>	<i>Imported Water⁽¹⁾ (Acre-feet)</i>	<i>Total Water Deliveries (Acre-feet)</i>	<i>Service Connections</i>
2015	4,341	1,772	18,004	24,117	30,322
2014	5,036	2,263	22,696	29,995	29,999
2013	9,922	2,382	16,276	28,580	29,157
2012	9,927	1,939	15,389	27,255	28,829
2011	10,195	1,014	14,748	25,673	28,592

⁽¹⁾ Supplied to SCWD by the Agency.

⁽²⁾ Certain water deliveries and service connection numbers set forth above reflect adjustments made subsequent to the relevant calendar year.

Source: SCWD.

Retail Water Rate Structure and Billing

SCWD's current water rate structure consists of a flat rate service charge based on meter size, which varies from \$19.30 per month to \$824.34 per month in 2016, plus a three-tiered commodity charge for water for single family dwelling residential customers based on hundreds of cubic feet ("HCF"), and pass-through charges for purchased water and power. The pass-through charges are based on current estimates of future costs and are subject to change based on actual costs incurred. SCWD estimates the average monthly bill at \$77.90 (29 HCF) for single family dwelling residential customers under the current water rate structure. There can be no assurance that actual monthly bills will reflect such estimate.

VALENCIA WATER COMPANY

Payments by the Valencia Water Company to the Agency for water purchases from the Water System are included in Agency Revenues pledged to payment of principal of the Series 2016A Installment Payments. Other revenues received from Valencia Water Company customers do not constitute Agency Revenues and Valencia Water Company's operation and maintenance costs do not constitute Agency Operation and Maintenance Costs.

General

VWC was incorporated on April 7, 1954, and was granted a certificate of public convenience and necessity by the PUC on October 5, 1965. Prior to December 21, 2012, VWC was wholly owned by Newhall Land as the sole shareholder of VWC.

The original service area of VWC granted by the PUC was approximately 1,500 acres in the master-planned community of Valencia, a development of Newhall Land. Subsequently, VWC's service area increased to serve portions of the City and the unincorporated communities of Castaic and Stevenson Ranch. In 2015, residential users accounted for approximately 55%, commercial users accounted for approximately 12% and other users accounted for approximately 33% of VWC's water revenues.

Acquisition by the Agency

On December 21, 2012, the Agency acquired all the stock of VWC from Newhall Land for \$58,640,000 (which represented the fair-market value of the stock as of July 1, 2012) in accordance with a Settlement Agreement relating to the eminent domain action that the Agency had filed against Newhall Land. See the Official Statement under the caption "INTRODUCTION—The Valencia Water Company." The board of directors of VWC is currently composed of Dan Masnada, former General Manager of the Agency, Valerie Pryor,

Administrative Services Manager of the Agency, Cristoval Perez, Vice President of Operations of VWC, Keith Abercrombie, Retail Manager of SCWD, and Beverly Johnson, Vice President and Controller of VWC.

Notwithstanding the Settlement Agreement, revenues received by VWC from its customers do not constitute Agency Revenues and VWC's operation and maintenance costs do not constitute Agency Operation and Maintenance Costs. Payments by VWC to the Agency for water purchases from the Water System continue to be payable by VWC as operation and maintenance costs of VWC, and when received by the Agency, are included in Agency Revenues pledged to the payment of the Series 2016A Installment Payments. In addition, dividends, when received by the Agency as 100% owner of the common stock of VWC, are treated as Revenues pledged to the payment of the Series 2016A Installment Payments.

On January 4, 2013, a complaint was filed with the PUC by the Santa Clarita Organization for Planning and the Environment et al. ("SCOPE") challenging the Agency's acquisition of VWC. On February 27, 2014, the PUC issued a final decision concluding that by virtue of its acquisition by the Agency, VWC is no longer a private corporation subject to the jurisdiction of the PUC as a result of Agency ownership of all the common stock of VWC. The PUC final decision also dismissed the challenge to the Agency's acquisition of VWC. One party to the PUC proceeding has requested that the PUC rehear certain issues decided in the PUC final decision. Notwithstanding such request for a rehearing, the PUC's jurisdiction over VWC terminated on February 27, 2014.

On February 8, 2013, SCOPE filed a petition and complaint in the Los Angeles County Superior Court seeking to invalidate the Settlement Agreement. The petition also alleged violations of CEQA, the public meetings act, and a conflict of interest on the part of the Agency and Keith Abercrombie, who had served on the Agency's Board representing VWC until November 14, 2012. The Agency filed a demurrer to the CEQA cause of action and thereafter SCOPE elected to file an amended complaint on June 21, 2013. The Agency filed another demurrer to the CEQA cause of action and a motion to strike certain allegations in the amended complaint. The hearing on the demurrer and the hearing on the motion to strike were held on October 31, 2013. The Court sustained the Agency's demurrer to SCOPE's CEQA cause of action without leave to amend. The Court granted the Agency's motion to strike all SCOPE allegations challenging CLWA's Resolution of Necessity to acquire the common stock of VWC from Newhall Land in the eminent domain case.

Keith Abercrombie and the Agency filed a motion for judgment on the pleadings asking the court to dismiss the conflict of interest allegations in SCOPE's amended complaint. The court granted the motion on March 20, 2014. SCOPE appealed the decision and in September 2015, the Court of Appeal ruled in favor of Mr. Abercrombie. SCOPE submitted a petition to the Supreme Court for review and the petition was denied.

The trial in the SCOPE lawsuit took place on February 24, 2015 and on March 10, 2015 the court ruled in favor of CLWA against SCOPE. SCOPE appealed the decision on May 21, 2015. The parties are in the process of filing appellate briefs.

SCOPE filed a second lawsuit against the Agency with respect to the Settlement Agreement and related matters on March 14, 2014. The lawsuit seeks a court order compelling the Agency to divest itself of VWC ownership and the lawsuit further alleges violations of the Public Records Act after the acquisition of the stock of VWC by the Agency. The Agency filed a demurrer to the second SCOPE lawsuit on the grounds that SCOPE had previously filed another action with respect to the same issue thus splitting causes of action challenging such acquisition, and that SCOPE failed to name Newhall Land as a necessary party in the case. The Court sustained the demurrer and Newhall Land is now a party to the lawsuit. The challenge to the right of the Agency to own VWC stock was voluntarily dismissed by SCOPE, leaving only the Public Records Act claim. The case was heard on November 17, 2015 and the court requested a more detailed privilege log from the Agency. The supplemental privilege log was due on February 16, 2016 and the court has set a further hearing on _____, 2016.

On April 21, 2014, NCWD filed an action in the Los Angeles County Superior Court challenging the Agency's acquisition of VWC and alleging that the Agency is impermissibly exercising retail water authority through VWC. The NCWD complaint asks for several remedies, including writs of mandate ordering the Agency to cease retail water service through VWC and directing the Agency to divest the stock of VWC. In addition, the

NCWD action requests a declaratory judgment that the acquisition of the stock of VWC by the Agency violated certain constitutional and statutory provisions and that the Agency is impermissibly exercising retail water authority. A hearing on a motion to augment the record by NCWD took place on September 10, 2015, and was denied. A motion for judgment on the pleadings by Newhall Land and Farming or in the alternative to stay the matter until resolution of Scope lawsuit was set for December 3, 2015 and the trial date was set for December 17, 2015. At the request of the parties, the matter has been stayed for three months to March 17, 2016 to allow for settlement discussions.

Although the Agency is incurring significant legal expenses in defending these actions, the Agency does not expect that the SCOPE litigation or the NCWD litigation will have a material adverse impact on the Agency’s operations or finances. Nor does the Agency expect the SCOPE litigation or the NCWD litigation to have a material adverse impact the ability of VWC to pay dividends to the Agency as the owner of 100% of the common stock of VWC.

Water Supply

Water supply for the system is provided from three sources: groundwater from the Alluvial Aquifer and Saugus Formation, imported water from the State Water Project, and recycled water. Water is delivered from wells or Agency connections directly into VWC’s transmission and distribution system. Recycled water is used to meet non-potable demands, such as golf courses and landscape irrigation. VWC owns and operates 25 reservoirs with a combined water storage capacity of over 54 million gallons. The system is operated in 17 pressure zones with booster pumps and pressure regulators as required to maintain allowable pressures over the different elevations served.

In 2016, VWC expects to serve approximately 31,500 water connections. The following table sets forth data with respect to the number of service connections and water supply. VWC indicates that its long-term service connections are estimated to increase by an average of 300 per year over the next five years. Failure of development activity to increase as projected would have a material adverse impact upon the number of new service connections.

**Table 14
Valencia Water Company
Historical Water Production and Service Connections**

<i>Calendar Year</i>	<i>Service Connections</i>	<i>Groundwater (acre-feet)⁽¹⁾</i>	<i>Agency Water (acre-feet)⁽¹⁾</i>	<i>Recycled Water (acre-feet)</i>	<i>Total (acre-feet)⁽¹⁾</i>
2015	31,353	16,718	6,648	450	23,816
2014	31,101	21,428	7,668	474	29,570
2013	30,796	13,358	18,249	238	31,845
2012	30,411	13,072	16,522	301	29,895
2011	30,217	13,040	14,718	373	28,131

⁽¹⁾ Fluctuation due to weather conditions. Decrease in 2015 reflects mandatory conservation measures. See the caption “WATER SUPPLY—California Drought and Response”

Source: Valencia Water Company.

Water Rates and Structure

The water rate structure of VWC for retail customers as of January 1, 2016 is a base rate based on meter size, which varies from \$10.40 per month (for a 5/8-inch residential metered account) to \$2,341.60 per month (for a 14-inch meter), plus a commodity charge for water based on hundreds of cubic feet (“HCF”), which is currently \$1.598 per HCF, plus a revenue adjustment surcharge of \$0.088 per HCF. VWC bills all customers on a monthly

basis. Water service billings are due and payable upon presentation and are delinquent after 19 days. The average monthly residential billing is \$47.02 based on current water rates and average monthly usage of 20 HCF.

VWC is currently considering undertaking a public process with respect to an increase to the revenue adjustment surcharge. The Agency cannot predict whether VWC will approve any increase in rates or the effective date of any increase if approved.

OTHER RETAIL PURVEYORS

The Retail Purveyors are SCWD and VWC (discussed above under the captions “SANTA CLARITA WATER DIVISION” and “VALENCIA WATER COMPANY”), Los Angeles County Waterworks District No. 36 and Newhall County Water District. *Payments by the Retail Purveyors to the Agency for water purchases from the Water System, which are payable by the Retail Purveyors as operation and maintenance costs, are included in Agency Revenues pledged to payment of the Series 2016A Installment Payments. Other revenues received by the Retail Purveyors from Retail Purveyor customers do not constitute Agency Revenues and the Retail Purveyors' operation and maintenance costs do not constitute Agency Operation and Maintenance Costs.*

The information set forth below has been obtained from publicly available sources that the Agency believes to be reliable. The Agency has not independently verified any such information.

Los Angeles County Waterworks District No. 36

Los Angeles County Waterworks District No. 36 (“District No. 36”) was established in April 1963 and currently serves approximately 7,635 acres in the Hasley Canyon area and the unincorporated community of Val Verde through 30.5 miles of water mains and about 1,300 connections. Originally, District No. 36 supplied water to these areas from wells located along Castaic Creek. However, since August 1991, District No. 36 has obtained virtually all of its water supply from a connection to the Agency’s Castaic Conduit. Since 2012, District No. 36 has continued to use water supplied by the Agency, along with water from a new well drilled into the Saugus Formation.

Historical water production and service connections are summarized in the table below.

**Table 15
LOS ANGELES COUNTY WATERWORKS DISTRICT NO. 36
Historical Water Production and Service Connections**

<i>Calendar Year</i>	<i>Service Connections</i>	<i>Groundwater (acre-feet)</i>	<i>Agency Water (acre-feet)</i>	<i>Total (acre-feet)</i>
2015	1,350	973	3	976
2014	1,350	1,237	3	1,240
2013	1,350	811	485	1,296
2012	1,343	794	471	1,265
2011	1,337	--	1,172	1,172

Source: District No. 36.

District No. 36 water rates and rate increases are approved by the County Board of Supervisors, at the conclusion of the annual budgeting process. District No. 36 bills customers every two months. The average bimonthly billing is approximately \$155.

Newhall County Water District

The Newhall County Water District is currently involved in litigation against the Agency regarding certain changes in the Agency’s water rate structure and the Agency’s acquisition of the stock of VWC. See the caption “THE WATER SYSTEM—Water Rates and Charges” and “VALENCIA WATER COMPANY—Acquisition by the Agency.” Information provided in this Official Statement regarding NCWD was obtained from publicly available sources and has neither been reviewed nor confirmed by NCWD.

NCWD was formed by election in 1953 under the County Water District Act (Division 12, California Water Code). In 1966, water service areas in Castaic and Pinetree were annexed into NCWD and in 2002, the Tesoro service area was added. Thus, NCWD presently serves four separate communities in distinctly different geographical areas of the Santa Clarita Valley spread over a 34 square mile area. In each water service area (except Tesoro), groundwater is pumped from wells and supplemented by water purchased from the Agency. The Tesoro service area receives 100% water purchased from the Agency.

NCWD is currently supplied by 11 active wells, 4 connections to the NCWD’s facilities (one in each water service area), 15 booster stations and 23 welded steel and concrete reservoirs with a total storage capacity of over 25 million gallons.

In 2015, NCWD supplied a population of approximately 45,000 with approximately 9,726 service connections. The following table provides a summary of NCWD water production and service connections for 2011 through 2015.

**Table 16
NEWHALL COUNTY WATER DISTRICT
Historical Water Production and Service Connections**

<i>Calendar Year</i>	<i>Service Connections</i>	<i>Groundwater (acre-feet)⁽¹⁾</i>	<i>Agency Water (acre-feet)⁽¹⁾</i>	<i>Saugus 1 & 2 Wells (acre-feet)</i>	<i>Total (acre-feet)⁽¹⁾</i>
2015	9,726	4,828	2,478	794	8,100
2014	9,706	5,231	3,513	1,100	9,844
2013	9,700	5,240	4,488	833	10,561
2012	9,700	6,712	2,927	798	10,437
2011	9,684	7,605	1,331	740	9,676

⁽¹⁾ Fluctuation due to weather conditions, conservation and other factors.
Source: Newhall County Water District.

Litigation and Administrative Actions

Certain Retail Purveyors have been the subject of litigation and administrative actions. There can be no assurance that NCWD and District No. 36 will not be subject to future lawsuits or administrative actions seeking to limit or curtail future expansion of their respective service areas.

NCWD has filed a lawsuit against the Agency regarding the Agency’s acquisition of 100% of the stock of VWC. See the caption “VALENCIA WATER COMPANY—Acquisition by the Agency.”

NCWD also filed a lawsuit against the Agency regarding certain changes in the Agency’s water rate and structure. On January 19, 2016, the Court of Appeal upheld the trial court’s ruling in favor of NCWD. The Agency does not expect to appeal the Court of Appeal’s decision to the California Supreme Court. On February 24, 2016, the Agency adopted a new rate structure for calendar years 2016 through 2018. See the caption “THE WATER SYSTEM—Water Rates and Charges.”

Potential Merger of NCWD and the Agency

The Agency and NCWD are currently engaged in discussions concerning the potential merger of NCWD with the Agency. See the caption "THE CASTAIC LAKE WATER AGENCY — Authority and Purpose." The Agency does not expect that any merger with NCWD will have a material adverse effect on the ability of the Agency to pay the Series 2016A Installment Payments.

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE AGENCY FOR
FISCAL YEAR ENDING JUNE 30, 2015**

APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a summary of certain provisions of the Installment Purchase Agreement and the Indenture which are not described elsewhere. This summary does not purport to be comprehensive and reference should be made to the respective agreement for a full and complete statement of the provisions thereof.

APPENDIX D

FORM OF LEGAL OPINION

Upon issuance of the 2016 Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:

_____, 2016

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

Re: \$ _____ Upper Santa Clara Valley Joint Powers Authority
 Revenue Bonds, Series 2016A

Members of the Board of Directors:

We have acted as Bond Counsel to the Upper Santa Clara Valley Joint Powers Authority (the "Authority") in connection with the issuance of \$ _____ aggregate principal amount of Refunding Revenue Bonds, Series 2016A (the "2016 Bonds"). The 2016 Bonds have been issued by the Authority pursuant to the terms of the 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 2016 Bonds are limited obligations of the Authority payable solely from Revenues (as such term is defined in the Indenture), consisting of payments (the "Series 2016A Installment Payments") to be made by the Castaic Lake Water Agency (the "Agency") to the Authority pursuant to an Installment Purchase Agreement, dated as of January 1, 2016, by and between the Agency and the Authority.

In connection with our representation we have examined a certified copy of the proceedings relating to the 2016 Bonds. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigations.

Based upon the foregoing and after examination of such questions of law as we have deemed relevant in the circumstances, but subject to the limitations set forth herein, we are of the opinion that:

1. The proceedings of the Authority show lawful authority for the issuance and sale by the Authority of the 2016 Bonds under the laws of the State of California now in force, and the Indenture has been duly authorized, executed and delivered by the Authority, and, assuming due authorization, execution and delivery by the Trustee, as appropriate, the 2016 Bonds and the Indenture are valid and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms.

2. The obligation of the Authority to make the payments of principal and interest on the 2016 Bonds from Revenues (as such term is defined in the Indenture) is an enforceable obligation of the Authority and does not constitute an indebtedness of the Authority in contravention of any constitutional or statutory debt limit or restriction.

3. Under existing statutes, regulations, rulings and judicial decisions, interest on the 2016 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. With respect to corporations, interest on the 2016 Bonds may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations.

4. Interest on the 2016 Bonds is exempt from State of California personal income tax.

5. The difference between the issue price of a 2016 Bond (the first price at which a substantial amount of the 2016 Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such 2016 Bonds constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a 2016 Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the 2016 Bond Owner will increase the 2016 Bond Owner's basis in the 2016 Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of a 2016 Bond is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

6. The amount by which a 2016 Bond Owner's original basis for determining loss on sale or exchange in the applicable 2016 Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable bond premium reduces the 2016 Bond Owner's basis in the applicable 2016 Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a 2016 Bond Owner realizing a taxable gain when a 2016 Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2016 Bond to the Owner. Purchasers of the 2016 Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The opinions expressed herein as to the exclusion from gross income of interest on the 2016 Bonds are based upon certain representations of fact and certifications made by the Authority and others and are subject to the condition that the Authority complies with all requirements of the Code that must be satisfied subsequent to issuance of the 2016 Bonds to assure that interest on the 2016 Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the 2016 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2016 Bonds. The Authority has covenanted to comply with all such requirements.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the 2016 Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to the 2016 Bonds if any such action is taken or omitted based upon the opinion or advice of counsel other than ourselves. Other than expressly stated herein, we express no other opinion regarding tax consequences with respect to the 2016 Bonds.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Indenture and the 2016 Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and 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 of California.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the Bonds or other offering material relating to the Bonds and expressly disclaim any duty to advise the owners of the Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

APPENDIX E

DTC AND BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the Authority, the Agency and the Underwriter believe to be reliable, but neither the Authority, the Agency nor the Underwriter takes any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the 2016 Bonds, payment of principal, premium, if any, accreted value, if any, and interest with respect to the 2016 Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the 2016 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2016 Bonds. The Bonds will be executed and delivered as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond will be executed and delivered for each annual maturity of the 2016 Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC is rated AA+ by Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2016 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2016 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the 2016 Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose

accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2016 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the 2016 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2016 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2016 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Bond Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Bond by causing the Direct Participant to transfer the Participant's interest in the 2016 Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2016 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the 2016 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

Upon issuance of the 2016 Bonds, the Agency proposes to enter into a Continuing Disclosure Certificate in substantially the following form: