POLICIES, RULES AND REGULATIONS	
Title: **DISCLOSURE PROCEDURES POLICY**	
Approval Date: February 2019	Effective Date: February 2019
Approved By: Board of Directors	DMS #14891

DISCLOSURE PROCEDURES POLICY

1.0 INTRODUCTION

The Agency from time to time issues certificates of participation, revenue bonds, notes or other obligations (collectively Obligations) to fund or refund capital investments, other long-term programs and working capital needs. These Obligations may be issued directly by the Agency, through the Upper Santa Clara Valley Joint Powers Authority or on behalf of the Agency by the Santa Clarita Valley Water Agency Financing Corporation (collectively the Issuer). In offering Obligations to the public, and at other times when making certain reports, the Agency and/or the Issuer (if other than the Agency) must comply with the anti-fraud rules of federal securities laws. (Anti-fraud rules refers to Section 17 of the Securities Act of 1933 and Section 10(b) of the Securities and Exchange Act of 1934, and regulations adopted by the Securities and Exchange Commission under those Acts, particularly Rule 10b-5 under the 1934 Act.)

2.0 STATEMENT OF PURPOSE

The purpose of these Disclosure Procedures (Procedures) is to memorialize and communicate procedures in connection with obligations, including notes, bonds and certificates of participation, issued by or on behalf of the Santa Clarita Valley Water Agency (Agency) to ensure the Agency continues to comply with all applicable disclosure obligations and requirements under the federal securities laws.

3.0 BACKGROUND

The core requirement of the anti-fraud rules is that potential investors in Obligations must be provided with all material information relating to the offered Obligations. The information provided to investors must not contain any material misstatements, and the Agency and/or the Issuer (if other than the Agency) must not omit material information that would be necessary to provide to investors a complete and transparent description of the Obligations and the Agency's financial condition. In the context of the sale of securities, a fact is considered to be material if there is a substantial likelihood that a reasonable investor would consider it to be important in determining whether or not to purchase the securities being offered.

When Obligations are issued, the two central disclosure documents that are prepared are typically a preliminary official statement (POS) and a final official statement (OS, and collectively with the POS, Official Statement). The Official Statement generally consists of (i) the forepart, which describes the specific transaction including maturity dates, interest rates, redemption provisions, the specific type of financing, the leased premises (in certificate of participation financings) and other matters particular to the financing, (ii) a section that provides information on the Agency, including its financial condition as well as certain operating information of the wholesale division or the retail division, as

applicable (Agency Section) and (iii) various other appendices, including the Agency's audited financial report, form of the proposed legal opinion and form of continuing disclosure undertaking. Investors use the Official Statement as one of their primary resources for making informed investment decisions regarding the Obligations.

4.0 DISCLOSURE PROCESS

When the Agency determines to issue Obligations, the Agency's Treasurer requests the involved departments to commence preparation of the portions of the Official Statement (including particularly the Agency Section) for which they are responsible. While the general format and content of the Official Statement does not normally change substantially from offering to offering, except as necessary to reflect major events, the Agency's Treasurer is responsible for reviewing and preparing or updating certain portions of the Agency Section that are within his/her particular area of knowledge. After the Official Statement has been substantially updated, the entire Official Statement is shared with the General Manager for review and input. Additionally, all participants in the disclosure process are separately responsible for reviewing the entire Official Statement.

Members of the financing team, including the Bond Counsel and the Agency's Financial Advisor with respect to the Obligations, assist staff in determining the materiality of any particular item, and in the development of specific language in the Agency Section. Members of the financing team also assist the Agency in the development of a big picture overview of the Agency's financial condition, which is included in the Agency section. This overview highlights particular areas of concern. Bond Counsel has a confidential, attorney-client relationship with officials and staff of the Agency.

The Agency's Treasurer or a member of the financing team at the direction thereof schedules one or more meetings or conference calls of the financing team (which includes Agency officials, Bond Counsel, the Agency's Financial Advisor, the underwriter of the Obligations and the underwriter's counsel), and new drafts of the forepart of the Official Statement and the Agency Section are circulated and discussed. Such communications may occur via electronic means rather than by meetings or conference calls. During this part of the process, there is substantial contact among Agency staff and other members of the financing team to discuss issues that may arise, determine the materiality of particular items and ascertain the prominence in which the items should be disclosed.

Prior to distributing a POS to potential investors, there is typically a formal conference call that includes Agency officials involved in the preparation of the POS, members of the financing team and the underwriters and the underwriter's counsel, during which the Official Statement is reviewed in its entirety to obtain final comments and to allow the

underwriters to ask questions of the Agency's senior officials. This is referred to as a due diligence meeting.

A substantially final form of the POS is provided to the Agency Board of Directors (and the Authority Board of Directors, if relevant) in advance of approval to afford the Board(s) of Directors an opportunity to review the POS, ask questions and make comments. The substantially final form of the POS is approved by the Board(s) of Directors, which generally authorizes certain senior staff to make additional corrections, changes and updates to the POS in consultation with General Counsel and Bond Counsel.

At the time the POS is posted for review by potential investors, senior Agency officials (and under certain circumstances the Issuer) execute certificates deeming certain portions of the POS complete (except for certain pricing terms) as required by SEC Rule 15c2-12.

Between the posting of the POS for review by potential investors and delivery of the final OS to the underwriter for redelivery to actual investors in the Obligations, any changes and developments will have been incorporated into the POS, including particularly the Agency Section, if required. If necessary to reflect developments following publication of the POS or OS, as applicable, supplements will be prepared and published.

In connection with the closing of the transaction, one or more senior Agency officials (and under certain circumstances the Issuer) execute 10b-5 certificates. General Counsel also provides a 10b-5 opinion letter (generally addressed to the underwriter). General Counsel does not opine to the underwriters or other third parties as to any financial, statistical, economic or demographic data or forecasts, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion and certain other customary matters.

5.0 AGENCY SECTION

The information contained in the Agency Section is developed by personnel under the direction of the Treasurer. The Treasurer coordinates with the General Manager, senior management positions and Controller. The finance team assists as well in certain circumstances and additional officials will be involved as necessary. The following principles govern the work of the respective staffs that contribute information to the Agency Section:

- Agency staff involved in the disclosure process is responsible for being familiar with its responsibilities under federal securities laws as described above.
- Agency staff involved in the disclosure process should err on the side of raising issues when preparing or reviewing information for disclosure. Officials and staff

are encouraged to consult General Counsel, Bond Counsel or members of the financing team if there are questions regarding whether an issue is material or not.

- Care should be taken not to shortcut or eliminate any steps outlined in the Procedures on an ad hoc basis. However, the Procedures are not necessarily intended to be a rigid list of procedural requirements, but instead to provide guidelines for disclosure review. If warranted, based on experience during financings or because of additional SEC pronouncements or other reasons, the Agency should consider revisions to the Procedures.

- The process of updating the Agency Section from transaction to transaction should not be viewed as being limited to updating tables and numerical information. While it is not anticipated that there will be major changes in the form and content of the Agency Section at the time of each update, everyone involved in the process should consider the need for revisions in the form, content and tone of the sections for which they are responsible at the time of each update.

- The Agency must make sure that the staff involved in the disclosure process is of sufficient seniority so that it is reasonable to believe that, collectively, they are in possession of material information relating to the Agency, its operations and its finances.

6.0 TRAINING

Periodic training for the staff involved in the preparation of the Official Statement (including the Agency Section) is coordinated by the finance team and the Treasurer. These training sessions are provided to assist staff members involved in identifying relevant disclosure information to be included in the Agency Section. The training sessions also provide an overview of federal laws relating to disclosure, situations in which disclosure rules apply, the purpose of the Official Statement and the Agency Section, a description of previous SEC enforcement actions and a discussion of recent developments in the area of municipal disclosure. Attendees at the training sessions are provided the opportunity to ask questions of finance team members, including Bond Counsel concerning disclosure obligations and are encouraged to contact members of the finance team at any time if they have questions.

7.0 ANNUAL CONTINUING DISCLOSURE REQUIREMENTS

In connection with the issuance of Obligations, the Agency has entered into a number of contractual agreements (Continuing Disclosure Certificates) to provide annual reports related to its financial condition (including its audited financial statements) as well as notice of certain events relating to the Obligations specified in the Continuing Disclosure

Certificates. The Agency must comply with the specific requirements of each Continuing Disclosure Certificate. The Agency's Continuing Disclosure Certificates generally require that the annual reports be filed within 270 days after the end of the Agency's fiscal year, and event notices are generally required to be filed within 10 days of their occurrence.

Specific events which require material event notices are set forth in each particular Continuing Disclosure Certificate.

The Treasurer shall be responsible for preparing and filing the annual reports and material event notices required pursuant to the Continuing Disclosure Certificates. Particular care shall be paid to the timely filing of any changes in credit ratings on Obligations (including changes resulting from changes in the credit ratings of insurers of particular Obligations).

8.0 SEC RULE 15c-2-12 REPORTING

Effective February 27, 2019, General Counsel, the General Manager, the Chief Financial and Administrative Office or the Agency Secretary, as applicable, will provide written notice to the Treasurer of receipt by the Santa Clarita Valley Water Agency (the "Agency") of a notice of any default, event of acceleration, termination event, modification of terms (only if material or may reflect financial difficulties), or other similar events (collectively, a "Potentially Reportable Event") received by the Agency under any agreement or obligation to which the Agency is a party and which may be a "financial obligation" as discussed below. Such written notice should be provided by General Counsel or the Agency Secretary, as applicable, to the Treasurer as soon as General Counsel or the Agency Secretary, as applicable, is placed on written notice by Agency staff, consultants, or external parties of such event or receives written notice of such event so that the Treasurer can determine, with the assistance of bond counsel, whether notice of such Potentially Reportable Event is required to be filed on EMMA pursuant to the disclosure requirements of SEC Rule 15c2-12. If filing on EMMA is required, the filing is due within 10 business days of such Potentially Reportable Event to comply with the continuing disclosure undertaking for the various debt obligations of the Agency.

General Counsel or other senior staff (ie. General Manager, Chief Financial and Administrative Officer, the Secretary, or other executive positions within the Agency), as applicable, will report to the Treasurer the execution by the Agency of any agreement or other obligation which might constitute a "financial obligation" for purposes of Rule 15c2-12 and which is entered into after February 27, 2019. Amendments to existing Agency agreements or obligations with "financial obligation" which relate to covenants, events of default, remedies, priority rights, or other similar terms should be reported to the Treasurer as well as soon as General Counsel or such other senior staff is placed on written notice by Agency staff, consultants, or external parties of such event or receives

a written notice of such amendment requests. Notice to the Treasurer is necessary so that the Treasurer can determine, with the assistance of bond counsel, whether such agreement or other obligation constitutes a material "financial obligation" for purposes of Rule 15c2-12. If such agreement or other obligation is determined to be a material "financial obligation" or a material amendment to a "financial obligation" described above, notice thereof would be required to be filed on EMMA within 10 business days of execution or incurrence. The types of agreements or other obligations which could constitute "financial obligations" and which could need to be reported on EMMA are discussed in the memorandum from bond counsel attached hereto as Attachment 1.

(Originally Adopted April 2018)

ATTACHMENT 1

FINANCIAL OBLIGATIONS ON THE

AMENDMENT TO SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12

An amendment to Securities and Exchange Commission (the "SEC") Rule 15c2-12 (the "Rule") becomes effective as to underwriters of publicly offered municipal securities on February 27, 2019 (the "Effective Date"). As a result, we would expect that with respect to any debt offered publicly by the Santa Clarita Valley Water Agency (the "Agency") or by the Upper Santa Clara Valley Joint Powers Authority (the "Authority") on behalf of the Agency after the Effective Date to which the Rule applies, the Agency will be required to enter into a continuing disclosure undertaking pursuant to which it will agree to provide notice on the Electronic Municipal Market Access system ("EMMA") of the incurrence of any "financial obligation" if material and will be obligated to disclose default on and certain other information with respect to any "financial obligation" regardless of when the financial obligation was incurred.

The Rule provides a general definition of a "financial obligation." While the impetus for the proposed changes to the Rule was a perception by the SEC and others that municipal issuers were increasingly entering into bank or other private placement debt, the final amendment to the Rule defines "financial obligation" more broadly to include "a debt obligation, derivative instrument or a guarantee of either a debt obligation or a derivative instrument."

To date the SEC has provided limited guidance on the specific application of the definition of "financial obligation". The SEC release accompanying the final amendment does suggest a key concept is that a "financial obligation" involves the borrowing of money. In public comments representatives of the SEC have declined to provide a definition of a "guarantee" or a "debt" but did indicate that the SEC will not necessarily look to state law definitions of a "guarantee" or "debt".

The Agency will need to monitor agreements or other obligations entered into by the Agency after the Effective Date, and any modifications to such agreements or other obligations, carefully to determine whether they constitute "financial obligations" under the Rule and, if material, would need to be disclosed on EMMA within 10 business days of execution or incurrence.

In addition, if the Agency receives a notice of default or an event of default or of an acceleration, termination event, modifications of or other similar event on any agreement or other obligation after the Effective Date, the Agency will need to determine whether such agreement or obligation constitutes a financial obligation (regardless of when originally incurred) and whether such default or other event reflects financial difficulty (i.e., reduction in overall liquidity, creditworthiness or debt owner's rights).

Types of agreement or other obligations which are likely to be "financial obligations" under the Rule include:

1. Bank loans or other obligations which are privately placed;
2. State or federal loans;
3. Commercial paper or other short-term indebtedness for which no offering document has been filed on EMMA;
4. Letters of credit, surety policies or other credit enhancement with respect to the Agency's publicly offered debt or the Authority's publicly offered debt issued on behalf of the Agency;
5. Letters of credit, including letters of credit which are provided to third parties to secure the Agency's obligation to pay or perform (an example of this is a standby

letter of credit delivered to secure the Agency's obligations for performance under a mitigation agreement);

6 Capital leases for property, facilities, fleet or equipment; and

7 Agreements which guarantee the payment or performance obligations of a third party (regardless of whether the agreements constitute guarantees under California law).

Types of agreements which could be a "financial obligation" under the Rule include:

1 Payment agreements which obligate the Agency to pay a share of another public agency's debt service (for example, an agreement with a joint powers agency whereby the Agency agrees to pay a share of the joint powers agency's bonds, notes or other obligations);

2 Service contracts with a public agency or a private party pursuant to which the Agency is obligated to pay a share of such public agency or private party's debt service obligation (for example, certain types of P3 arrangements);

3 Water purchase, water banking or other similar agreements pursuant to which the Agency is obligated to pay amounts expressly tied to the other party's debt service obligations, regardless of whether service is provided or not (for example, the Agency's State Water Project contract); and

4 Water purchase, water banking or similar agreements which include a rate component that expressly passes through debt service or capital obligation of the other party.

Types of agreements which may be a "financial obligation" subject to the Rule include:

1 Any agreement the payments under which are not characterized as an operation and maintenance expenses for accounting purposes if such agreement could be characterized as the borrowing of money.

The above list is based on bond counsel advice as of January 28, 2019. The Treasurer will continue to work with General Counsel and bond counsel to refine the definition of financial obligation going forward based on future SEC guidance.