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1 MICHAEL WEED (SBN 199675)
ORRICK, HERRINGTON & SUTCLIFFE LLP
2 400 Capitol Mall, Suite 3000
Sacramento, California 95814-4497
3 Telephone: 916-447-9200
Facsimile: 916-329-4900
4 Email: mweed@orrick.com

5 SPENCER KENNER (SBN 148930)
CHRISTOPHER MARTIN (SBN 249129)
6 CALIFORNIA DEPARTMENT OF WATER
RESOURCES, OFFICE OF THE CHIEF COUNSEL
7 1416 Ninth Street
Sacramento, California 95814
8 Telephone: 916-653-5791

9 Attorneys for Plaintiff
California Department of Water Resources

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11 SUPERIOR COURT OF THE STATE OF CALIFORNIA

12 COUNTY OF SACRAMENTO

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14 CALIFORNIA DEPARTMENT OF WATER
RESOURCES,

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Plaintiff,

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v.

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18 ALL PERSONS INTERESTED IN THE
MATTER of the Authorization of California
WaterFix Revenue Bonds, the Issuance, Sale
19 and Delivery of California WaterFix Revenue
Bonds Series A, Series B and Subsequent
20 Series, the Adoption of the California WaterFix
Revenue Bond General Bond Resolution and
21 the Supplemental Resolutions Providing for the
Issuance of California WaterFix Revenue
22 Bonds, and the Proceedings Related Thereto,

23

Defendants.

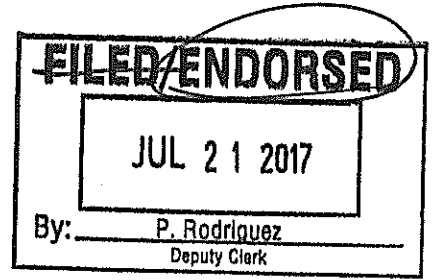
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RTD-270

34-2017-00215965

Case No.

UNLIMITED JURISDICTION

COMPLAINT FOR VALIDATION
(Cal. Civ. Proc. Code §§ 860-870.5)

EXEMPT from filing fees per Govt.
Code § 6103.

1 The California Department of Water Resources (the "Department") brings this *in*
2 *rem* validation action against all interested persons pursuant to California Code of Civil Procedure
3 Section 860 *et seq.* and Government Code Section 17700. The Department alleges as follows:

4 **Nature of the Action**

5 1. This is a validation action brought under California Code of Civil
6 Procedure Section 860 *et seq.* (the "Validation Statute") and Government Code Section 17700.
7 In short, and as described in detail below, the Department seeks a judgment confirming the
8 validity of (1) bonds the Department has authorized to finance the capital costs of a water facility
9 known as the California WaterFix; (2) the resolutions the Department adopted in connection
10 with those bonds; and (3) the pledge of revenues for their repayment.

11 2. The construction, operation and maintenance of California WaterFix is
12 subject to statutory and regulatory requirements not at issue in this validation action. The
13 Department is not alleging herein that it has satisfied all of the statutory and regulatory
14 requirements to construct the California WaterFix, but only that the Central Valley Project Act
15 authorizes it to issue revenue bonds to finance the capital costs of the California WaterFix and to
16 pledge California WaterFix Revenues to secure the payment of debt service on those bonds in
17 the manner provided by the resolutions. The Department brings this action to obtain a validation
18 judgment confirming that authority and the validity of the bonds and resolutions the Department
19 approved and authorized pursuant to that authority.

20 **The Parties**

21 3. The Department is and was at all times mentioned herein a department of
22 the Natural Resources Agency of the State of California existing and operating under the
23 constitution and the laws of the State. The Department is authorized to bring this action under
24 the Validation Statute and Government Code Section 17700.

25 4. The Department has its principal place of business in the County of
26 Sacramento, California.

27 5. Defendants are all persons interested in the validity of the California
28 WaterFix Revenue Bonds, including the California WaterFix Revenue Bonds, Series A, Series B

1 and subsequent Series to be issued pursuant to and in accordance with the authorizing
2 resolutions (“Series”), the California WaterFix Revenue Bond General Bond Resolution (the
3 “Resolution”), the first supplement thereto (the “First Supplemental Resolution”), and the second
4 supplement thereto (the “Second Supplemental Resolution”) (each, a “Supplemental
5 Resolution”), all adopted by the Department to authorize, among other things, the issuance, sale
6 and delivery of the California WaterFix Revenue Bonds, and the proceedings related thereto.

7 **Jurisdiction and Venue**

8 6. The Court has jurisdiction over this case pursuant to the Validation Statute
9 and Government Code Section 17700. In accordance with Code of Civil Procedure Section 862,
10 jurisdiction will be complete and established in this Court as of the date specified and to be
11 published in the Summons. This action is entitled to calendar preference over all other civil
12 actions before the Court and to speedy hearing and determination under Code of Civil Procedure
13 Section 867.

14 7. Venue is proper in the Superior Court for the County of Sacramento
15 pursuant to Government Code Section 17700 and Code of Civil Procedure Section 860.

16 **The Project**

17 8. The Department operates, manages and oversees facilities which store,
18 transport and deliver water to urban and agricultural water agencies throughout the State. To
19 these ends, since 1960, the Department has approved, planned and constructed an integrated
20 system of water storage and transportation and power generation facilities (the “Project”).

21 9. The Department is authorized to carry out its various duties and functions
22 in relation to the Project by the Central Valley Project Act (Cal. Water Code §§ 11100 *et seq.*)
23 (the “CVP Act”) and the Burns-Porter Act (Cal. Water Code §§ 12930 *et seq.*), among other
24 authorities. Among its powers, the Department is authorized to construct units of the “project”
25 as that term is defined by the CVP Act, and to issue revenue bonds to pay the capital costs of
26 those units.

27 10. The existing Project transports water from Lake Oroville to delivery
28 points in Northern California, the North Bay, the South Bay, the Santa Barbara-San Luis Obispo

1 area, the Central Valley and Southern California. From Lake Oroville to the Sacramento-San
2 Joaquin Delta (the "Delta"),¹ Project water is conveyed predominately via the natural channels
3 of the Feather and Sacramento Rivers.

4 11. Currently, Project water is conveyed across the Delta through the channels
5 of the river delta formed by the confluence of the Sacramento and San Joaquin Rivers, as those
6 channels have been modified over 150 years by the construction of levees, ship and other canals,
7 flood protection channels, salinity gates and other facilities.

8 12. From the Harvey O. Banks Pumping Plant at the southern edge of the
9 Delta to points further south, Project water is conveyed by the Project aqueduct system, which
10 includes a number of additional pumping plants and several pipelines.

11 **The California WaterFix**

12 13. In recent years, the Department has undertaken to develop a
13 comprehensive plan for the effective delivery of Project water across the Delta in conjunction
14 with the conservation and rehabilitation of the environment and species in and around the Delta.

15 14. The Department has approved the financing of the planning and design
16 and, if and when appropriate, the acquisition and construction of conveyance facilities known as,
17 and herein referred to as, the "California WaterFix." Broadly described, the California WaterFix
18 would transport water from new intake points on the Sacramento River across the Delta by two
19 underground tunnels running below the natural waterways of the Delta to export facilities at the
20 southern edge of the Delta, thereby reducing the necessity of transporting Project water through
21 the Delta's natural waterways.

22 15. As described in detail below, the Department has adopted resolutions
23 authorizing, among other matters, the issuance of revenue bonds, the proceeds of which would
24 be used to pay the capital costs of the California WaterFix. The Department's statutory authority
25 to finance the California WaterFix as one or more units of the Project, separate and apart from
26 other units of the Project and in accordance with the terms of the Resolution and Supplemental
27 Resolutions, is the subject of this *in rem* validation action.

28 _____
¹ The term "Delta" is defined in California Water Code Section 12220 as a specific geographic area.

Statutory Authority for the California WaterFix

16. Under the CVP Act, the Department is authorized to construct and operate the Project and to issue revenue bonds to pay for it. The Department has broad discretion and authority to determine the need for the Project and the nature of Project facilities.

17. Section 11201 of the CVP Act provides: "The project as authorized by this part consists of the units provided for in this chapter [Chapter 2 of the CVP Act]." Chapter 2 encompasses Sections 11200 through 11295.

18. Section 11260 of the CVP Act authorizes the Department to include the California WaterFix as one or more of the units "provided for in this chapter." Section 11260 provides for the following:

The units set forth in publication of the Resources Board entitled "Report on Feasibility of Feather River Project and Sacramento-San Joaquin Delta Diversion Projects Proposed as Features of the California Water Plan," dated May, 1951, as modified in the publication of the Division of Water Resources entitled "Program for Financing and Constructing the Feather River Project as the Initial Unit of the California Water Plan," dated February, 1955, and including the upstream features set forth in Chapter VI of the 1955 report, except the features on the south fork of the Feather River, and as further modified by the recommendations contained in Bulletin No. 78 of the Department of Water Resources, entitled "Preliminary Summary Report on Investigation of Alternative Aqueduct Systems to Serve Southern California," dated February, 1959, and subject to such further modifications thereof as the Department of Water Resources may adopt, and such units or portions thereof may be constructed by the department and maintained and operated by it to such extent and for such period as the department may determine, as units of the Central Valley Project separate and apart from any or all other units thereof.

19. Section 11290 of the CVP Act provides that the Project "includes such other units as may be from time to time added by the department to the units specifically enumerated. The department may add additional units which are consistent with and which may be constructed, maintained, and operated as a part of the project and in furtherance of the single object contemplated by this part."

20. Section 11454 of the CVP Act authorizes the Department to "do any and all things which in its judgment are necessary, convenient, or expedient for the accomplishment of the purposes and objects of this part." In describing the Department's authority under the

1 Burns-Porter Act,² the California Supreme Court has stated that “the conduct of an important
2 public enterprise [such as the Project] requires that broad power and discretion be granted to the
3 administrative agency in charge of the project.”³

4 21. The import of the Department’s broad discretion and authority are
5 summarized in Section 11126 of the CVP Act, which provides:

6 The construction, operation, and maintenance of the project as
7 provided for in this part is in all respects for the welfare and benefit
8 of the people of the State, for the improvement of their prosperity
9 and their living conditions, and the provisions of this part shall
therefore be liberally construed to effectuate the purposes and
objects thereof.

10 22. Pursuant to the CVP Act, the Department has broad powers with respect
11 to Project facilities, including the power to authorize the planning, design, acquisition,
12 construction, maintenance and operation of the California WaterFix.

13 23. The CVP Act authorizes the Department to issue revenue bonds to pay the
14 capital costs of Project facilities, including the California WaterFix.⁴

15 24. Section 11700 of the CVP Act authorizes the Department to issue revenue
16 bonds “[f]or the purpose of providing money and funds to pay the cost and expense of carrying
17 out any of the objects and purposes of this part.” Section 11761 provides that the proceeds of the
18 revenue bonds shall be applied solely for certain purposes, including, but not limited to,
19 “construction . . . of the project,” “[s]urveys, and the preparation of plans and specifications,”
20 “the acquisition of . . . property of every kind and description” and “all other costs and expenses
21 prior to and during construction.”

22
23 ² Courts harmonize the Burns-Porter Act, Cal. Water Code §§ 12930 *et seq.*, and the CVP Act. See *Warne v.*
24 *Harkness*, 60 Cal.2d 579 (1963). California Water Code Section 12931 provides in part that “Any facilities
25 heretofore or hereafter authorized as a part of the Central Valley Project or facilities which are acquired or
constructed as a part of the State Water Resources Development System with funds made available [under the Burns-
Porter Act] shall be acquired, constructed, operated, and maintained pursuant to the provisions of the code governing
the Central Valley Project, as said provisions may now or hereafter be amended.”

26 ³ *Metropolitan Water District v. Marquardt*, 59 Cal.2d 159, 177 (1963).

27 ⁴ Implementation of construction and operation of California WaterFix is subject to statutory and regulatory
28 requirements not at issue in this validation action. The Department seeks in this action, consistent with the purpose
and function of the Validation Statute, to confirm the Department’s statutory authority to finance the capital costs of
the California WaterFix with California WaterFix Revenue Bonds secured by a pledge of revenues separate and apart
from other Project revenues. The Department is not alleging herein that it has satisfied all of the statutory and
regulatory requirements to begin construction of the California WaterFix.

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25. Section 11701 of the CVP Act provides:

Whenever the department determines that it is necessary to carry out any of the objects and purposes of this part, it shall prepare preliminary cost estimates, an estimate of the amount required to be raised for those purposes by the issuance of bonds, and a statement of the probable amount of money, property, materials, or labor, if any, to be contributed from other sources in aid thereof, and shall adopt a resolution declaring that the public interest and necessity require the carrying out of those objects and purposes and authorizing the issuance of bonds for the purpose of obtaining funds in an amount not in excess of that estimated to be required for those purposes.

The California WaterFix Financing

A. The California WaterFix General Bond Resolution and California WaterFix Revenue Bonds

26. On July 21, 2017, the Department adopted the Resolution, designated “No. DWR-CWF-1” and titled “California WaterFix Revenue Bond General Bond Resolution.” A true and correct copy of the Resolution is attached as Exhibit A and incorporated by this reference.

27. The Resolution defines the “California WaterFix” as “the units described in Project Order No. 40, dated July 21, 2017, subject to such further modifications thereof as the Department in its discretion may adopt.” Project Order No. 40 describes the California WaterFix as follows:

- Three north Delta intakes with fish screens along the east bank of the Sacramento River between Clarksburg and Courtland with box conduits, sedimentation basins, gates and a drop structure;
- A single-bore tunnel connecting two of the intakes and the intermediate forebay;
- A single-bore tunnel between the final intake and the intermediate forebay;
- An intermediate forebay on the Glannvale Tract;
- An outlet structure to convey water from the intermediate forebay into each main tunnel bore via a vertical shaft.
- Two 40-foot-inside-diameter tunnels between the intermediate forebay and two 4,500 cfs pumping plants leading to a modified Clifton Court Forebay;

- 1 • Modifications to the Clifton Court Forebay;
- 2 • Connections and control structures to the Banks and Jones pumping plants;
- 3 • A permanent, operable gate where the San Joaquin River and Old River diverge; and
- 4 • Associated, related and appurtenant facilities, including, but not limited to, electric
- 5 transmission lines and roads.⁵

6 28. Pursuant to the Resolution, the Department authorized the issuance of
7 California WaterFix Revenue Bonds. Section 203 of the Resolution provides, in pertinent part:

8 Bonds of the Department are hereby authorized for the purpose of
9 obtaining funds to pay California WaterFix Capital Costs⁶ and to
10 refund obligations of the Department issued for such purpose. The
11 aggregate principal amount of Bonds which may be executed,
12 authenticated and delivered under this Resolution is not limited
13 except as may hereafter be provided by amendment to this
14 Resolution pursuant to Section 1101(C)(1) or as may be limited by
15 law. The Bonds may be issued in one or more Series, if and when
16 determined by the Department pursuant to one or more
17 Supplemental Resolutions.

18 29. The Department found and determined in the Resolution, in accordance
19 with the CVP Act, "that the public interest and necessity require the carrying out of the objects
20 and purposes of the Act by the acquisition and construction" of the California WaterFix.

21 30. Pursuant to and in accordance with Section 11701 of the CVP Act and
22 otherwise in accordance with the CVP Act, the Department also found and determined in the
23 Resolution that: (1) the preliminary cost estimate for California WaterFix, not including bond-
24 related costs such as capitalized interest, costs of issuance and bond reserves, is \$16 billion;
25 (2) the estimated amount of such costs to be raised by the issuance of California WaterFix
26 Revenue Bonds is \$8.8 billion; (3) the probable amount of money, property, materials or labor, if
27 any, to be contributed from other sources in aid of the California WaterFix is \$7.2 billion; and
28 (4) the principal amount of bonds estimated to be required to be issued by the Department for the
California WaterFix is \$11 billion.

27 ⁵ Capitalized terms not defined herein have the meaning provided in the Resolution or the First or Second
Supplemental Resolution, as the case may be.

28 ⁶ California WaterFix Capital Costs means, in pertinent part, the Department's costs of construction or acquisition of
the California WaterFix, including California WaterFix Planning Costs.

1 31. The Resolution further provided that, “the California WaterFix is hereby
2 determined by the Department pursuant to Section 11260 of the Act for purposes of this
3 Resolution to consist of units of the Central Valley Project that shall be maintained and operated
4 by the Department separate and apart from all other units of the Central Valley Project in
5 accordance in all respects with the terms of this Resolution”.

6 32. Pursuant to the Resolution, the California WaterFix Revenue Bonds will
7 be secured by and paid from “Revenues”, which include “all moneys received by the
8 Department:

9 (1) under the Water Supply Contracts^[7] resulting from the
10 construction, acquisition or operation of the portion of the
11 California WaterFix the Capital Costs of which are paid or
12 reimbursed with the proceeds of [California WaterFix Revenue]
13 Bonds or earnings from the investment of proceeds of [California
14 WaterFix Revenue] Bonds, in the amounts specified in Section 805;

15 (2) from any other legally available source which the Department in
16 its discretion determines to be Revenues and so designates in a
17 Certificate of the Department filed with the Treasurer; and

18 (3) as income from the deposit or investment of moneys held in the
19 Revenue Fund pursuant to this Resolution.”

20 33. The Resolution provides for security for the California WaterFix Revenue
21 Bonds, stating in Section 802, “Payment of the principal or Redemption Price of, and interest on,
22 the [California WaterFix Revenue] Bonds is secured by a first and direct charge and lien upon
23 the Revenues and all moneys and securities held, and accounts established, under this Resolution
24 by the Department, the Treasurer, or the Paying Agents, subject only to the provisions of this
25 Resolution permitting the payment or use thereof for the purposes, in the manner, and upon the
26 terms and conditions set forth in this Resolution.”

27 34. The revenue stream that will pay operation and maintenance costs of the
28 California WaterFix and debt service on the California WaterFix Revenue Bonds will come from
payments made by contractors under the Water Supply Contracts. Section 805 of the Resolution
provides:

⁷ Water Supply Contracts means the contracts, as now or hereafter amended, in existence at the date of the Resolution, between the Department and the respective Contractors identified in the Resolution.

1 The Department shall charge and collect amounts under the Water
2 Supply Contracts sufficient to return the costs of the California
3 WaterFix for the construction or acquisition of which [California
4 WaterFix Revenue] Bonds have been authenticated and delivered
5 without regard to whether or not the Department is able to
6 construct, acquire or operate the California WaterFix. The total
7 amount of Revenues receivable under all Water Supply Contracts in
8 any Year shall be the sum of (A) 1.25 times the Annual Debt
9 Service for such Year to be paid from the Revenue Fund, plus
10 (B) the amount estimated by the Department, pursuant to Section
11 605, to be required from the Revenue Fund in such Year to provide
12 for California WaterFix Operating Expenses, plus (C) any amounts
13 required by a Supplemental Resolution to be received as Revenues
14 in order to place moneys in the Reserve Account so as to meet the
15 requirement of Section 204(A)(11).

16 35. Pursuant to the Resolution, the Department also authorized the issuance of
17 Bond Anticipation Bonds and Refunding Bonds, as determined by the Department and in
18 accordance with the terms of the Resolution.

19 36. In Section 207, the Resolution further provides:

20 The validity of the authorization and issuance of any of the
21 [California WaterFix Revenue] Bonds shall not be dependent upon
22 or affected in any way by (A) the proceedings taken or to be taken
23 by the Department for the acquisition, construction or completion
24 of the California WaterFix, or (B) any contracts made by the
25 Department in connection therewith, or (C) the failure on the part of
26 the Department to complete the California WaterFix or to maintain
27 the same or to make all necessary improvements to or replacements
28 thereof or any part thereof, or (D) the acquisition or maintenance by
the Department of all rights, licenses or permits necessary for the
operation of the California WaterFix.

B. The First and Second Supplemental Resolutions

37. On July 21, 2017, the Department adopted the First Supplemental
Resolution, designated "No. DWR-CWF-2" and titled, "First Supplemental Resolution
Providing For The Issuance Of California WaterFix Revenue Bonds, Series A", and also adopted
the Second Supplemental Resolution, designated "No. DWR-CWF-3" and titled, "Second
Supplemental Resolution Providing For The Issuance Of California WaterFix Revenue Bonds,
Series B". A true and correct copy of the First Supplemental Resolution is attached as Exhibit B
and incorporated by this reference, and a true and correct copy of the Second Supplemental
Resolution is attached as Exhibit C and incorporated by this reference.

1 38. As provided for and authorized by the Resolution, the Department has
2 determined in the First Supplemental Resolution to issue California WaterFix Revenue Bonds
3 for the purposes of paying and reimbursing preconstruction costs of California WaterFix,
4 including California WaterFix Planning Costs. The First Supplemental Resolution provides,
5 “The Department hereby determines to issue a Series of Bonds authorized to be issued under the
6 Resolution. The Bonds of this Series shall be designated as and shall be distinguished from the
7 Bonds of all other Series by the designation ‘California WaterFix Revenue Bonds, Series A’.
8 The aggregate principal amount of the Bonds of Series A at any time Outstanding shall not
9 exceed the amount determined by the Department prior to the issuance of the Bonds of Series A
10 as being required to be issued solely for the purposes described in Section 1304.” Section 1304
11 provides, “The Bonds of Series A are to be issued . . . solely to obtain moneys to (i) pay or
12 reimburse California WaterFix Planning Costs, (ii) pay or reimburse other preconstruction
13 California WaterFix Capital Costs, (iii) fund a deposit to the Reserve Account in the amount of
14 the Reserve Account Requirement allocated to the Bonds of Series A, (iv) fund interest on the
15 Bonds of Series A, and (v) pay costs of issuance of the Bonds of Series A.”

16 39. The First Supplemental Resolution further directs, “The amount of
17 California WaterFix Planning Costs and other preconstruction California WaterFix Capital Costs
18 incurred by or on behalf of the Department and either paid from the Department’s own funds or
19 paid or advanced by or on behalf of entities other than the Department shall be deposited in the
20 California WaterFix Preconstruction Cost Account and thereafter shall be transferred in the
21 amounts specified by Certificate of the Department either (i) to such account of the Department
22 as may be specified by such Certificate to reimburse such use of the Department’s own funds or
23 (ii) to or upon the order of the recipients specified by Certificate of the Department as (1) having
24 advanced to the Department amounts that were used to pay California WaterFix Planning Costs
25 or other preconstruction California WaterFix Capital Costs, and (2) being due reimbursement for
26 such advances, in each case in the respective amount specified by such Certificate for such
27 recipient; *provided, however*, that no such reimbursement of any “state agency” as defined by
28

1 California Water Code Section 11102 shall occur at any time that obligations of the Department
2 issued for the payment of costs of construction of California WaterFix are outstanding”.

3 40. As provided for and authorized by the Resolution, the Department
4 determined in the Second Supplemental Resolution to issue California WaterFix Revenue Bonds
5 for the purpose of paying California WaterFix Capital Costs. The Second Supplemental
6 Resolution provides, “The Department hereby determines to issue a Series of Bonds authorized
7 to be issued under the Resolution. The Bonds of this Series shall be designated as and shall be
8 distinguished from the Bonds of all other Series by the designation ‘California WaterFix
9 Revenue Bonds, Series B’. The aggregate principal amount of the Bonds of Series B at any time
10 Outstanding shall not exceed the amount determined by the Department prior to the issuance of
11 the Bonds of Series B as being required to be issued for the purposes described in Section 1704.”
12 Section 1704 provides, “The Bonds of Series B are to be issued . . . solely to obtain moneys to
13 (i) pay or reimburse California WaterFix Capital Costs, (ii) fund a deposit to the Reserve
14 Account in the amount of the Reserve Account Requirement allocated to the Bonds of Series B,
15 (iii) fund interest on the Bonds of Series B, and (iv) pay costs of issuance of the Bonds of Series
16 B.”

17 **Statutory Authorization to Bring this Validation Action**

18 41. Code of Civil Procedure Section 860 provides that a public agency, such
19 as the Department, may bring an *in rem* action to determine the validity of any matter which
20 under any other law is authorized to be determined pursuant to the Validation Statute.

21 42. Government Code Section 17700 provides that a state agency may bring
22 an action to determine the validity of its bonds, warrants, contracts, obligations or evidence of
23 indebtedness pursuant to the Validation Statute. The Department is a state agency⁸ authorized to
24 bring an action under the Validation Statute pursuant to Government Code Section 17700.

25 43. The Validation Statute provides that the action shall be brought in the
26 superior court of the county in which the principal office of the agency is located. The principal
27 office of the Department is located in Sacramento County, California.

28 _____
⁸ California Water Code Section 120.

1 44. This action is properly brought by the Department as an *in rem* action
2 pursuant to Government Code Section 17700 and Code of Civil Procedure Section 860 for the
3 judicial examination, approval and confirmation of the matters described above, including (i) the
4 Department's authority under California Water Code Sections 11260, 11500 and 11700 to issue
5 the California WaterFix Revenue Bonds to finance the capital costs of the California WaterFix
6 as units of the Project, and to adopt the Resolution, the First Supplemental Resolution, the
7 Second Supplemental Resolution and subsequent Supplemental Resolutions; and (ii) the validity
8 of the Resolution, First Supplemental Resolution, Second Supplemental Resolution and the
9 California WaterFix Revenue Bonds, including the California WaterFix Revenue Bonds, Series
10 A, Series B and subsequent Series.

11 **Service By Publication of Summons**

12 45. Pursuant to the Validation Statute, notice of this validation action is to be
13 given by publication of the Summons in a newspaper of general circulation within the county in
14 which the action is pending, and in such other counties that the Court may direct.

15 46. Though beyond what the law requires, the Department will provide notice
16 of this validation action by publication of the Summons in all 58 counties in California. In
17 addition to the required information, the Summons will include a link to the California Natural
18 Resources Agency and/or the Department's Internet website where any interested person may
19 obtain a copy of the validation complaint and exhibits.

20 47. Publication of summons in the newspapers in all 58 California counties is
21 the method most likely to give notice to persons interested in these proceedings. The Court
22 should order publication of the Summons as described above pursuant to Code of Civil
23 Procedure Section 861 and Government Code Section 6063.

24 48. The Department also proposes to provide extensive additional notice of
25 this validation action to persons and organizations that have previously informed the Department
26 of their interest in the California WaterFix. Specifically, the Court should order that the
27 Department: (1) not later than 20 days after the first publication of Summons in this action, email
28 or mail (as the Department chooses in its discretion) to each of the parties to the Water Supply

1 Contracts a written notice (to be submitted to and approved by the Court, hereinafter, “the
2 Approved Notice”) informing the recipient of this validation action and how to obtain a copy of
3 the Summons and complaint; (2) not later than 20 days after the first publication of Summons in
4 this action, email or mail (as the Department chooses in its discretion) the Approved Notice to
5 persons or entities identified on the interested parties lists maintained by the Department with
6 respect to the California WaterFix (those lists contain more than 20,000 persons and entities);
7 and (3) not later than 20 days after the first publication of Summons in this action, email or mail
8 (as the Department chooses in its discretion) the Approved Notice to persons or entities
9 identified in the Current Service List, as it exists as of the date the Approved Notice is
10 transmitted, in the California WaterFix Water Right Change Petition proceeding currently
11 pending before the State Water Resources Control Board.⁹

12 **First Cause of Action**

13 (Determination of Validity)

14 49. The Department realleges and incorporates by this reference the
15 allegations of paragraphs 1 through 48 above as though fully set forth herein.

16 50. Based upon the foregoing, the Department is entitled to a judicial
17 declaration determining all of the following:

18 (a) This action is properly brought under Government Code Section
19 17700 and the Validation Statute;

20 (b) The Department’s adoption of the Resolution, the First
21 Supplemental Resolution and the Second Supplemental Resolution, and the respective terms
22 therein, constituted the authorization of the California WaterFix Revenue Bonds within the
23 meaning of the Validation Statute, including the California WaterFix Revenue Bonds, Series A,
24 Series B and subsequent Series, and the California WaterFix Revenue Bonds are in existence for
25 purposes of validation;

26
27
28 ⁹ Information regarding the California WaterFix Water Right Change Petition proceedings can be found at
http://www.waterboards.ca.gov/waterrights/water_issues/programs/bay_delta/california_waterfix/water_right_petition.shtml.

1 (c) The Department has the authority under California Water Code
2 Sections 11260, 11500 and 11700 to issue the California WaterFix Revenue Bonds to finance the
3 capital costs of the California WaterFix as units of the Project and to (i) adopt and approve the
4 Resolution and the First and Second Supplemental Resolutions, and each of the recitals, findings,
5 determinations, and terms therein; (ii) authorize the issuance, sale and delivery of, and issue, sell
6 and deliver, the California WaterFix Revenue Bonds, including the California WaterFix Revenue
7 Bonds, Series A, Series B and subsequent Series, pursuant to the terms of the Resolution, the First
8 Supplemental Resolution, the Second Supplemental Resolution and subsequent Supplemental
9 Resolutions adopted in accordance with the Resolution; (iii) apply the proceeds of the California
10 WaterFix Revenue Bonds, Series A, to pay Planning Costs and other preconstruction Capital
11 Costs of the California WaterFix incurred by the Department prior to the issuance of the Bonds of
12 Series A, including amounts to be used to reimburse advances for such costs; (iv) subject to
13 applicable statutory and regulatory requirements, apply the proceeds of the California WaterFix
14 Revenue Bonds, including the California WaterFix Revenue Bonds, Series B and subsequent
15 Series, to the purposes and in the manner authorized in the Resolution, including the Second
16 Supplemental Resolution and subsequent Supplemental Resolutions adopted in accordance with
17 the Resolution; and (v) pledge the Revenues, including certain Project revenues, to the payment
18 of debt service on the California WaterFix Revenue Bonds and the California WaterFix Revenue
19 Bonds, Series A, Series B and subsequent Series;

20 (d) Upon issuance, sale and delivery thereof, the California WaterFix
21 Revenue Bonds, including the California WaterFix Revenue Bonds, Series A, Series B and
22 subsequent Series, will be valid, legal and binding obligations of the Department in accordance
23 with their terms; and

24 (e) In accordance with the Resolution, the validity of the authorization
25 and issuance of any of the California WaterFix Revenue Bonds shall not be dependent upon or
26 affected in any way by (A) the proceedings taken or to be taken by the Department for the
27 planning, design, acquisition, construction or completion of the California WaterFix, or (B) any
28

1 contracts made by the Department in connection therewith, or (C) the failure on the part of the
2 Department to complete the California WaterFix or to maintain the same or to make all necessary
3 improvements to or replacements thereof or any part thereof, or (D) the acquisition or
4 maintenance by the Department of all rights, licenses or permits necessary for the operation of the
5 California WaterFix.

6
7 **Prayer for Relief**

8 The Department prays for relief as follows:

9 51. That the Court order that jurisdiction over the subject matter and all
10 interested persons be obtained by:

11 (a) Publishing the Summons pursuant to Code of Civil Procedure
12 Section 861 and Government Code Section 6063 in the manner described herein; and

13 (b) Providing additional notice of this action to interested persons in
14 the form and manner described herein.

15 52. That the Court find that the notice procedures in accordance with the
16 Validation Statute, and the notice to be provided by the Department in this action as described
17 above, do and will provide due and proper notice to all persons interested in the subject matter of
18 this action, and that pursuant to such notice, this Court has jurisdiction over all persons and the
19 subject matter of this action as of the date specified in the Summons.

20 53. That the Court find that this action is properly brought under California
21 Government Code Section 17700 and the Validation Statute in the superior court for the County
22 of Sacramento.

23 54. That judgment be entered on the First Cause of Action determining that:

24 (a) The Department's adoption of the Resolution, the First
25 Supplemental Resolution, and the Second Supplemental Resolution, and the respective terms
26 therein, constituted the authorization of the California WaterFix Revenue Bonds within the
27 meaning of the Validation Statute, including the California WaterFix Revenue Bonds, Series A,
28

1 Series B and subsequent Series, and the California WaterFix Revenue Bonds are in existence for
2 purposes of validation;

3 (b) The Department has the authority under California Water Code
4 Sections 11260, 11500 and 11700 to issue the California WaterFix Revenue Bonds to finance the
5 capital costs of the California WaterFix as units of the Project and to (i) adopt and approve the
6 Resolution, the First and Second Supplemental Resolutions and subsequent Supplemental
7 Resolutions adopted in accordance with the Resolution, and each of the recitals, findings,
8 determinations, and terms therein; (ii) authorize the issuance, sale and delivery of, and issue, sell
9 and deliver, the California WaterFix Revenue Bonds, including the California WaterFix Revenue
10 Bonds, Series A, Series B and subsequent Series, pursuant to the terms of the Resolution, the First
11 Supplemental Resolution, the Second Supplemental Resolution and subsequent Supplemental
12 Resolutions adopted in accordance with the Resolution; (iii) apply the proceeds of the California
13 WaterFix Revenue Bonds, Series A, to pay Planning Costs and other preconstruction Capital
14 Costs of the California WaterFix incurred by the Department prior to the issuance of the Bonds of
15 Series A, including to reimburse advances for such costs under the conditions specified in the
16 First Supplemental Resolution; (iv) subject to applicable statutory and regulatory requirements,
17 apply the proceeds of the California WaterFix Revenue Bonds, including the California WaterFix
18 Revenue Bonds, Series B and subsequent Series, to the purposes and in the manner authorized in
19 the Resolution, the Second Supplemental Resolution and subsequent Supplemental Resolutions
20 adopted in accordance with the Resolution; and (v) pledge the Revenues, including certain Project
21 revenues, to the payment of debt service on the California WaterFix Revenue Bonds, including
22 the California WaterFix Revenue Bonds, Series A, Series B and subsequent Series;

23 (c) Upon issuance, sale and delivery thereof, the California WaterFix
24 Revenue Bonds and the California WaterFix Revenue Bonds, Series A, Series B and subsequent
25 Series will be valid, legal and binding obligations of the Department in accordance with their
26 terms; and

27 (d) In accordance with the Resolution, the validity of the authorization
28 and issuance of any of the California WaterFix Revenue Bonds shall not be dependent upon or

1 affected in any way by (A) the proceedings taken or to be taken by the Department for the
2 planning, design, acquisition, construction or completion of the California WaterFix, or (B) any
3 contracts made by the Department in connection therewith, or (C) the failure on the part of the
4 Department to complete the California WaterFix or to maintain the same or to make all necessary
5 improvements to or replacements thereof or any part thereof, or (D) the acquisition or
6 maintenance by the Department of all rights, licenses or permits necessary for the operation of the
7 California WaterFix.

8
9 55. That the Court permanently enjoin and restrain all persons from the
10 institution of any action or proceeding challenging, *inter alia*, the validity of the Resolution and
11 the First Supplemental Resolution, the Second Supplemental Resolution, any subsequent
12 Supplemental Resolution and the respective terms therein, and the California WaterFix Revenue
13 Bonds, including the California WaterFix Revenue Bonds, Series A, Series B and subsequent
14 Series, and the proceedings and authorizations leading and resulting thereto, or any matters
15 herein adjudicated or which at this time could have been adjudicated in this action.

16 56. For costs incurred herein.

17 57. For such other and further relief as the Court may deem just and proper.

18 Dated: July 21, 2017

MICHAEL WEED
ORRICK, HERRINGTON & SUTCLIFFE LLP

19
20 SPENCER KENNER
CHRISTOPHER MARTIN
CALIFORNIA DEPARTMENT OF WATER
21 RESOURCES

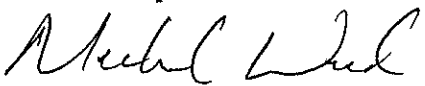
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23 By: 
24 MICHAEL WEED
Attorneys for Plaintiff
25 California Department of Water Resources
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28

EXHIBIT A

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

CALIFORNIA WATERFIX REVENUE BOND
GENERAL BOND RESOLUTION
(No. DWR-CWF-1)

Adopted as of July 21, 2017

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CALIFORNIA WATERFIX REVENUE BOND

GENERAL BOND RESOLUTION

(No. DWR-CWF-1)

WHEREAS, Part 3 of Division 6 (commencing with Section 11100) of the Water Code of the State of California (the "Act"), authorizes the Department of Water Resources of the State of California (the "Department") to construct, maintain and operate certain facilities described in the Act (the "Central Valley Project"), subject to the requirements and limitations of the Act,

WHEREAS, Section 11260 of the Act defines as part of the Central Valley Project the units set forth in certain publications of the State Water Resources Board, the Division of Water Resources and the Department of Water Resources, subject to such further modifications thereof as the Department may adopt, and provides that such units or portions thereof may be constructed by the Department and maintained and operated by it to such extent and for such period as the Department may determine, as units of the Central Valley Project separate and apart from any or all other units thereof;

WHEREAS, the Department has determined and further hereby determines, in accordance with the provisions of the Act, that the public interest and necessity require the carrying out of the objects and purposes of the Act by the acquisition and construction of the facilities described in Project Order No. 40 (subject to such further modifications thereof as the Department in its discretion may adopt, the "California WaterFix");

WHEREAS, the California WaterFix is hereby determined by the Department pursuant to Section 11260 of the Act for purposes of this Resolution to consist of units of the Central Valley Project that shall be maintained and operated by the Department separate and apart from all other units of the Central Valley Project in accordance in all respects with the terms of this Resolution;

WHEREAS, Section 11700 of the Act provides that for the purpose of providing money and funds to pay the cost and expense of carrying out any of the objects and purposes of the Act, the Department may, from time to time, issue bonds;

WHEREAS, as provided by Section 11701 of the Act, the Department has prepared preliminary cost estimates for the California Water Fix, an estimate of the amount required to be raised for those purposes by the issuance of bonds, a statement of the probable amount of money, property, materials, or labor, if any, to be contributed from other sources in aid thereof, and a statement of the amount of bonds estimated to be required to be issued for those purposes;

WHEREAS, the Department hereby finds and determines that: (1) the preliminary cost estimate for California WaterFix, not including bond-related costs such as capitalized interest, costs of issuance and bond reserves, is \$16.0 billion; (2) the estimated amount of such costs to be raised by the issuance of California WaterFix Revenue Bonds is \$8.8 billion;

(3) the probable amount of money, property, materials or labor, if any, to be contributed from other sources in aid of the California WaterFix is \$7.2 billion; and (4) the principal amount of bonds estimated to be required to be issued by the Department for the California WaterFix is \$11.0 billion;

WHEREAS, the Department hereby determines that it will commence construction of the California WaterFix only when, in the judgment of the Department, appropriations, contributions, and revenues from all sources which are available or which will be made or become available upon, during, after, or before construction of the California WaterFix, including contracts which the Department may negotiate and enter into with responsible persons, public or private agencies, the United States, and state agencies for the sale or disposal of water, water flow, the use of water, water storage, electric power, or other resources and facilities to be made available by the California WaterFix, are or will be available from such sources in such amounts and at such times as will afford funds sufficient to pay and discharge as and when the same become due and payable all cost and expense incurred prior to construction, and all cost and expense of construction, operation, and maintenance of the California WaterFix, together with necessary repairs and replacements thereto, including funds sufficient to meet and pay, as and when they become due and payable, all California WaterFix Revenue Bonds, with interest accruing thereon, within a period of not to exceed 70 years after the beginning of the construction of the California WaterFix;

WHEREAS, as authorized by Section 11701 of the Act, the Department hereby adopts this Resolution authorizing the issuance of revenue bonds for the purpose of obtaining funds in an amount not in excess of that estimated to be required for those purposes (as such estimates and purposes may be modified by the Department from time to time in accordance with the Act);

NOW, THEREFORE, BE IT RESOLVED BY the State of California Department of Water Resources as follows:

ARTICLE I

DEFINITIONS

SECTION 101. Definitions. Unless the context clearly indicates that another meaning is intended, the following terms shall, for the purposes of this Resolution, any Supplemental Resolution, and any certificate, opinion or other document herein mentioned, have the following meanings:

Act means Part 3 of Division 6 of the Water Code of the State of California.

Annual Debt Service means the amount payable on the Bonds in any specified twelve-month period on account of (1) interest, plus (2) the principal amount of Serial Bonds becoming due, if any, plus (3) Sinking Fund Installments, if any.

Bond Anticipation Bonds means any bonds issued by the Department, as authorized by Section 11755 of the Act, in anticipation of one or more Series of Bonds that have been authorized pursuant to this Resolution but not yet sold and delivered.

Bonds means California WaterFix Revenue Bonds at any time Outstanding pursuant to this Resolution.

Bondholder, Holder of Bonds or any similar term means any person who shall be the registered owner of any Outstanding Bond.

California WaterFix means the units described in Project Order No. 40, dated July 21, 2017, subject to such further modifications thereof as the Department in its discretion may adopt.

California WaterFix Capital Costs means the costs of acquisition and construction of the California WaterFix, including California WaterFix Planning Costs. In the event that the California WaterFix includes a portion only of a resource or facility, California WaterFix Capital Costs shall include only those costs of construction or acquisition of such resource or facility which are apportioned by the Department, for the purpose of this Resolution and any Supplemental Resolution, to the California WaterFix.

California WaterFix Capital Costs include any amounts which shall be reimbursed to the State of California pursuant to Section 502 and any interest on the Bonds or California WaterFix Operating Expenses which shall be paid from the Construction Fund pursuant to the direction of a Supplemental Resolution.

Without limiting the generality of the foregoing, California WaterFix Capital Costs also include all expenses of the Department incurred in connection with the issuance and sale of the Bonds, including, without limitation, the compensation and expenses of the Treasurer and the Paying Agents, the costs of services of independent experts, the costs of preparing and printing the Bonds and the Official Statement in connection therewith, and the costs of publication of the notice of sale of the Bonds.

California WaterFix Planning Costs means the Department's costs of study, review (including environmental review), planning, engineering and design of the California WaterFix.

Certificate of the Department means an instrument in writing signed by the Director or such other person as the Director may designate by a written statement filed with the Treasurer.

Construction Fund means The Central Valley Water Project Construction Fund existing in the Treasury of the State of California pursuant to Section 11810 of the Act.

Counsel's Opinion means a written opinion of an independent lawyer or firm of lawyers of recognized standing in the field of municipal bonds (who may be counsel for the State of California or the Department) selected by the Department.

Department means the State of California Department of Water Resources, existing pursuant to Article 1 (commencing with Section 120) of Chapter 2 of Division 1 of the Water Code.

Director means the Director of Water Resources appointed pursuant to Section 120 of the Water Code.

Fiscal Year means each twelve-month period ending June 30, or such other annual period as the Department may designate as the fiscal year for the California WaterFix, commencing with the first such period ending after the issuance of the first Bonds to be issued under this Resolution.

Government Obligations means:

(1) Any bonds or other obligations (including certificates or trust receipts evidencing ownership of payments on such bonds or other obligations) which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America;

(2) Obligations of the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Financing Bank, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Land Banks, the Federal Home Loan Bank System, the Farmers Home Administration, the Federal Home Loan Mortgage Corporation, the Export-Import Bank of the United States, the Private Export Funding Corporation, the United States Postal Service, or any other agency or instrumentality of the United States of America established for the purposes of acquiring the obligations of any of the foregoing or otherwise providing financing therefor; and

(3) Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (a) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee or escrow agent of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (b) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or non-callable Government Obligations of the type described in clause (1) of this definition which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations, and (c) as to which the principal of and interest on the Government Obligations of the type described in clause (1) of this definition which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay principal of and interest and redemption premium, if any, on such bonds or other obligations.

Operating Expenses means the costs of operation and maintenance (including appropriate amounts for operating and replacement reserves) of the portion of the California WaterFix the Capital Costs of which are paid with the proceeds of Bonds. Operating Expenses shall include, without limiting the generality of the foregoing: administrative expenses, payments under any operation contract the Department may enter into, insurance premiums, payments for legal, engineering, and insurance advisory services, and payments to the Treasurer and Paying Agents.

Outstanding, when used with reference to Bonds, means, as of a particular date, all Bonds theretofore executed, authenticated and delivered under this Resolution except:

- (1) Bonds theretofore cancelled by the Treasurer or a Paying Agent;
- (2) Bonds for the payment of which, or for the redemption of which, cash or Government Obligations (maturing on or prior to the date when cash shall be required) or both, sufficient to pay the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall have theretofore been deposited with the Treasurer in trust (whether upon or prior to the maturity or redemption date of such Bonds); provided, that if such Bonds are to be redeemed prior to their maturity, notice of such redemption shall have been given as provided in Section 403 or provision satisfactory to the Treasurer shall have been made for the giving of such notice; and provided further, that interest or other income which shall become due on Government Obligations may be deemed to be included in the amount so deposited; and
- (3) Bonds in lieu of or in substitution for which other Bonds shall have been executed, authenticated, and delivered pursuant to Sections 308, 309, 311, 312, 405, or 1106.

Paying Agent means any paying agent for the Bonds of any Series appointed in a Supplemental Resolution, including their respective successors.

Redemption Price means, with respect to any Bond, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof.

Refunding Bonds means Bonds to be issued as provided by Section 206.

Reserve Account Requirement, for any date of calculation, means, for all Series of Bonds Outstanding for which interest is then payable in whole or in part from Revenues, one-half of the maximum Annual Debt Service for the then current Year or any Year after such date of calculation. For purposes of calculating the Reserve Account Requirement for any fiscal year, Bonds bearing interest at a variable rate shall be assumed to bear interest during such fiscal year at a rate equal to the rate most recently reported by The Bond Buyer as the Bond Buyer Index for long-term revenue bonds; provided that if on the date of calculation the interest rate on such Bonds shall then be fixed for a specified period during such fiscal year, the interest rate assumed for such Bonds for such period shall be the actual interest rate.

Resolution means this Resolution as from time to time amended or supplemented in accordance with the terms hereof.

Revenue Fund means the Central Valley Water Project Revenue Fund existing in the Treasury of the State of California pursuant to Section 11815 of the Act.

Revenues means all moneys received by the Department:

- (1) under the Water Supply Contracts resulting from the construction, acquisition or operation of the portion of the California WaterFix the Capital Costs of

which are paid or reimbursed with the proceeds of Bonds or earnings from the investment of proceeds of the Bonds, in the amounts specified in Section 805;

(2) from any other legally available source which the Department in its discretion determines to be Revenues and so designates in a Certificate of the Department filed with the Treasurer; and

(3) as income from the deposit or investment of moneys held in the Revenue Fund pursuant to this Resolution.

Revenues shall not include any income or receipts resulting from the construction, acquisition or operation of the California WaterFix other than the income and receipts specified in clauses (1), (2) and (3) above.

Serial Bond means a Bond of any Series which is so designated by the Supplemental Resolution pursuant to which such Series of Bonds is issued.

Series means all of the Bonds authenticated and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu of or in substitution therefor pursuant to Sections 308, 309, 311, 312, 405 or 1106, regardless of variations in maturity date, interest rate, or other provisions.

Sinking Fund Installment means an amount so designated which is established, in accordance with Section 204(A)(7), for the Bonds of any Series by the Supplemental Resolution pursuant to which such Series is issued.

Supplemental Resolution means any resolution, amendatory of or supplemental to this Resolution, which has been duly adopted by the Department under the terms of this Resolution in accordance with the Act or any law then in effect amendatory of or supplemental to the Act.

Term Bond means a Bond of any Series which is so designated by the Supplemental Resolution pursuant to which such Series is issued.

Treasurer means the Treasurer of the State of California, elected pursuant to Section 11 of Article V of the Constitution of the State of California.

Treasury means the Treasury of the State of California.

Water Code means the Water Code of the State of California.

Water Supply Contracts means contracts, as now or hereafter amended, for a supply of water from the Department. This term refers to the following contracts in existence at the date of this Resolution: Contract between the State of California Department of Water Resources and Alameda County Flood Control and Water Conservation District for a Water Supply for Zone No. 7, dated November 20, 1961; Contract between the State of California Department of Water Resources and Alameda County Water District for a Water Supply, dated November 29, 1961; Water Supply Contract between the State of California Department of

Water Resources and Antelope Valley-East Kern Water Agency, dated September 20, 1962; Water Supply Contract between the State of California Department of Water Resources and Upper Santa Clara Valley Water Agency (Castaic Lake Water Agency), dated April 30, 1963; Water Supply Contract between the State of California Department of Water Resources and City of Yuba City, dated December 30, 1963; Water Supply Contract between the State of California Department of Water Resources and Coachella Valley County Water District, dated March 29, 1963; Water Supply Contract between the State of California Department of Water Resources and County of Butte, dated December 26, 1963; Water Supply Contract between the State of California Department of Water Resources and County of Kings, dated August 31, 1967; Water Supply Contract between the State of California Department of Water Resources and Crestline-Lake Arrowhead Water Agency, dated June 22, 1963; Water Supply Contract between the State of California Department of Water Resources and Desert Water Agency, dated October 17, 1962; Water Supply Contract between the State of California Department of Water Resources and Dudley Ridge Water District, dated December 13, 1963; Water Supply Contract between the State of California Department of Water Resources and Empire West Side Irrigation District, dated December 30, 1963; Water Supply Contract between the State of California Department of Water Resources and Kern County Water Agency, dated November 15, 1963; Water Supply Contract between the State of California Department of Water Resources and Littlerock Creek Irrigation District, dated June 22, 1963; Water Supply Contract between the State of California Department of Water Resources and Mojave Water Agency, dated June 22, 1963; Water Supply Contract between the State of California Department of Water Resources and Napa County Flood Control and Water Conservation District, dated December 19, 1963; Water Supply Contract between the State of California Department of Water Resources and Oak Flat Water District, dated March 23, 1965; Water Supply Contract between the State of California Department of Water Resources and Palmdale Irrigation District (Palmdale Water District), dated February 2, 1963; Water Supply Contract between the State of California Department of Water Resources and Plumas County Flood Control and Water Conservation District, dated December 26, 1963; Contract between the State of California Department of Water Resources and San Bernardino Valley Municipal Water District for a Water Supply, dated December 30, 1960; Water Supply Contract between the State of California Department of Water Resources and San Gabriel Valley Municipal Water District, dated November 3, 1962; Water Supply Contract between the State of California Department of Water Resources and San Geronimo Pass Water Agency, dated November 16, 1962; Water Supply Contract between the State of California Department of Water Resources and San Luis Obispo County Flood Control and Water Conservation District, dated February 26, 1963; Water Supply Contract between the State of California Department of Water Resources and Santa Barbara County Flood Control and Water Conservation District, dated February 26, 1963; Contract between the State of California Department of Water Resources and Santa Clara County Flood Control and Water Conservation District (Santa Clara Valley Water District) for a Water Supply, dated November 20, 1961; Water Supply Contract between the State of California Department of Water Resources and Solano County Flood Control and Water Conservation District (now Solano County Water Agency), dated December 26, 1963; Contract between the State of California Department of Water Resources and The Metropolitan Water District of Southern California for a Water Supply, dated November 4, 1960; Water Supply Contract between the State of California Department of Water Resources and Tulare Lake Basin Water Storage District, dated December 20, 1963; Water Supply Contract between the State of California Department of Water

Resources and Ventura County Flood Control District (now Ventura County Watershed Protection District), dated December 2, 1963.

Year means a twelve-month period ending each Year on the day designated by the Department for one or more purposes of this Resolution. Such day is hereby initially designated for all such purposes as December 1.

Unless otherwise indicated, all references in this Resolution to "Articles", "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Resolution, and the words "herein", "hereof", "hereunder" and other words of similar import refer to this Resolution as a whole and not to any particular Article, Section, or subdivision hereof.

Except where the context otherwise requires, words importing the singular number shall include the plural number and vice versa; and words importing persons shall include firms, associations and corporations and vice versa.

ARTICLE II

AUTHORIZATION AND ISSUANCE OF BONDS

SECTION 201. Statutory Authority for Resolution. This Resolution is adopted pursuant to the provisions of the Act.

SECTION 202. Resolution to Constitute Contract. In consideration of the acceptance of the Bonds, the issuance of which is authorized hereunder, by those who shall hold the same from time to time, this Resolution shall constitute a contract between the Department and the Holders from time to time of the Bonds appurtenant thereto. The covenants and agreements required by this Resolution to be performed on behalf of the Department shall be performed for the equal and proportionate benefit, security and protection of all Holders of Bonds without preference or distinction being given to any Bond over any other except as expressly provided in this Resolution.

SECTION 203. Authorization of Bonds. Bonds of the Department are hereby authorized for the purpose of obtaining funds to pay California WaterFix Capital Costs and to refund obligations of the Department issued for such purpose. The aggregate principal amount of Bonds which may be executed, authenticated and delivered under this Resolution is not limited except as may hereafter be provided by amendment to this Resolution pursuant to Section 1101(C)(1) or as may be limited by law. The Bonds may be issued in one or more Series, if and when determined by the Department pursuant to one or more Supplemental Resolutions. The Bonds shall be designated generally as the Department's "California WaterFix Revenue Bonds", with such further particular designations incorporated in such title for the Bonds of any particular Series as the Department may determine to be appropriate. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs. The Bonds are hereby identified as Central Valley Project revenue bonds as provided by California Water Code Section 11705.

SECTION 204. General Provisions for Issuance of Bonds.

(A) The Department may issue under this Resolution Bonds of any Series for the purposes specified in Sections 205 or 206, upon compliance with the provisions thereof and of this section. Bonds of any Series shall be issued pursuant to a Supplemental Resolution which shall specify:

(1) The purposes for which such Series of Bonds is being issued, which shall be the purposes set forth in Section 205 or the refunding purposes set forth in Section 206;

(2) The principal amount of such Series of Bonds and the designation of the Bonds of such Series;

(3) The date or dates and the maturity date or dates of the Bonds of such Series; provided, that all maturity dates shall be within the stated term of the Water Supply Contracts;

(4) The interest rate or rates of the Bonds of such Series, or the manner of determining such rate or rates, and the record dates and interest payment dates for the Bonds of such Series;

(5) The Paying Agent or Paying Agents, if any, for the Bonds of such Series and the place or places of payment (which may include the office of the Treasurer in Sacramento, California) of the principal and Redemption Price, if any, of, and interest on, the Bonds of such Series;

(6) The Redemption Price or Prices and the redemption terms, if any, for the Bonds of such Series, including the period for notice of redemption;

(7) The amount and due date of each Sinking Fund Installment, if any, for Term Bonds of such Series;

(8) The denominations of the Bonds of such Series;

(9) The form of the Bonds of such Series, including the certificate of authentication, if any;

(10) The Bonds of such Series designated Serial Bonds, if any, and the Bonds of such Series designated Term Bonds, if any;

(11) The provisions for placing moneys in the Reserve Account so that on the first interest payment date when interest on the Bonds of such Series is to be paid from the Interest Account, the Reserve Account shall contain an amount at least equal to the Reserve Account Requirement on such date;

(12) If such Series of Bonds is being issued for the purposes of Section 205, the amount, if any, of the proceeds of the sale of such Bonds to be transferred in reimbursement to the State of California pursuant to Section 502;

(13) If such Series of Bonds is being issued for the purposes of Section 205, any period during which interest on the Bonds of such Series shall be paid from the Construction Fund and any period during which California WaterFix Operating Expenses shall be paid from the Construction Fund;

(14) If such Series of Bonds is being issued for the purposes of Section 205, the amount of the proceeds of the sale of such Bonds, if any, to be allocated to the Preconstruction Cost Account and made available for California WaterFix Planning Costs and other preconstruction California WaterFix Capital Costs;

(15) The tax covenants, if any, applicable to such Series of Bonds as authorized by Section 810; and

(16) Any other provisions deemed advisable by the Department, not in conflict with or in substitution for the provisions of the Resolution (except as expressly permitted in the Resolution).

(B) All (but not less than all) of the Bonds of each Series shall be executed by the Department for issuance under this Resolution and delivered to the Treasurer and thereupon shall be authenticated and delivered by the Treasurer to the Department or upon its order but only upon receipt by the Treasurer of the following:

(1) The written order of the Department as to the delivery of the Bonds of such Series, signed by the Director;

(2) A copy of the Supplemental Resolution pursuant to which the Bonds of such Series are issued, signed or certified by the Director;

(3) A Certificate of the Department stating (a) for the current Year and for each subsequent Year to and including the Year of the latest maturity date of the Bonds (i) estimated Revenues of the California WaterFix, (ii) estimated California WaterFix Operating Expenses of the California WaterFix to be paid from the Revenue Fund, and (iii) Annual Debt Service to be paid from the Revenue Fund of all Bonds to be Outstanding immediately after the delivery of the Bonds of such Series and of all Bonds, if any, which shall be required to be issued to pay the balance of the California WaterFix Capital Costs (for the purpose of calculating Annual Debt Service on such additional Bonds, there shall be assumed substantially level debt service for a period not greater than the economic useful life of the California WaterFix at an interest rate equal to the then current rate for bonds of like rating and maturity); and (b) that in each of such years such estimated Revenues for such Year are not less than the sum of (i) 1.25 times such Annual Debt Service for such Year to be paid from the Revenue Fund, plus (ii) such estimated California WaterFix Operating Expenses for such Year to be paid from the Revenue Fund;

(4) A Certificate of the Department stating that on the first interest payment date when interest on the Bonds of such Series is to be paid from the Interest Account, the Reserve Account is projected to contain an amount at least equal to the Reserve Account Requirement on such date;

(5) A Certificate of the Department stating that, upon the authentication and delivery of the Bonds of such Series, the Department will not be in default in the performance of any of the provisions of this Resolution or of any of the Bonds; and

(6) Such further documents and moneys as are required by Section 205 or Section 206.

(C) Bonds of any Series in anticipation of which the Department intends to issue Bond Anticipation Bonds shall be the subject of a Supplemental Resolution adopted by the Department prior to the issuance of such Bond Anticipation Bonds, which Supplemental Resolution shall specify:

(1) The purposes for which such Series of Bonds is to be issued, which shall include, as applicable, the payment of California WaterFix Capital Costs (including the reimbursement of amounts expended by the State of California to pay California WaterFix Capital Costs as specified in Section 502) and refunding purposes, and shall specify that the proceeds of such Bonds shall be used to refund any Bond Anticipation Bonds issued in anticipation of such Bonds and outstanding when the Bonds are issued;

(2) The maximum principal amount of the Bonds of such Series and the designation of the Bonds of such Series;

(3) The latest permitted final maturity date of the Bonds of such Series; provided, that such final maturity date shall be within the stated term of the Water Supply Contracts;

(4) Any other provisions deemed advisable by the Department, not in conflict with or in substitution for the provisions of the Resolution (except as expressly permitted in the Resolution).

Such Supplemental Resolution shall be amended or supplemented by the Department, after the issuance of such Bond Anticipation Bonds and prior to the issuance of the Bonds of such Series so that such Supplemental Resolution, as so amended or supplemented, and the Bonds of such Series when issued, comply with Section 204(A). Such Supplemental Resolution, as amended or supplemented, may also provide for the issuance of additional Bonds for the purposes of Sections 205 and 206, provided, that the requirements of Section 11755 of the Act are met with respect to the payment of such Bond Anticipation Bonds.

SECTION 205. Special Provisions for Bonds for California WaterFix Capital Costs. The Department may at any time hereafter issue one or more Series of Bonds to obtain moneys for the payment of California WaterFix Capital Costs and for deposit in the Reserve Account in accordance with Section 501. Each such Series of Bonds shall be authenticated and

delivered by the Treasurer only upon the receipt by the Treasurer of the following (in addition to the documents required by Section 204):

(A) A certificate of the Department stating the opinion of the Department that (1) the California WaterFix can be beneficially used by the Department to assist in the conservation or transportation of water under Water Supply Contracts; and (2) the California WaterFix is technically and economically feasible;

(B) If the Supplemental Resolution pursuant to which the Series of Bonds is issued provides for a portion of the proceeds of the sale of the Bonds to be available for California WaterFix Planning Costs or other preconstruction California WaterFix Capital Costs (including, but not limited to, for reimbursement of counterparties to Water Supply Contracts and other parties who have advanced amounts to the Department to pay such costs), a Certificate of the Department stating the opinion of the Department that moneys are then required for such costs, stating an estimate of the amount of moneys required for such purposes, and stating that no Bonds or other obligations are Outstanding that have been issued by the Department for the costs of construction of California WaterFix;

(C) A Certificate of the Department setting forth that all of the proceeds to be received by the Department from the sale of the Bonds of such Series are to be placed in the Construction Fund in accordance with Section 501, concurrently with the issuance of the Bonds of such Series, and that the Department and the Treasurer have taken, or are to take, all action necessary to cause such proceeds, in the amounts required by this Resolution and the Supplemental Resolution pursuant to which the Bonds of such Series are issued, to be reimbursed to the State of California or to be allocated to such funds or accounts as are required by this Resolution and such Supplemental Resolution; and.

(D) Moneys in an amount at least equivalent to the proceeds of the sale of the Bonds of such Series, including an amount equivalent to interest on the Bonds of such Series accrued to the date of delivery.

SECTION 206. Special Provisions for Refunding Bonds.

(A) The Department may at any time hereafter issue, subject to the applicable law at the time of such issuance, one or more Series of Bonds for refunding purposes. Any bonds, notes or other evidences of indebtedness issued to obtain moneys for the payment of the costs of construction or acquisition of the California WaterFix (whether specified as the California WaterFix before or after construction or acquisition) or for the purpose of refunding bonds, notes or other evidences of indebtedness issued for such purposes may be paid at or (subject to the applicable redemption provisions) before maturity from the proceeds of Refunding Bonds. Refunding Bonds may be issued in a principal amount (together with any other funds available or to become available) sufficient to provide funds for the payment of all or any of the following:

(1) The principal or Redemption Price (if applicable) of all bonds, notes or other evidences of indebtedness to be refunded;

(2) Expenses of calling and paying the bonds, notes or other evidences of indebtedness to be refunded and issuing the Refunding Bonds, including the difference between the principal amount of the Refunding Bonds and any amount less than such principal amount for which the Refunding Bonds may be sold;

(3) Interest on the Refunding Bonds to the date of payment of the bonds, notes or other evidences of indebtedness to be refunded;

(4) Interest on the bonds, notes or other evidences of indebtedness to be refunded to the date of payment of such bonds, notes or other evidences of indebtedness; and

(5) Any appropriate deposit to the Reserve Account.

A Series of Refunding Bonds may be issued to provide for the retirement of all or any part of any issue at any time at, before or after the maturity of any such issue.

(B) Each Series of Refunding Bonds shall be authenticated and delivered by the Treasurer only upon the receipt by the Treasurer of the following (in addition to the documents required by Section 204):

(1) Funds sufficient, in the opinion of the Treasurer, to pay or redeem the bonds, notes or other evidences of indebtedness to be refunded. The funds deposited by the Department with the Treasurer shall be cash or Government Obligations (maturing on or prior to the date when cash shall be required) or a combination of cash and Government Obligations. If the Supplemental Resolution pursuant to which such Series of Refunding Bonds is issued so provides, interest or other income on Government Obligations shall be deemed to be included in the funds so deposited.

(2) Instructions by the Department to the Treasurer, expressed to be irrevocable, to give the notice of redemption, as provided in Section 403 (or a waiver of the notice of redemption signed by the Holders of all of the bonds, notes or other evidences of indebtedness to be redeemed) or proof that such notice has been duly given; provided, that in lieu of such instructions or waiver or proof of notice of redemption, the Department may cause to be deposited with the Treasurer all of the bonds, notes or other evidences of indebtedness proposed to be redeemed (whether cancelled or uncanceled, accompanied by proper instruments of assignment and transfer), with instructions, expressed to be irrevocable, to the Treasurer to cancel the bonds, notes or other evidences of indebtedness so to be redeemed upon the issuance and delivery of Refunding Bonds.

The proceeds of the sale of the Refunding Bonds shall be applied by the Treasurer to the payment of the bonds, notes or other evidences of indebtedness for the refunding of which such Refunding Bonds are issued or to the payment of the purchase price of the Government Obligations to be held by the Treasurer to ensure the payment of the bonds, notes or other evidences of indebtedness to be refunded, and to the expenses described in this section. All bonds, notes or other evidences of indebtedness purchased, redeemed or retired by use of funds received from the sale of Refunding Bonds and all bonds, notes or other evidences of

indebtedness surrendered to the Treasurer against the issuance of Refunding Bonds shall be immediately cancelled by the Treasurer and shall not be reissued.

SECTION 207. Validity of Bonds. The validity of the authorization and issuance of any of the Bonds shall not be dependent upon or affected in any way by (A) the proceedings taken or to be taken by the Department for the acquisition, construction or completion of the California WaterFix, or (B) any contracts made by the Department in connection therewith, or (C) the failure on the part of the Department to complete the California WaterFix or to maintain the same or to make all necessary improvements to or replacements thereof or any part thereof, or (D) the acquisition or maintenance by the Department of all rights, licenses or permits necessary for the operation of the California WaterFix.

The recital contained in the Bonds that the same are issued pursuant to the Act shall be conclusive evidence of the validity and regularity of their issuance and all such Bonds shall be incontestable from and after the time of payment of the purchase price thereof.

ARTICLE III

GENERAL TERMS AND PROVISIONS OF BONDS

SECTION 301. Form, Numbering, Date and Payment of Interest. The definitive Bonds shall be in the form of fully registered Bonds without coupons.

The form of the Bonds and the certificate of authentication, if any, shall be as provided by Supplemental Resolution in accordance with Section 204(A)(9). The Bonds may have endorsed thereon such notations, endorsements or legends as may be required to comply with the rules of any national securities exchange or to conform to usage or law with respect thereto. The Bonds may contain such variations, omissions and insertions as are incidental to differences of Series, numbering, denomination and form.

The Bonds shall bear numbers in accordance with such plan as may be adopted by the Department.

The Bonds of each Series shall be dated as specified in the Supplemental Resolution pursuant to which such Series is issued in accordance with Section 204(A)(3).

Except as may be otherwise provided for specified Bonds by the Supplemental Resolution pursuant to which such Bonds are issued, each Bond shall bear interest from the interest payment date next preceding the date of authentication thereof, unless such date of authentication is during the period from any record date for such Bond to any interest payment date for such Bond, inclusive, in which event it shall bear interest from such interest payment date, or unless such date of authentication is prior to the first interest payment date for such Bond, in which event it shall bear interest from its date; provided, that if at the time of authentication of any Bond, interest is in default on such Bond, it shall bear interest from the interest payment date to which interest has previously been paid or made available for payment on such Bond.

SECTION 302. Maturity Dates, Interest Payment Dates and Sinking Fund Installment Dates. All maturity dates and interest payment dates of Bonds and due dates of Sinking Fund Installments shall fall on such dates as shall be specified by the Supplemental Resolution pursuant to which such Bonds are issued.

SECTION 303. Medium, Place and Procedure of Payment. The principal or Redemption Price of, and interest on, the Bonds shall be payable in lawful money of the United States of America, at such place or places as may be designated in the Bonds of each Series. Except to the extent otherwise provided for specified Bonds by the Supplemental Resolution pursuant to which such Bonds are issued, payment of the interest on each Bond shall be made to the person appearing on the registration books for such Bond as the registered owner thereof as of the close of business on the record date for such Bond immediately preceding the applicable interest payment date, such interest or principal to be paid by check, warrant or draft mailed or delivered to the registered owner at such registered owner's address as it appears on such registration books or at such address as such registered owner may have filed for that purpose with the Treasurer or other registrar designated by Supplemental Resolution or by wire transfer to such account as such registered owner may have filed for that purpose with the Treasurer or other registrar designated by Supplemental Resolution. The principal or Redemption Price of Bonds may be made payable in the same manner as interest or may be made payable upon presentation and surrender of the Bonds to be paid as specified in such Bonds.

SECTION 304. Execution. All of the Bonds shall be executed in the name of and on behalf of the Department, and under its seal, with the facsimile signature of the Director and the facsimile countersignature of the Governor of the State of California. The facsimile seal of the Department may be reproduced on the Bonds by imprinting, lithography, or other reproductive process.

In case any person whose official signature or countersignature appears on Bonds shall cease to hold such office before the Bonds so signed shall have been delivered to the purchasers thereof, such signature or countersignature shall nevertheless be valid and sufficient for all purposes the same as if such person had remained in office until the delivery of such Bonds, and by the presentation of such Bonds to the Treasurer for authentication such signature or countersignature shall be adopted by the Department, and such Bonds may be authenticated and delivered as herein provided and thereupon such Bonds shall be issued and Outstanding hereunder and shall be binding upon the Department as though the person who signed such Bonds had held such office on the date of adoption of this Resolution, on the date borne by the Bonds and also on the date of delivery to the purchaser thereof.

SECTION 305. Authentication by Treasurer. The Bonds shall bear thereon a certificate of authentication, executed by the Treasurer, any deputy of the Treasurer or any other authenticating agent designated by Supplemental Resolution. Only such Bonds as shall bear thereon such certificate of authentication shall be entitled to any right or benefit under this Resolution and no Bond shall be valid for any purpose under this Resolution until such certificate of authentication shall have been duly so executed. Such certificate of authentication upon any Bond shall be conclusive evidence that the Bond so authenticated has been duly issued under this Resolution and that the Holder thereof is entitled to the benefits of this Resolution.

SECTION 306. Negotiability. All the Bonds issued pursuant to this Resolution shall be negotiable, subject to the provisions for registration and transfer contained in this Resolution and in the Bonds. The Department, the Treasurer, the Paying Agents, and any other person may treat the registered owner of any Bond as the absolute owner of such Bond for the purpose of receiving payment thereof and for all other purposes, and the Department, the Treasurer and the Paying Agents shall not be affected by any notice or knowledge to the contrary, whether such Bond shall be overdue or not. All payments of or on account of principal and interest to the registered owner of any registered Bond (or to his registered assigns) shall be valid and effectual to discharge the Department, the Treasurer and the Paying Agents from liability upon the Bond or claim for interest, as the case may be, to the extent of the sums so paid.

SECTION 307. Registration. So long as any of the Bonds shall remain Outstanding, the Department shall keep, at the office of the Treasurer in Sacramento, California, or at the office of such other registrar as may be designated by Supplemental Resolution, books for the registration and transfer of Bonds. The Department shall register or cause to be registered in such registration books all Bonds, and shall permit to be transferred on such registration books any Bond which is presented for such purpose at the office of the Treasurer or such other registrar.

SECTION 308. Transfer of Bonds. Transfer of a Bond shall be effected on the registration books of the Department in Sacramento, California, or at the office of such other registrar or authenticating agent as may be designated by Supplemental Resolution, upon surrender of such Bond at such office, together with a satisfactory instrument of transfer. Upon such surrender, the Department shall execute, and the Treasurer, or such other registrar or authenticating agent, shall authenticate, in the name of the transferee, and deliver a new Bond or Bonds of the same Series, maturity and aggregate principal amount as the surrendered Bond.

SECTION 309. Exchange of Bonds. Bonds of any Series may be exchanged for Bonds of other denominations, of the same Series, maturity and aggregate principal amount upon the surrender thereof, together with satisfactory instruments of transfer, at the office of the Treasurer or at the office of such other registrar or authenticating agent as may be designated by Supplemental Resolution.

The Treasurer, or such other registrar or authenticating agent, shall authenticate and deliver the Bond or Bonds necessary to make such exchange.

SECTION 310. Regulations with Respect to Registration, Exchange and Transfer. As a condition of any registration, transfer, or exchange of a Bond, the Department may require the payment of a sum sufficient to reimburse it for any stamp tax or other governmental charge that may be imposed on such transaction. No other payment shall be required for any registration, transfer, or exchange of a Bond. The Department and the Treasurer may prescribe such other regulations governing the registration, exchange, and transfer of Bonds as may be reasonable and in accordance with the provisions of this Resolution and the Bonds.

SECTION 311. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Department shall execute, and

thereupon the Treasurer, or such other registrar or authenticating agent as may have been designated by Supplemental Resolution, shall authenticate and deliver, a new Bond of like Series, maturity and principal amount as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender of such mutilated Bond or in lieu of and substitution for such Bond destroyed, stolen or lost, upon filing with the Treasurer, or such other registrar or authenticating agent, evidence satisfactory to the Department and the Treasurer that such Bond has been destroyed, stolen or lost and proof of ownership thereof; and upon furnishing the Department, the Treasurer and such other registrar or authenticating agent with indemnity satisfactory to them and paying such reasonable expenses as the Department, Treasurer and such other registrar or authenticating agent may incur.

SECTION 312. Preparation of Definitive Bonds; Temporary Bonds. Except as provided in Section 313, the definitive Bonds, if any, shall be fully engraved or lithographed, or printed on steel engraved borders, and shall be prepared by the Department without unnecessary delay. Until definitive Bonds are prepared, the Department may deliver, in lieu of such definitive Bonds, one or more temporary Bonds. The temporary Bonds may be printed, lithographed or typewritten and shall be in such denominations as may be determined by the Department. Temporary Bonds may be surrendered in exchange for temporary Bonds of like Series, maturity and aggregate principal amount. When the definitive Bonds, if any, have been prepared, the temporary Bonds may be surrendered by the registered owner thereof, and the Department will thereupon deliver or cause to be delivered therefor definitive Bonds, of the same Series, maturity and aggregate principal amount as the temporary Bonds surrendered. Until exchanged for definitive Bonds, temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds.

SECTION 313. Book Entry Registration of Exchanges.

(A) Notwithstanding any of the provisions of Sections 304 through 312 to the contrary, the Supplemental Resolution providing for the issuance of a Series of Bonds may provide: (1) that one or more typewritten, printed or electronically stored Bonds shall be delivered upon initial issuance to, and registered in the name of, or in the name of one or more nominees of, one or more bond depositories, (2) that such Bonds may not be exchanged, transferred or replaced on the registration books maintained pursuant to Section 307, subject to such exceptions as may be provided by such Supplemental Resolution, (3) that, while any such Bond is held by such a bond depository, the Department, the Treasurer, any Paying Agent, and any registrar for such Bond may treat the bond depository as the absolute owner of such Bond for all purposes and shall have no liability with respect to (a) the accuracy of the records of such bond depository or any participant with respect to any ownership interest in such Bond, (b) the delivery to any participant, any beneficial owner or any other Person, other than such bond depository, of any notice with respect to such Bond, including any notice of redemption, or (c) the payment to any participant, any beneficial owner or any other Person, other than such bond depository, of any amount with respect to the principal or Redemption Price of or interest on such Bond.

(B) In the alternative, notwithstanding any of the provisions of Sections 304 through 312 to the contrary, the Supplemental Resolution providing for the issuance of a Series of Bonds may provide: (1) that one or more typewritten, printed or electronically stored Bonds

shall be delivered upon initial issuance to, and registered in the name of, or in the name of one or more nominees of, the Treasurer or any other registrar for such Series of Bonds, in order to set forth the terms of such Bonds in the same manner as for Bonds that are subject to exchange, transfer and replacement in written certificated form, (2) that no Person other than the Treasurer or such other registrar may receive an authenticated Bond, subject to such exceptions as may be provided by such Supplemental Resolution, (3) that the ownership of such Bonds shall be evidenced solely by the bond registration books of the Treasurer or such other registrar, and (4) that the transfer of the ownership of such Bonds shall take place subject to such regulations as may be provided by such Supplemental Resolution.

ARTICLE IV

REDEMPTION OF BONDS

SECTION 401. Right of Redemption, Redemption Prices, and Notice to Treasurer. Bonds made subject to redemption prior to maturity by a Supplemental Resolution in accordance with Section 204(A)(6) shall be redeemable at such times, at such Redemption Prices, and upon such terms as may be specified in such Supplemental Resolution and in the manner set forth in this Article IV. The Department shall give written notice to the Treasurer of its election to redeem Bonds which are subject to optional redemption (redemption other than from Sinking Fund Installments) and of the date fixed for redemption, which notice shall be given at least sixty (60) days prior to the date fixed for redemption or at such earlier or later date as shall be acceptable to the Treasurer.

SECTION 402. Selection of Bonds to be Redeemed. Whenever less than all of the Outstanding Bonds of a Series or portion thereof are to be redeemed, the Treasurer shall select the Bonds to be redeemed by lot in any manner the Treasurer deems fair. For such purpose the Treasurer shall assign to each Outstanding Bond of a denomination larger than the minimum denomination of the Bonds of such Series and maturity a distinctive number for each portion of such Bond equal to such denomination. If less than all the numbers so assigned to a Bond are drawn, only such portion of such Bond shall be redeemed as shall equal the amount of such denomination for each number assigned to it and drawn. For the purposes of this section, a Bond, or a portion thereof, which has already been selected for redemption shall not be deemed Outstanding.

SECTION 403. Notice of Redemption. Notice of redemption of Bonds shall be given, during the period provided for such Bonds by the Supplemental Resolution pursuant to which such Bonds are issued, by mail to each of the registered owners of Bonds designated for redemption at their addresses appearing on the bond registration books on the date the Bonds to be redeemed are selected. Such notice of redemption shall (A) specify the Series, maturities and numbers (individually or by group) of the Bonds of such owner selected for redemption and, in the case of any Bond to be redeemed only in part, the portion of the principal amount of such Bond to be redeemed; (B) state the date fixed for redemption; (C) state the Redemption Price or Prices; (D) state that the Bonds selected for redemption are required to be surrendered at the place or places designated for payment with a satisfactory instrument of transfer; and (E) state that interest on the Bonds or portions thereof selected for redemption will cease to accrue on the date fixed for redemption. The receipt of such notices shall not be a condition precedent to

such redemption and the failure to so receive any such notice shall not affect the validity of the proceedings for the redemption of such Bonds.

Upon the written request of the Department, any notice of redemption may be cancelled by giving notice of such cancellation, in the same manner as for giving notices of redemption, at any time prior to the date fixed for redemption designated in such notice of redemption.

SECTION 404. Transfer of Redemption Money. Whenever notice of redemption has been given in accordance with Section 403, the Treasurer shall take any and all actions necessary to make available at the place or places of payment for the Bonds designated for redemption, out of moneys available hereunder for such purpose, a sum of money sufficient to redeem such Bonds or portions thereof designated for redemption and to pay the interest which will accrue thereon to the date fixed for redemption. Moneys so made available shall be held in trust to be applied on or after such date fixed for redemption to the payment of the Redemption Price of such Bonds or portions thereof and such accrued interest in accordance with Section 405.

SECTION 405. Payment of Redeemed Bonds. The Bonds or portions thereof called for redemption in accordance with Section 403 shall become due and payable on the designated date fixed for redemption at the Redemption Price, together with interest accrued to the date fixed for redemption. Upon presentation and surrender of any such Bond at any of the places designated for payment, together with satisfactory instruments of transfer, the Redemption Price, together with interest accrued on such Bond or the portion thereof designated for redemption to the date fixed for redemption, shall be paid to the registered owner of such Bond (or to his registered assigns). If less than all of a Bond is designated for redemption, upon presentation and surrender of such Bond together with a satisfactory instrument of transfer, payment of the portion of such Bond designated for redemption shall be made and one or more Bonds of like Series and maturity and for an aggregate principal amount equal to the unredeemed balance of the principal of such Bond shall be delivered to the registered owner of such Bond without expense to such owner.

No Bonds shall be issued hereunder in place of redeemed Bonds, except in place of the unredeemed balance of a registered Bond redeemed in part only as provided above.

SECTION 406. Effect of Notice and Availability of Redemption Money. If, on the date fixed for redemption, moneys equal to the Redemption Price of Bonds or portions thereof designated for redemption, together with interest accrued thereon to the date fixed for redemption, shall be held by the Treasurer for such Bonds so as to be available for payment of such Redemption Price and interest on such date, and if notice of redemption shall have been mailed as provided in Section 403, then (A) such Bonds or portions thereof, whether or not presented for redemption, shall cease to be entitled to any benefit under this Resolution other than the right to receive payment of the Redemption Price together with accrued interest to the date fixed for redemption; (B) no interest shall accrue on such Bonds or portions thereof after the date fixed for redemption; and (C) except as to the portion not designated for redemption of any Bond designated for redemption only in part, the Redemption Price of and accrued interest on

such Bonds shall be payable only from the moneys held by the Treasurer for such Bonds for that purpose pursuant to Section 404.

ARTICLE V

APPLICATION OF BOND PROCEEDS

SECTION 501. Disposition of Bond Proceeds. The proceeds of the sale of the Bonds shall be paid by the purchasers thereof directly to the Treasurer. The Treasurer shall promptly deposit the proceeds of the sale of all Bonds issued for the purposes of Section 205 to the credit of the Construction Fund, provided that the proceeds of sale of any Series of Bonds in anticipation whereof Bond Anticipation Bonds shall have been issued may be used to the extent required to pay such Bond Anticipation Bonds, and provided that an amount of the proceeds of a Series of Bonds not exceeding the portion of the Reserve Account Requirement allocable to such Series of Bonds or such larger amount as may be specified by Supplemental Resolution pursuant to which a Series of Bonds is issued may, to the extent permitted by law, be deposited in the Reserve Account.

SECTION 502. Reimbursement to State of California for California WaterFix Capital Costs. Out of the proceeds of the sale of Bonds issued for the purposes of Section 205 the Treasurer shall transfer to such fund or account in the Treasury as is legally available to receive such moneys and designated by the Department the amount, if any, determined by the Department to have been expended by the State of California, on or prior to the date of delivery of the first Series of Bonds for the California WaterFix, to pay California WaterFix Capital Costs. The amount, if any, of the proceeds of the sale of each Series of Bonds to be so transferred shall be specified in accordance with Section 204(A)(12) in the Supplemental Resolution pursuant to which such Series is issued. The transfers required by this section shall constitute full reimbursement to the State of California for moneys expended, on or prior to the date of delivery of the first Series of Bonds, to pay California WaterFix Capital Costs. Proceeds transferred pursuant to this section shall not be subject to the charge and lien established by Section 802 to secure payment of the principal or Redemption Price of, and interest on, the Bonds, or be subject to any other provision of this Resolution.

SECTION 503. Establishment of Accounts in Construction Fund; Application of Moneys in Such Accounts. The Department shall establish and maintain a separate account in the Construction Fund for the proceeds of the sale of each Series of Bonds issued for the purposes of Section 205, and shall allocate to such account the proceeds remaining after making any deposits or transfers appropriate under Sections 501, 502 and 504. The Department may establish such subaccounts in such Series accounts as are necessary or desirable to carry out the requirements of this Resolution or any Supplemental Resolution.

Moneys in a Series account shall be applied to pay California WaterFix Capital Costs, including the payment of interest on Bonds and California WaterFix Operating Expenses during any period specified by Supplemental Resolution. Moneys in a Series account may, to the extent permitted by law, be transferred to the Reserve Account in an amount not exceeding the portion of the Reserve Account Requirement allocable to the Series of Bonds for which such Series account was established upon the filing with the Treasurer of a Certificate of the

Department requesting such transfer. Application of moneys in a Series account to pay interest shall be upon the claim of the Treasurer. Application of such moneys to pay California WaterFix Capital Costs other than interest shall be upon the claim of the Department; provided, that there shall be retained in each Series account at all times sufficient moneys to pay all interest thereafter to become due on the Bonds of such Series during any period specified by Supplemental Resolution when interest is to be paid from the Construction Fund. Each such claim of the Department shall be accompanied by a Certificate of the Department describing the costs to be paid with the money demanded and stating that such costs are California WaterFix Capital Costs.

SECTION 504. Preconstruction Cost Account. In the event a Supplemental Resolution pursuant to which a Series of Bonds is issued provides, in accordance with Section 204(A)(14), that a portion of the proceeds of such Series of Bonds shall be made available for California WaterFix Planning Costs or other preconstruction California WaterFix Capital Costs, the Department shall establish and maintain the Preconstruction Cost Account in the Construction Fund. The amount of proceeds specified in any Supplemental Resolution to be made available for California WaterFix Planning Costs and other preconstruction California WaterFix Capital Costs shall be allocated by the Department to the Preconstruction Cost Account. Moneys in the Preconstruction Cost Account shall be applied only to pay California WaterFix Planning Costs and other preconstruction California WaterFix Capital Costs.

SECTION 505. Disposition of Moneys Remaining in Construction Fund. The Department may at any time file with the Treasurer a Certificate of the Department with respect to the disposition of the moneys remaining in the Series account of the Construction Fund or the Preconstruction Cost Account. Such Certificate shall state: (A) the amount, if any, which will be required to be retained in such Series account to pay for specified California WaterFix Capital Costs or California WaterFix Planning Costs; (B) the amount, if any, which will be required to be transferred to the Interest Account created by Section 602 to provide for the payment of interest on Bonds; and (C) if there is money in such Series account or Preconstruction Cost Account in excess of that required for (A) and (B) above, the fund or account to which such excess shall be transferred. The Treasurer shall transfer to the Interest Account and to such other fund or account the respective amounts, if any, stated in such Certificate to be required to be so transferred. If, pursuant to such Certificate of the Department, money is retained in the Series account to pay for specified California WaterFix Capital Costs or California WaterFix Planning Costs, when such specified costs have been paid the Department shall so state in a subsequent Certificate of the Department filed with the Treasurer, and the Treasurer shall thereupon transfer any moneys then remaining in the Series account to another legally permissible fund or account as directed by such Certificate.

ARTICLE VI

APPLICATION OF REVENUES

SECTION 601. Receipt and Deposit of Revenues. All Revenues received shall be promptly paid over to the Treasurer and deposited by the Treasurer to the credit of the Revenue Fund.

SECTION 602. Establishment of Accounts in Revenue Fund; Allocation of Revenues to Such Accounts. The Department shall establish and maintain the following accounts in the Revenue Fund: Interest Account, Principal Retirement Account, Operating Account, Reserve Account, and Surplus Account. The Department shall allocate Revenues, when received, to the Interest Account, the Principal Retirement Account, the Operating Account, the Reserve Account, and the Surplus Account, in that priority, in the amounts respectively set forth for such accounts in Sections 603, 604, 605, 606, and 607.

SECTION 603. Interest Account. The Department shall allocate to the Interest Account on or before each interest payment date for Bonds, an amount equal to the interest on the Bonds which shall become due on such interest payment date; provided, that Revenues shall be allocated to the Interest Account only to the extent that the sum of the amount contained therein plus the amount contained in the Construction Fund and available to pay interest on such interest payment date is less than the amount of interest on the Bonds which shall become due on the next interest payment date.

Moneys in the Interest Account shall be applied only to the purpose of paying the interest on the Bonds as such interest becomes due and payable (including accrued interest on any Bonds purchased or redeemed hereunder).

SECTION 604. Principal Retirement Account. The Department shall allocate to the Principal Retirement Account on or before each maturity date for Bonds and each date for the payment of any Sinking Fund Installment (collectively, "principal installment dates"), an amount equal to the sum of (A) the principal amount of any Serial Bonds which shall become due on such date, plus (B) any Sinking Fund Installments which shall become due on such date; provided, that Revenues shall be allocated to the Principal Retirement Account only to the extent that the amount contained therein is less than such sum.

Moneys in the Principal Retirement Account shall be applied only to the purposes of (A) paying, through purchase or payment at maturity, the principal amount of Serial Bonds becoming due or, (B) paying the principal amount of Term Bonds of appropriate Series and maturities through purchase, redemption or payment at maturity. The Treasurer shall timely commence, in accordance with Article IV, proceedings for the redemption of Term Bonds of the Series entitled to each Sinking Fund Installment in an aggregate principal amount which can be redeemed with moneys remaining available for the redemption of such Bonds.

The Treasurer may use moneys in the Principal Retirement Account to purchase Bonds of any Series and maturity becoming due or to be redeemed on the next principal installment date at public or private sales at such times and at such prices as the Treasurer deems advisable; provided, that the Treasurer shall not purchase at prices (including brokerage and other expenses but excluding accrued interest) which exceed the principal amount.

SECTION 605. Operating Account. The Department shall allocate to the Operating Account during each Year an amount equal to the amount previously estimated by the Department to be required in such Year for California WaterFix Operating Expenses. On or before the beginning of each Year, the Department shall prepare and furnish to the Treasurer an

estimate of the amount required for California WaterFix Operating Expenses in the next succeeding Year (including appropriate amounts for operating and replacement reserves, if any).

Moneys in the Operating Account shall be applied, upon the claim of the Department, only to the purpose of paying California WaterFix Operating Expenses.

SECTION 606. Reserve Account. The Department shall allocate amounts to the Reserve Account if and to the extent required so that the amount in such account upon such allocation shall be equal to the Reserve Account Requirement. Any amount in the Reserve Account in excess of the Reserve Account Requirement may be transferred to any legally permissible fund or account designated by Certificate of the Department filed with the Treasurer.

Moneys in the Reserve Account shall be applied, upon the claim of the Treasurer, only to make good any deficiency in the Interest Account or the Principal Retirement Account, in that priority.

SECTION 607. Surplus Account. The Department shall allocate the balance of any Revenues to the Surplus Account.

Moneys in the Surplus Account may be applied, upon the claim of the Department, to any lawful purpose, including transfer to the revenue account of the California Water Resources Development Bond Fund. Money transferred to the California Water Resources Development Bond Fund shall not be subject to the charge and lien established by Section 802 to secure payment of the principal or Redemption Price of, and interest on, the Bonds, or be subject to any other provision of this Resolution.

ARTICLE VII

DEPOSIT, DISBURSEMENT AND INVESTMENT OF MONEYS HELD HEREUNDER

SECTION 701. Deposit, Disbursement and Investment. All moneys held in the Construction Fund or any account thereof or the Revenue Fund or any account thereof other than the Reserve Account pursuant to this Resolution shall be promptly deposited or invested by the Treasurer as permitted or required by law. Such deposits or investments need not be kept separate from other bank deposits of moneys in the Treasury.

Moneys in the Reserve Account shall be promptly invested to the extent practicable. Such moneys shall be invested only in Government Obligations or in the Surplus Money Investment Fund operated under the provisions of Sections 16470 et seq. of the Government Code of the State of California or its successor.

Moneys in accounts established in the Construction Fund or the Revenue Fund pursuant to this Resolution shall be disbursed or transferred by the Treasurer or the Department, as appropriate, only for the respective purposes specified: (A) for a Series account in the Construction Fund in Sections 503 and 505; (B) for the Preconstruction Cost Account in Section 504; (C) for the Interest Account in Section 603; (D) for the Principal Retirement Account in

Section 604; (E) for the Operating Account in Section 605; (F) for the Reserve Account in Section 606; and (G) for the Surplus Account in Section 607.

In the event that moneys held in the Preconstruction Cost Account, the Operating Account, or the Surplus Account are required for debt service, the Department and the Treasurer shall take all actions necessary to disburse such moneys, in the amount required, for the payment of debt service.

All income from the deposit or investment of moneys in each Series account in the Construction Fund shall be credited to such Series account. All income from the deposit or investment of moneys in the Preconstruction Cost Account shall be credited to that account.

ARTICLE VIII

PARTICULAR COVENANTS OF THE DEPARTMENT

SECTION 801. Payment of Bonds. The Department shall duly and punctually pay or cause to be paid the principal or Redemption Price of, and interest on, the Bonds in strict conformity with the terms of this Resolution and the Supplemental Resolutions and of the Bonds, and shall faithfully observe and perform all of the conditions, covenants and requirements of this Resolution and all Supplemental Resolutions and of the Bonds.

SECTION 802. Security for Payment of Bonds. Payment of the principal or Redemption Price of, and interest on, the Bonds is secured by a first and direct charge and lien upon the Revenues and all moneys and securities held, and accounts established, under this Resolution by the Department, the Treasurer, or the Paying Agents, subject only to the provisions of this Resolution permitting the payment or use thereof for the purposes, in the manner, and upon the terms and conditions set forth in this Resolution.

SECTION 803. Encumbrances on the Revenues; Sale or Other Disposition of the California WaterFix. The Department shall not create, or permit to be created, any mortgage, lien or pledge on the Revenues equal or prior to the charge and lien of this Resolution, nor sell or otherwise dispose of all or any part of the California WaterFix essential to the maintenance of Revenues in compliance with Section 805, nor enter into any lease or agreement which would materially adversely affect the rights or security of the Bondholders under this Resolution.

SECTION 804. Construction, Acquisition, Operation and Maintenance. The Department shall use its best efforts to cause the construction, acquisition, operation and maintenance of the California WaterFix to be performed with all practical dispatch and in a sound and economical manner.

The Department shall pay all California WaterFix Capital Costs from the proceeds of Bonds, or, to the extent that such proceeds may be insufficient for such purpose, from any moneys available to the Department for such purpose in the Construction Fund. The Department warrants, covenants and agrees that from and after the date of delivery of the first Series of Bonds for the California WaterFix, it will not use any moneys appropriated by the California Water Resources Development Bond Act (also referred to herein as the Burns-Porter Act) (Chapter 8, commencing with Section 12930, of Part 6 of Division 6 of the Water Code) to

pay California WaterFix Capital Costs, to the end that the entire Revenues shall be applied exclusively as in this Resolution provided for the benefit of the Bonds.

In the event that the California WaterFix consists of a portion only of a resource or facility of the Department, the Department shall, subject to the availability of funds, pay all costs of acquisition, construction, operation and maintenance of such resource or facility which are apportioned by the Department other than to the California WaterFix from funds appropriated by the Burns-Porter Act or other applicable law or advanced by other parties.

SECTION 805. Water Supply Contract Charges. The Department shall charge and collect amounts under the Water Supply Contracts sufficient to return the costs of the California WaterFix for the construction or acquisition of which Bonds have been authenticated and delivered without regard to whether or not the Department is able to construct, acquire or operate the California WaterFix. The total amount of Revenues receivable under all Water Supply Contracts in any Year shall be the sum of (A) 1.25 times the Annual Debt Service for such Year to be paid from the Revenue Fund, plus (B) the amount estimated by the Department, pursuant to Section 605, to be required from the Revenue Fund in such Year to provide for California WaterFix Operating Expenses, plus (C) any amounts required by a Supplemental Resolution to be received as Revenues in order to place moneys in the Reserve Account so as to meet the requirement of Section 204(A)(11).

SECTION 806. Maintenance of Revenues. The Department shall at all times use its best efforts to maintain the Revenues from all sources in each Year at the amount specified in Section 805.

SECTION 807. Performance of Water Supply Contracts. The Department shall perform and observe all the obligations and conditions required to be performed and observed by it under the Water Supply Contracts at the times, and in the manner therein prescribed. The Department shall diligently enforce its rights under the Water Supply Contracts and shall not agree to any amendment to the Water Supply Contracts which would materially adversely affect the security of the Bonds.

SECTION 808. Compliance with Law and Resolution; Licenses and Permits. The Department shall do and perform or cause to be done and performed all acts and things required to be done and performed by or on behalf of the Department under law and this Resolution. The Department shall take all action necessary to obtain all licenses and permits needed for the acquisition, construction or operation of the California WaterFix and shall perform and observe all of the obligations and conditions required to be performed and observed by it under such licenses and permits.

SECTION 809. Accounting Records and Financial Statements of the Department. The Department shall keep or cause to be kept proper books of record and account in which complete and accurate entries shall be made in accordance with industry standards of all transactions relating to the proceeds of Bonds, the Revenues, and all funds and accounts established pursuant to this Resolution.

Not later than two hundred ten (210) days after the end of each Fiscal Year of the Department, the Department will furnish to the Trustee a detailed, certified report of audit, based on an examination sufficiently complete to comply with generally accepted auditing standards, prepared by an Independent Certified Public Accountant, covering the operations of the California WaterFix for the Fiscal Year next preceding, and showing the Revenues and expenses (by major classification) for such period. There shall also be included with each audit report a written opinion of the Independent Certified Public Accountant, to the effect that in making the examination necessary in connection with said audit, no knowledge of any default by the Department in the fulfillment of any of the terms, covenants, provisions and conditions of this Resolution, or any Supplemental Resolution, was obtained or, if said accountant shall have obtained knowledge of any such default, a statement of the default or defaults thus discovered and the nature thereof.

Not later than two hundred ten (210) days after the end of each Fiscal Year of the Department, the Department shall also furnish to the Trustee a certified report of audit, prepared by an Independent Certified Public Accountant, reflecting the financial condition and record of operation of the State Water Resources Development System.

The Department shall file with the Treasurer copies of all Supplemental Resolutions, all Water Supply Contracts, and all amendments to Water Supply Contracts.

All papers required to be filed with the Department and the Treasurer pursuant to this Resolution shall be available for inspection by Bondholders at the offices of the Department and the Treasurer in Sacramento, California.

SECTION 810. Tax Covenants. The Department may include in any Supplemental Resolution covenants designed to preserve the exemption from federal income taxes for interest on a Series of Bonds, including, but not limited to, covenants concerning the rebate of excess investment earnings on moneys held under this Resolution.

SECTION 811. Further Assurances. At any and all times the Department, insofar as it may be authorized by law, shall make, do, adopt, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be reasonably required for effectuating the intention of this Resolution and for better assuring and confirming to the Bondholders the rights and benefits provided by this Resolution.

ARTICLE IX

THE TREASURER AND THE PAYING AGENTS

SECTION 901. Appointment and Acceptance of Duties.

(A) The Treasurer by his or her signature affixed to this Resolution, agrees to perform the duties imposed upon the Treasurer by this Resolution.

(B) The Department may appoint one or more Paying Agents, registrars or authenticating agents for the Bonds of any Series in a Supplemental Resolution. Paying Agents,

registrars and authenticating agents shall perform such duties and obligations as are specified by such Supplemental Resolution.

(C) The Treasurer may from time to time appoint one or more additional Paying Agents for the Bonds of any Series having the qualifications required in Section 905 for appointment as a successor Paying Agent. A Paying Agent, registrar or authenticating agent shall signify its acceptance of the duties imposed upon it by executing and delivering to the Department and the Treasurer a written acceptance thereof.

SECTION 902. Responsibility of Treasurer and Paying Agents. The statements of fact contained in this Resolution and in the Bonds are the statements of the Department. Neither the Treasurer, any Paying Agent, any registrar or any authenticating agent assumes any responsibility for the correctness of such statements, makes any representations as to the validity or sufficiency of this Resolution or of the Bonds issued hereunder, or shall incur any responsibility in respect thereof other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon such person or entity or as otherwise required by law.

SECTION 903. Evidence on Which Agents May Act. The Treasurer, any Paying Agent, any registrar or any authenticating agent shall be protected in acting upon any paper or document believed by such person or entity to be genuine, and to have been signed or presented by the proper party. The Treasurer, any Paying Agent, any registrar or any authenticating agent may consult with counsel, who may be counsel to the Department, and the opinion of such counsel shall be full and complete authorization and protection with respect to any action taken or suffered by such person or entity hereunder in accordance with such opinion and in good faith reliance thereon.

Whenever the Treasurer, any Paying Agent, any registrar or any authenticating agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be specifically required herein) may be deemed to be conclusively proved and established by a Certificate of the Department, and such Certificate shall be full warrant for any action taken or suffered pursuant to this Resolution in good faith reliance thereon; but in the discretion of the Treasurer, such Paying Agent, such registrar or such authenticating agent, such person or entity may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to such person or entity may seem reasonable.

SECTION 904. Ownership of Bonds. Any Paying Agent, any registrar or any authenticating agent may become the owner of Bonds with the same rights it would have if it were not a Paying Agent, registrar or authenticating agent, and may act as depository for and permit any of its officers or directors to act as members of, or in any other capacity with respect to, any committee formed in the interest of Bondholders, whether or not such committee shall represent the holders of a majority in principal amount of the Bonds Outstanding hereunder.

SECTION 905. Resignation or Removal of Agents and Appointment of Successors. Any Paying Agent, registrar or authenticating agent may at any time resign and be discharged of the duties imposed on it by this Resolution by giving not less than sixty (60) days

written notice of such resignation to the Department and the Treasurer, specifying the date when such resignation shall take effect. The resignation shall take effect upon the date specified in the notice to the Treasurer, unless a successor Paying Agent, registrar or authenticating agent is appointed by the Treasurer as provided in this section prior to such date, in which event the resignation shall take effect immediately upon the delivery to the Treasurer of the acceptance of the successor.

The Treasurer may at any time remove any Paying Agent, registrar or authenticating agent by giving such agent written notice of such removal, specifying the date when such removal shall take effect. Such removal shall become effective on the date specified or on the date on which a successor appointed pursuant to this section delivers to the Treasurer the written acceptance provided for in this section, whichever date occurs first. The Treasurer shall also give written notice of such removal to the Department.

Any successor Paying Agent shall be appointed by the Treasurer and shall:

- (A) be a bank or trust company,
- (B) be a member of the Federal Reserve System,
- (C) be authorized by law to perform all the duties imposed on it by this Resolution,
- (D) have capital funds (consisting of capital stock, paid in surplus, undivided profits, and debt securities which by their terms are subordinated in right of payment to claims of depositors and other creditors) of at least \$50,000,000, and
- (E) have an office for the transaction of business in the same city as its predecessor.

In the event of the resignation or removal of any Paying Agent, such agent shall forthwith pay over, assign and deliver any moneys held by it as Paying Agent to its successor or, if there be no successor, to the Treasurer, and shall, on the written request of the Department or the Treasurer, do such other things as may be reasonably required to transfer its rights, powers and duties under this Resolution and all properties, records and moneys held by it under this Resolution to its successor.

Any successor registrar or authenticating agent shall be appointed by the Treasurer and shall be authorized by law to perform all the duties imposed on it by this Resolution. In the event of the resignation or removal of any registrar or authenticating agent, such person or entity shall forthwith do such things as may be reasonably required to transfer its rights, powers and duties under this Resolution and all properties and records held by it under this Resolution to its successor.

SECTION 906. Merger or Consolidation of Agents. Any company into which any Paying Agent, registrar or authenticating agent may be merged, converted or with which it may be consolidated, or any company resulting from any merger, conversion or consolidation to

which it shall be a party or any company to which any Paying Agent, registrar or authenticating agent may sell or transfer all or substantially all of the applicable part of its business, shall be the successor to such Paying Agent, registrar or authenticating agent without the execution or filing of any paper or the performance of any further act; provided, that any such successor Paying Agent, registrar or authenticating agent shall have the respective qualifications specified in Section 905.

ARTICLE X

REMEDIES OF BONDHOLDERS

SECTION 1001. Events of Default and Acceleration of Maturities. If one or more of the following events (herein called "events of default") shall happen, that is to say:

- (A) if default shall be made in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, or by proceedings for redemption, or otherwise;
- (B) if default shall be made in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;
- (C) if the Department shall fail or refuse to comply with any of the covenants, agreements or conditions on its part required to be complied with in this Resolution or in the Bonds contained (including the due and punctual allocation of moneys for Sinking Fund Installments) and such default shall have continued for a period of sixty (60) days after written notice thereof specifying such default and requiring the same to be remedied shall have been given to the Department by the Treasurer or to the Department and the Treasurer by the holders of not less than twenty-five percent (25%) in principal amount of the Bonds at the time Outstanding;

then and in each and every such case during the continuance of such event of default the Treasurer or the holders of not less than a majority in principal amount of the Bonds at the time Outstanding shall be entitled upon notice in writing to the Department to declare the principal of all of the Bonds then Outstanding and the interest accrued thereon to be due and payable immediately and upon any such declaration the same shall become immediately due and payable, anything contained in this Resolution or in the Bonds to the contrary notwithstanding.

SECTION 1002. Priority of Payments After Default. In the event that the moneys, securities, and accounts which secure the payment of the principal or Redemption Price of the Bonds and the payment of interest thereon shall be insufficient for such payment, such moneys, securities and accounts (other than funds held by the Treasurer or Paying Agents for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption or for the payment of particular interest installments which have theretofore become due) and all Revenues thereafter received or collected, after making

provision for the payment of any expenses necessary in the opinion of the trustee appointed under Section 1004 to preserve the continuity of the Revenues, or to provide for the continued operation of the California WaterFix or otherwise to protect the interests of the Bondholders, and for the payment of the charges and expenses and liabilities incurred and advances made by the Treasurer and the Paying Agents in the performance of their duties under this Resolution, shall be applied as follows:

- (A) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

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

Second: To the payment of the unpaid principal or Redemption Price of any Bonds which shall have become due whether at maturity or by call for redemption in the order of their due dates and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

- (B) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

Such payments shall be made upon presentation of the Bonds, if any, to be paid and the surrender thereof if fully paid, or the stamping thereon of the payment if only partially paid.

SECTION 1003. Other Remedies of Bondholders. The Bondholders and the trustee acting for the Bondholders pursuant to Section 1004 shall be entitled to all of the rights and remedies provided in the Act and to all of the rights and remedies otherwise provided or permitted by law.

SECTION 1004. Treasurer to Represent Bondholders. The Treasurer is hereby appointed (and the successive respective Holders of Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Treasurer) as trustee to represent the Holders of Bonds in exercising and prosecuting on their behalf the rights and remedies available to the Holders of Bonds. Upon any default or other occasion creating a right in such trustee to represent the Holders of Bonds, the Treasurer (A) may take such action on behalf of the Holders of Bonds as the Treasurer may deem appropriate, and (B) shall take such action as shall be

specified in a written request of the Holders of at least twenty-five percent (25%) in principal amount of the Outstanding Bonds, which request shall also specify such default or occasion, provided, that the Treasurer shall have been furnished with indemnity satisfactory to the Treasurer.

Nothing in this Resolution shall affect or impair the unconditional obligation of the Department to pay the principal of and interest on the Bonds to the respective Holders of the Bonds at the respective dates of maturity, as provided in this Resolution, out of the Revenues herein pledged for such payment, or affect or impair the unconditional right of such Holders to enforce such payment by virtue of the contract embodied herein and in the Bonds.

ARTICLE XI

AMENDMENT OF THE RESOLUTION

SECTION 1101. Powers of Amendment. This Resolution and the rights and obligations of the Department and of the Bondholders hereunder may be changed as provided in this section:

- (A) No change shall be made, without the consent of all Bondholders, (1) in the principal amount or the Redemption Price of any Bond, or the rate of interest thereon, or the maturity of the principal thereof or of any installment of interest thereon; or (2) in the percentages of the principal amount of Bonds the vote or consent of which is required by this section to effect any change.
- (B) Any other change may be made at any time by a Supplemental Resolution, when approved by the Holders of sixty percent (60%) of the principal amount of the Bonds then Outstanding at a meeting of Bondholders or by the written consents of the Bondholders; provided, that (1) in case the change made affects less than all of the several Series of Bonds then Outstanding, approval shall be required of only the Holders of sixty percent (60%) of the principal amount of the Bonds then Outstanding of the Series so affected, and (2) in case the change made is only to reduce the amount or defer the date of a Sinking Fund Installment, approval shall be required of only the Holders of sixty percent (60%) of the principal amount of the Term Bonds then Outstanding and entitled to such Sinking Fund Installment.
- (C) A change may also be made at any time by a Supplemental Resolution, without the consent of any Bondholders, but only to the extent permitted by law and only for any one or more of the following purposes:
 - (1) To add to the covenants and agreements of the Department contained in this Resolution, other covenants and agreements thereafter to be observed, or to surrender any right, power, or privilege reserved to, or conferred upon the Department by this Resolution.
 - (2) To cure any ambiguity or to cure, correct, or supplement any defect or inconsistent provision contained in this Resolution, or to make such provisions in regard to matters or questions arising under this Resolution

as the Department may deem necessary or desirable and not contrary to or inconsistent with this Resolution, and which shall not materially adversely affect the interests of the Bondholders.

- (3) To provide, in accordance with Section 204, for the issuance of Bonds of a Series.
 - (4) To provide for the issuance of Bonds in coupon form rather than or in addition to registered form. No such change may be materially adverse to the interests of the Holders of Outstanding Bonds.
 - (5) To add such provisions as may be necessary to accommodate such banking, insurance, remarketing and other financial arrangements as may be necessary or desirable to provide additional security for the payment of principal and interest on any one or more Series of Bonds or to provide the Holders of any one or more Series of Bonds the right to tender such Bonds to the Department or to another party for purchase at the times, on the notice and on such other terms as the Department may determine. These arrangements may provide for the reimbursement by the Department, with interest, of moneys advanced by the provider of additional security, the provider of a tender right, the provider of moneys to fund a tender right or anyone performing a related function from the sources available for the payment of Bonds. No such change may be materially adverse to the interests of the Holders of Outstanding Bonds.
- (D) Nothing contained herein shall prevent any Bondholder from accepting any change as to the particular Bonds held by such Bondholder, provided that due notation thereof is made on such Bonds.

SECTION 1102. Amendment by Written Consent of Bondholders. The Department may at any time adopt, in accordance with Section 1101, a Supplemental Resolution making a change which requires the approval of Bondholders, to take effect when and as provided in this section and Section 1104. Upon the adoption of such Supplemental Resolution, a copy thereof shall be delivered to and held by the Treasurer for the inspection of the Bondholders. Within fifteen (15) days of the date of such delivery to the Treasurer, a copy of such Supplemental Resolution (or a summary thereof in a form approved by the Treasurer) together with a request to Bondholders for their consent thereto shall be mailed to Bondholders, by the Department in the manner provided in Section 1104 for the mailing referred to in such section (but failure to receive such Supplemental Resolution and request shall not affect the validity of the Supplemental Resolution when consented to as provided in this section). Such Supplemental Resolution shall not be effective unless there shall have been filed with the Treasurer the written consent of the Holders of the required percentages of Bonds and a notice shall have been given as provided in Section 1104. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by Section 1206. Any such consent shall be binding upon the Holder of the Bonds giving such consent and on any subsequent Holder (whether or not such subsequent Holder has notice thereof) unless such consent is revoked in writing by the Holder

giving such consent or a subsequent Holder by filing such revocation with the Treasurer prior to the date when the notice provided for in Section 1104 has been mailed.

A record, consisting of the papers required by this section and Section 1104 to be filed with the Treasurer, shall be kept by the Treasurer, and shall be proof of the matters therein stated.

SECTION 1103. Meetings of Bondholders; Amendment Approved at Meetings. The Department or the Treasurer may at any time call a meeting of the Bondholders. Each such meeting shall be held at such time and place, upon such notice, and pursuant to such terms and conditions as may be specified by the Department.

Any Supplemental Resolution making a change which, under Section 1101, requires the approval of Bondholders may be submitted by the Department to a meeting of Bondholders. If such Supplemental Resolution shall be approved by the affirmative vote of the Holders of the required percentages of Bonds, such Supplemental Resolution shall not become effective unless a notice shall have been given as provided in Section 1104.

SECTION 1104. Notice of Approved Amendment. After a Supplemental Resolution making a change which requires approval of Bondholders shall have been approved by the Holders of the required percentages of Bonds, a notice of such approval shall be given by the Department. Such notice shall briefly summarize the change made by the Supplemental Resolution, and state that the Supplemental Resolution has been approved by the Bondholders and will become effective as provided in this section. Such notice shall be mailed to each registered owner of Outstanding Bonds (but failure to receive copies of such notice shall not affect the validity of the Supplemental Resolution). Proof of such mailing by the affidavit or affidavits of a person or persons having knowledge of the facts shall be filed with the Treasurer. The Supplemental Resolution shall be deemed conclusively to be binding upon the Department and the Holders of all Bonds at the expiration of forty (40) days after the filing with the Treasurer of the proof of such mailing, except in the event of a final decree of a court of competent jurisdiction setting aside the adoption of the Supplemental Resolution by the Department, or the approval of the Bondholders, in a legal action or equitable proceeding for such purpose commenced within such forty (40) day period.

SECTION 1105. Disqualification of Bonds With Respect to Action on Amendments. Bonds owned by or held for the account of the Department or the State of California (but not Bonds owned by or held for the account of any State of California retirement, pension or like fund) shall not be deemed Outstanding for the purpose of any vote or consent or other action or any calculation of Outstanding Bonds provided for in this Article XI and shall not be entitled to vote or consent or take any other action provided for in this Article XI.

SECTION 1106. Notation on Bonds Issued After Amendments. Bonds authenticated and delivered after the effective date of any change made as hereinabove provided in this Article XI may, and, if the Treasurer or the Department so determines, shall, bear a notation by endorsement or otherwise, in form approved by the Department and the Treasurer as to such change. Upon demand of the Holder of any Bond Outstanding at such effective date and presentation of such Bond for such purpose at the office of the Treasurer, suitable notation shall

be made on such Bond by the Treasurer as to any such change. If the Treasurer or the Department shall so determine, new Bonds so modified as necessary in the opinion of the Treasurer and Department to conform to such change shall be prepared, authenticated and delivered, and upon demand of the Holder of any Bond then Outstanding shall be exchanged, without cost to such Bondholder, for Bonds of the same Series, maturity and principal amount, upon surrender of such Bonds.

ARTICLE XII

MISCELLANEOUS

SECTION 1201. Benefits of Resolution Limited. Nothing in this Resolution, express or implied, is intended or shall be construed to confer upon, or to give to, any person other than the Department or the Holder of a Bond, any right, remedy, or claim under or by reason of this Resolution or any promise, condition or stipulation hereof; and all such promises, conditions and stipulations by or on behalf of the Department shall be for the sole and exclusive benefit of the Department and the Holders of the Bonds appurtenant thereto.

SECTION 1202. State Not Liable on Bonds; Limit on Department Liability. The payment of the principal or Redemption Price of the Bonds and the payment of interest thereon are not secured by any property or moneys of, or under the control or possession of, the Department or the State of California other than the property and moneys described in Section 802. Neither the payment of the principal or Redemption Price nor any part thereof of the Bonds nor any interest thereon constitutes a debt, liability, or obligation of the State of California, or, except as expressly provided in this Resolution, of the Department.

SECTION 1203. No Personal Liability for Payment of Bonds. No officer or employee of the Department or of the State of California shall be individually or personally liable for the payment of the principal or Redemption Price of, or interest on, the Bonds; but only for the performance of his or her official duties as required by law.

SECTION 1204. Discharge of Obligations Under Resolution. If no Bonds remain Outstanding, then, at the election of the Department evidenced by a Certificate of the Department filed with the Treasurer (and notwithstanding that any Bonds shall not have been paid or surrendered for payment), the charge and lien upon the Revenues and other moneys, securities, and accounts as provided for in this Resolution and all other obligations imposed by this Resolution shall be discharged, except only the obligation of the Department to pay or cause to be paid to the Holders of the Bonds not surrendered and paid all sums due thereon (including, with respect to Term Bonds, the obligation to pay the principal amount from amounts equal to any Sinking Fund Installments which under this Resolution would have become due prior to the date such Term Bonds shall mature or be otherwise redeemed).

In the event of such discharge, the Treasurer shall, upon the request of the Department, execute and deliver to the Department all such instruments as may be desirable to evidence such discharge, and the Treasurer and each Paying Agent shall pay over or deliver to the Department all moneys held by such person or entity pursuant to this Resolution which are not required for the payment of the principal or Redemption Price of Bonds and interest thereon.

Neither Government Obligations nor cash deposited with the Treasurer pursuant to clause (2) of the definition of Outstanding in Section 101 nor principal or interest payments on such Government Obligations shall be withdrawn or used for any purpose other than the payment of the principal or Redemption Price, if any, of, and interest on, the Bonds to be paid with such cash or Government Obligations; provided that any cash received from such principal or interest payments on Government Obligations, if not then needed for such purpose, shall, in so far as practicable, be reinvested in Government Obligations maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if any, of, and interest on, such Bonds.

SECTION 1205. Unclaimed Moneys. In the event any moneys placed with the Treasurer or a Paying Agent in trust for the payment of the principal or the Redemption Price of, or interest on, any Bond shall remain unclaimed for ten years after the principal of all the Bonds has become due and payable (whether at maturity or upon call for redemption), such moneys shall be repaid to the Department upon its written request, notwithstanding any other provision of this Resolution. The Holders of the unpaid Bonds shall thereafter be entitled to look only to the Department for payment thereof, and all liability of the Treasurer or the Paying Agent with respect to such moneys shall thereupon cease. Before the repayment of such moneys to the Department, the Treasurer or the Paying Agent holding such moneys may, at the Department's expense publish once in newspapers of general circulation in Sacramento, California, and in New York, New York, a notice stating that such moneys will be repaid to the Department pursuant to this section and the effect of such repayment. In the event of the repayment of such moneys to the Department as provided in this section, the Holders of the Bonds for which such moneys were held shall thereafter be deemed to be unsecured creditors of the Department for amounts equivalent to the respective amounts previously held by the Treasurer or the Paying Agent for the payment of such Bonds and repaid to the Department.

SECTION 1206. Proof of Signature of Bondholder and of Ownership of Bonds. Any request, declaration or other instrument which this Resolution may require or permit to be signed or executed by Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by Bondholders in person or by their attorneys-in-fact appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Bondholder or his attorney-in-fact of any such instrument may be proved by the certificate of any notary public (or other officer authorized to take acknowledgements of deeds to be recorded in the State in which he purports to act) that the person signing such instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

The ownership of Bonds and the amounts, serial numbers, maturity dates and date of holding the same shall be proved by the registration books.

Any request, declaration or other instrument or writing of the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by the Department or the Treasurer hereunder in accordance therewith.

SECTION 1207. Reliance of Counsel on Certificate of Department. Any Counsel's Opinion may be based, insofar as it relates to factual information which is in the possession of the Department, upon a Certificate of the Department, unless the signer of such Counsel's Opinion knows, or in the exercise of reasonable care should have known, that such Certificate of the Department is in error with respect to such factual information.

SECTION 1208. Cancellation of Bonds Surrendered. The Treasurer, the Paying Agents, any registrar and any authenticating agent shall promptly cancel all Bonds surrendered to them on payment at maturity, or on payment upon redemption in accordance with Section 405, or on the transfer or substitution of Bonds in accordance with Section 308, 312, 405, or 1106, or purchased by the Treasurer pursuant to Section 604. All Bonds cancelled by a Paying Agent, registrar or authenticating agent shall be delivered to the Treasurer, provided, that the Treasurer may direct any Paying Agent, registrar or authenticating agent, in lieu of such delivery to destroy the Bonds and furnish to the Treasurer a certificate of such destruction.

SECTION 1209. Statutory Changes with Respect to Officers. While any Bonds remain Outstanding, the powers, duties, or existence of the Department or any official or agency of the State of California shall not be diminished or impaired in any manner that will affect adversely the interests and rights of the Holders of the Bonds. If the powers or duties of any officer of the State of California or of the Department shall hereafter be transferred to another officer by statute and if such transfer shall relate to any matter or thing permitted or required to be done under this Resolution by such officer, then the officer who shall succeed to such powers or duties shall act and be obligated in the place and stead of the officer hereinbefore in this Resolution designated or empowered to act.

SECTION 1210. Successors and Assigns. Whenever in this Resolution the Department is named or referred to, its successors or assigns shall be deemed to be included, and all the covenants and agreements contained in this Resolution by or on behalf of the Department shall bind and inure to the benefit of its successors and assigns whether so expressed or not.

SECTION 1211. Applicable Law. The law of the State of California shall govern the rights and duties of the Department under this Resolution.


SECTION 1212. Any Invalid Provisions Severable. If any one or more of the covenants or agreements, or portions thereof, provided in this Resolution to be performed on the part of the Department, the Treasurer, or any Paying Agent should be contrary to law, then such covenant or covenants, such agreement or agreements, or such portions thereof, shall be deemed separable from the remaining covenants and agreements or portions thereof and shall in no way affect the validity of the other provisions of this Resolution.

SECTION 1213. Repeal of Inconsistent Resolutions. All other resolutions of the Department or parts of such resolutions which are inconsistent with this Resolution are hereby repealed to the extent of such inconsistency.

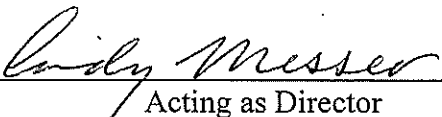
THIS RESOLUTION is hereby adopted in the State of California by the State of California Department of Water Resources as of this 26 day of July, 2017.

Approved as to legal form
and sufficiency:

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES



Chief Counsel



Acting as Director

Approved as to legal form
and sufficiency:

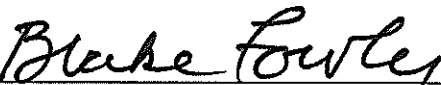
Approved pursuant to California Water Code
Section 11706 and as to the express obligations
of the Treasurer hereunder:

XAVIER BECERRA
Attorney General of the State of California

TREASURER OF THE STATE OF
CALIFORNIA

By 

Deputy Attorney General

By 

Deputy State Treasurer
For California State Treasurer John Chiang

Approved:

ORRICK, HERRINGTON & SUTCLIFFE LLP

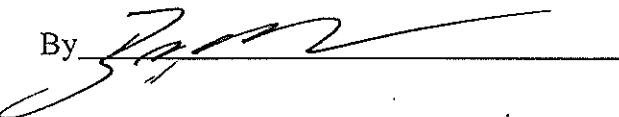
By 

EXHIBIT B

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

FIRST SUPPLEMENTAL RESOLUTION
PROVIDING FOR THE ISSUANCE OF
CALIFORNIA WATERFIX REVENUE BONDS
SERIES A

(No. DWR-CWF-2)

Adopted as of July 21, 2017

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FIRST SUPPLEMENTAL RESOLUTION
PROVIDING FOR THE ISSUANCE OF
CALIFORNIA WATERFIX REVENUE BONDS
SERIES A

(No. DWR-CWF-2)

WHEREAS, as of July 21, 2017, the State of California Department of Water Resources (the "Department") duly adopted a resolution designated "No. DWR-CWF-1", and titled "California WaterFix Revenue Bond General Bond Resolution" (the "Resolution");

WHEREAS, Sections 204 and 205 of the Resolution authorize the issuance of Bonds and provide that the Department may issue Bonds of any Series for the purpose of obtaining moneys for the payment of California WaterFix Capital Costs (including California WaterFix Planning Costs), for the funding of capitalized interest on such Series of Bonds, for deposit in the Reserve Account and for the payment of the expenses the Department will have incurred in connection with the issuance such Series of Bonds upon compliance with the provisions of such Sections 204 and 205;

WHEREAS, the Department has determined, and does hereby determine, that it is necessary to carry out certain of the objects and purposes of the Central Valley Project Act consisting of (i) paying or reimbursing certain preconstruction California WaterFix Capital Costs, including California WaterFix Planning Costs, (ii) funding a deposit to the Reserve Account, (iii) funding interest on the Bonds of Series A, and (iv) paying costs of issuance of the Bonds of Series A;

WHEREAS, prior to the issuance of the Bonds of Series A, the Department shall determine the amount of Bonds of Series A required to be issued solely for such objects and purposes;

WHEREAS, the Department hereby determines to issue, as authorized by and otherwise in accordance with the Resolution, the Bonds of Series A in an aggregate principal amount equal to the amount so determined for the purpose of obtaining the moneys required for such purposes; and

WHEREAS, the provisions of Sections 204 and 205 of the Resolution have been satisfied or will be satisfied at the time of issuance of the Bonds of Series A;

NOW, THEREFORE, BE IT RESOLVED by the State of California Department of Water Resources as follows:

ARTICLE XIII

PROVISION FOR THE ISSUANCE OF BONDS OF SERIES A

SECTION 1301. Bonds of Series A Subject to the Resolution. The terms and conditions contained in the Resolution shall apply to the Bonds of Series A with the same force and effect as if the same were herein set forth at length, with such additions thereto and variations thereof

as may be appropriate to make the same conform to this Article XIII and Articles XIV through XVI.

SECTION 1302. Finding of Authority to Issue Bonds of Series A. The Department has reviewed all proceedings heretofore taken relative to the authorization of the Bonds of Series A, and has found as a result of such review, and hereby finds and determines, that all conditions, things and acts required by law to exist, happen or to be performed precedent to and in the issuance of the Bonds of Series A do exist, have happened and have been performed in due time, form and manner as required by law, and the Department is now authorized to issue the Bonds of Series A in the manner and form provided in the Resolution.

SECTION 1303. Issuance of Bonds of Series A. The Department hereby determines to issue a Series of Bonds authorized to be issued under the Resolution. The Bonds of this Series shall be designated as and shall be distinguished from the Bonds of all other Series by the designation "California WaterFix Revenue Bonds, Series A". The aggregate principal amount of the Bonds of Series A at any time Outstanding shall not exceed the amount determined by the Department prior to the issuance of the Bonds of Series A as being required to be issued solely for the purposes described in Section 1304.

SECTION 1304. Purpose. The Bonds of Series A are to be issued for the purposes of Sections 204 and 205 solely to obtain moneys to (i) pay or reimburse California WaterFix Planning Costs, (ii) pay or reimburse other preconstruction California WaterFix Capital Costs, (iii) fund a deposit to the Reserve Account in the amount of the Reserve Account Requirement allocated to the Bonds of Series A, (iv) fund interest on the Bonds of Series A, and (v) pay costs of issuance of the Bonds of Series A.

ARTICLE XIV

TERMS OF THE BONDS OF SERIES A

SECTION 1401. Terms of the Bonds of Series A. The Bonds of Series A shall be dated, be issued in such denominations, mature on such date or dates, have such interest rates, interest payment dates and record dates, be Serial Bonds or Term Bonds, and be redeemable on such dates and on such terms as are provided by Certificate of the Department delivered upon the sale of such Series of Bonds.

SECTION 1402. Form of Bonds of Series A and Treasurer's Certificate of Authentication. The form of the Bonds of Series A and the Treasurer's Certificate of Authentication of Bonds shall be substantially as set forth below, subject to such modifications as may be specified by the Certificate of the Department delivered upon the sale of such Series:

(FORM OF BOND OF SERIES A)

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK, "DTC") TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

No. R- _____

\$ _____

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES
CALIFORNIA WATERFIX REVENUE BOND
SERIES A

INTEREST RATE MATURITY DATE ISSUE DATE CUSIP

December 1, _____, _____, _____

Registered Owner:

Principal Sum: _____ DOLLARS

THE DEPARTMENT OF WATER RESOURCES (the "Department"), a department of the State of California organized and existing under the Water Code of the State of California, for value received, promises to pay (but only out of the Revenues and certain other moneys referred to below) to the registered owner or registered assigns, on the maturity date specified above (subject to any right of prior redemption provided below), the principal sum specified above, together with interest on such principal sum (calculated on the basis of a 360-day year composed of twelve 30-day months) from the interest payment date immediately preceding the date of registration of this Bond (unless this Bond is registered as of an interest payment date, in which event it shall bear interest from that date, or unless this Bond is registered before its first interest payment date, in which event it shall bear interest from the Issue Date specified above) until this Bond is fully paid in accordance with its terms at the interest rate per annum specified above, payable [semiannually on June 1 and December 1 in each year], commencing on [this Bond's first interest payment date]. Interest shall cease to accrue upon this Bond from and after the date of maturity unless this Bond is presented for payment and remains unpaid after presentation. Principal (or redemption price) of this Bond is payable in lawful money of the United States of America upon surrender at the office of the Treasurer of the State of California (the "Treasurer") in Sacramento, California. Interest on this Bond is payable in like lawful money by check or draft mailed to the person whose name appears on the Bond registration books of the Treasurer as the owner as of the Record Date at the owner's address as it appears on the registration books or at such address as the owner may have filed with the Treasurer for that purpose. "Record Date" means the close of business on the fifteenth day of the month immediately preceding an interest payment date, whether or not the day is a business day.

Payment of the principal or redemption price of, and interest on, this Bond is secured by a first and direct charge and lien upon the Revenues (as defined in the Resolution) and all moneys and securities held, and accounts established, under the Resolution (except amounts in any rebate account established under the Resolution), subject only to the provisions of the Resolution permitting the payment or use thereof for the purposes, in the manner, and upon the terms and conditions set forth in the Resolution. NEITHER THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE NOR ANY PART THEREOF OF THIS BOND NOR ANY INTEREST THEREON CONSTITUTES A DEBT, LIABILITY, OR OBLIGATION OF THE STATE OF CALIFORNIA, OR, EXCEPT AS EXPRESSLY PROVIDED HEREIN AND IN THE RESOLUTION, OF THE DEPARTMENT.

This Bond is one of the duly authorized issue of the Department's "California WaterFix Revenue Bonds" (the "Bonds"). The Bonds are issued and to be issued pursuant to the statute known as the Central Valley Project Act, which is Part 3 of Division 6 of the Water Code of the State of California (the "Central Valley Project Act"), and pursuant to a resolution of the Department adopted as of July 21, 2017, and titled "California WaterFix Revenue Bond General Bond Resolution" (as it may be amended from time to time, the "Resolution"). As provided in the Resolution, the Bonds may be issued from time to time in one or more series in various principal amounts, may mature at different times, may bear interest at different rates payable on different dates, and may otherwise vary as provided in the Resolution. All Bonds issued and to be issued under the Resolution are and will be equally secured by the pledge of the Revenues and certain other moneys hereinafter mentioned.

This Bond is one of a series of Bonds designated as "California WaterFix Revenue Bonds, Series A" (the "Bonds of Series A"), issued under the Resolution and a supplemental resolution of the Department adopted as of July 21, 2017 and titled "First Supplemental Resolution Providing for the Issuance of California WaterFix Revenue Bonds, Series A" (the "First Supplemental Resolution"). The Bonds of Series A are issued in an aggregate principal amount not to exceed \$ _____.

Copies of the Resolution and the First Supplemental Resolution are on file at the office of the Department in Sacramento, California, and at the office of the Treasurer in Sacramento, California. The terms of the Resolution and the First Supplemental Resolution are hereby incorporated herein and constitute a contract between the Department and the registered owner from time to time of this Bond, and to all the provisions thereof the registered owner hereof, by acceptance of this Bond, hereby consents and agrees.

The Bonds of Series A maturing on or after December 1, 20__ are subject to redemption prior to their respective stated maturities, at the option of the Department from any source of available funds, as a whole, or in part by such maturities as the Department may designate (and by lot within any maturity), on any date on or after June 1, 20__, upon payment of a redemption price equal to the principal amount of the Bonds of Series A to be redeemed, plus accrued interest to the date fixed for redemption, without premium.

This Bond is transferable, as provided in the Resolution, only on the registration books of the Treasurer kept for that purpose in Sacramento, California, at the Office of the Treasurer, upon surrender of this Bond at the Office of the Treasurer, together with an instrument of

transfer satisfactory to the Treasurer. Upon surrender, the Department shall execute, and the Treasurer shall authenticate, in the name of the transferee, a new registered Bond or Bonds of the same series, maturity, and aggregate principal amount as this Bond and such new Bond or Bonds shall be delivered by the Treasurer at the Treasurer's office in Sacramento, California. The Department, the Treasurer and any other person may treat the person in whose name this Bond is registered as the absolute owner of this Bond for the purpose of receiving payment of, or on account of, the principal or redemption price hereof and interest due hereon and for all other purposes. The Treasurer shall not be required to register the transfer of this Bond during the five days next preceding any date established by the Treasurer for the selection of Bonds for redemption, during the period after the selection of this Bond for redemption or during the period from the fifteenth day of the month next preceding any interest payment date to such interest payment date.

The Bonds of Series A are issuable only in the form of fully registered Bonds in the denominations of \$5,000 and integral multiples of \$5,000. This Bond may be exchanged for registered Bonds of other authorized denominations, of the same series, maturity and aggregate principal amount upon the surrender thereof for such purpose by the registered owner at the office of the Treasurer in Sacramento, California.

The rights and obligations of the Department and of the registered owners of the Bonds may be changed at any time in the manner, to the extent, and upon the terms and conditions provided in the Resolution, provided (1) no change shall be made in the principal amount or the redemption price of any Bond, or the rate of interest thereon, or the maturity of the principal thereof or of any installment of interest thereon, without the consent of all the registered owners of Bonds; and (2) no change shall be made in the percentages of the principal amount of Bonds the vote or consent of which is required by the Resolution to effect any change, without the consent of all the registered owners of Bonds, all as more fully set forth in the Resolution.

This Bond shall not be entitled to any right or benefit under the Resolution or the First Supplemental Resolution or be valid or become effective for any purpose until the Treasurer's Certificate of Authentication is executed and dated by the Treasurer or a deputy of the Treasurer.

It is hereby certified that all conditions, things and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other indebtedness of the Department, does not exceed any limit prescribed by law.

IN WITNESS WHEREOF, the State of California Department of Water Resources has caused this Bond to be executed in its name and on its behalf with the facsimile signature of the Director of Water Resources of the State of California and the facsimile countersignature of the Governor of the State of California, and the seal of the Department to be reproduced hereon, all as of the Issue Date specified above.

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

Director of Water Resources

[SEAL]

COUNTERSIGNED:

Governor of the State of California

(FORM OF TREASURER'S CERTIFICATE OF AUTHENTICATION)

This Bond is one of the California WaterFix Revenue Bonds described in the within-mentioned Resolution which has been registered on _____, _____.

TREASURER OF THE STATE OF CALIFORNIA

By _____
Deputy State Treasurer
For California State Treasurer John Chiang

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____ the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____, attorney, to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

NOTE: The signature to this Assignment must correspond with the name as written upon the face of the bond in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed:

NOTICE: The signature must be guaranteed by an eligible guarantor institution.

SECTION 1403. Regulations With Respect to Transfer. The Treasurer shall not be required to register the transfer of any Bond of Series A during the five days next preceding any date established by the Treasurer for the selection of Bonds of Series A for redemption, during the period after the selection of such Bond for redemption or during the period from the fifteenth day of the month preceding any interest payment date to such interest payment date. Bonds of Series A may be issued only in registered form and registered Bonds of Series A may not be exchanged for coupon Bonds.

SECTION 1404. Paying Agent; Place of Payment. The Treasurer is hereby appointed as a Paying Agent for the Bonds of Series A to pay the principal or Redemption Price of such Bonds presented for payment at the office of the Treasurer in Sacramento, California. Subject to Section 1410, payments of the principal or Redemption Price of, and interest on, the Bonds of Series A shall be made at the Office of the Treasurer in Sacramento, California.

SECTION 1405. Book-Entry Bonds.

(A) As provided in Section 313(A) and except as provided in subparagraph (C) of this Section, the registered owner of all of the Bonds of Series A shall be Cede & Co., as nominee for The Depository Trust Company ("DTC"). Payment of the interest on any Bond of Series A registered in the name of Cede & Co. shall be made on each Interest Payment Date for such Bonds to the account, in the manner and at the address indicated in or pursuant to the blanket letter of representations delivered to DTC by the Department and the Treasurer (the "Representation Letter"). Payment of principal or interest for any Bond of Series A registered in the name of Cede & Co. shall be made pursuant to the Representation Letter by wire transfer of New York clearing house or equivalent next day funds or by wire transfer of same day funds to the account of Cede & Co. at the address indicated on the regular record date or special record date for Cede & Co. in the registration books of the Treasurer.

(B) The Treasurer and the Department shall treat DTC (or its nominee) as the sole and exclusive owner of the Bonds of Series A registered in its name for the purposes of payment of the principal or Redemption Price of or interest on the Bonds of Series A, selecting the Bonds of Series A or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under the Resolution or this First Supplemental Resolution, registering the transfer of Bonds of Series A, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever, and neither the Treasurer, nor the Department shall be affected by any notice to the contrary. Neither the Treasurer nor the Department shall have any responsibility or obligation to any Participant (which shall mean, for purposes of this Section,

securities brokers and dealers, banks, trust companies, clearing corporations and other entities, some of whom directly or indirectly own DTC), any person claiming a beneficial ownership interest in the Bonds of Series A under or through DTC or any Participant, or any other person which is not shown on the registration books as being a Bondholder, with respect to the accuracy of any records maintained by DTC or any Participant; the payment of DTC or any Participant of any amount in respect of the principal of, Redemption Price of or interest on the Bonds of Series A; any notice which is permitted or required to be given to Bondholders under the Resolution; the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Bonds of Series A; any consent given or other action taken by DTC as Bondholder; or any other purpose. Upon delivery by DTC to the Treasurer of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to record date, the word "Cede & Co." in this First Supplemental Resolution shall refer to such new nominee of DTC.

The Representation Letter shall not in any way limit the provisions of this subsection (B) or in any other way impose upon the Department, the Treasurer or any Paying Agent any obligation whatsoever with respect to persons having interests in the Bonds of Series A other than the Bondholders, as shown on the registration books kept by the Treasurer.

(C) Notwithstanding any contrary provision herein, the Bonds of Series A may be issued in registered form, with the physical delivery of Bond certificates to the initial purchaser thereof, and without participation in the book-entry system of any securities depository. The registration of such Bonds may be transferred to DTC (or its nominee) in accordance with the provisions of the Resolution at any time. With respect to Bonds of Series A registered in the name of Cede. & Co, if the Department and the Treasurer determine that it is in the best interest of the beneficial owners of the Bonds of Series A that they be able to obtain Bond certificates, and notify DTC of such determination, DTC will notify the Participants of the availability through DTC of such Bond certificates. In such event, the Treasurer shall authenticate, transfer and exchange certificates for the Bonds of Series A as requested by DTC and any other registered Bondholders in appropriate amounts as provided in Article III. DTC may determine to discontinue providing its services with respect to the Bonds of Series A at any time by giving notice to the Department and the Treasurer and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the Department and the Treasurer shall deliver certificates for the Bonds of Series A as described in the Resolution. In the event such Bond certificates are issued, the provisions of the Resolution and this First Supplemental Resolution shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal of and interest on such certificates.

(D) In connection with any notice or other communication to be provided to Holders of Bonds of Series A pursuant to the Resolution and this First Supplemental Resolution by the Department or the Treasurer with respect to any consent or other action to be taken by Bondholders, the Department or the Treasurer, as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date pursuant to the Representation Letter not less than 15 calendar days in advance of such record date to the extent possible. Notice to DTC shall be given only when DTC is the sole Holder of Bonds of Series A.

ARTICLE XV

DISPOSITION OF PROCEEDS OF BONDS OF SERIES A AND OTHER MONEYS

SECTION 1501. Disposition of Proceeds and Other Moneys; Transfer of Funds.
Immediately upon receipt thereof, the proceeds of the sale of the Bonds of Series A shall be applied, deposited and set aside as follows pursuant to a Certificate of the Department delivered prior to the issuance of the Bonds of Series A and specifying the applicable amounts:

(A) The amount of the Reserve Account Requirement allocable to the Bonds of Series A upon the issuance of the Bonds of Series A shall be deposited in the Reserve Account;

(B) An amount equal to the amount of interest accruing on the Bonds of Series A for the three year period commencing on the date of issuance of the Bonds of Series A shall be deposited, set aside and held in trust in the Construction Fund and shall be used solely for the payment of such interest, *provided, however*, that if any moneys so set aside for such purpose remain after the payment of such interest, such moneys shall be used to pay California WaterFix Capital Costs, as directed by the Department;

(C) The amount of California WaterFix Planning Costs and other preconstruction California WaterFix Capital Costs incurred by or on behalf of the Department and either paid from the Department's own funds or paid or advanced by or on behalf of entities other than the Department shall be deposited in the California WaterFix Preconstruction Cost Account and thereafter shall be transferred in the amounts specified by Certificate of the Department either (i) to such account of the Department as may be specified by such Certificate to reimburse such use of the Department's own funds or (ii) to or upon the order of the recipients specified by Certificate of the Department as (1) having advanced to the Department amounts that were used to pay California WaterFix Planning Costs or other preconstruction California WaterFix Capital Costs, and (2) being due reimbursement for such advances, in each case in the respective amount specified by such Certificate for such recipient; *provided, however*, that no such reimbursement of any "state agency" as defined by California Water Code Section 11102 shall occur at any time that obligations of the Department issued for the payment of costs of construction of California WaterFix are outstanding; and

(D) The balance of the proceeds of the sale of the Bonds of Series A shall be deposited in such fund or account as may be designated by the Department for the payment, as directed by the Department, of the expenses of the Department incurred in connection with the issuance and sale of the Bonds of Series A.

ARTICLE XVI

MISCELLANEOUS

SECTION 1601. Tax Covenants. The Department shall at all times do and perform all acts and things permitted by law and this Resolution that are necessary or desirable in order to assure that interest paid on the Bonds of Series A will be excluded from gross income for federal income tax purposes and shall take no action that would result in such interest not being so excluded. Without limiting the generality of the foregoing, the Department agrees to comply with the provisions of the Tax Certificate to be executed and delivered by the Department in connection with the issuance of the Bonds of Series A. This covenant shall survive payment in full or defeasance of the Bonds of Series A.

SECTION 1602. Continuing Disclosure. The Department shall at all times comply with and carry out all of the provisions of the Continuing Disclosure Certificate to be delivered in connection with the issuance of the Bonds of Series A as such certificate may be amended or supplemented from time to time in accordance with the terms thereof. Notwithstanding any other provision of the Resolution, failure of the Department to comply with the Continuing Disclosure Certificate shall not be considered an event of default under the Resolution; however, the Treasurer, any Holder or any Beneficial Owner (as defined in the Continuing Disclosure Certificate) may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Department to comply with its obligations under this Section.

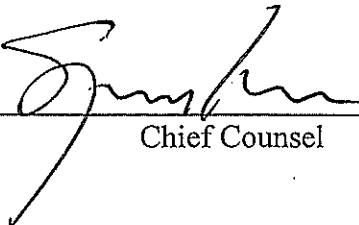
SECTION 1603. Designation and Delegation. The Chief, Division of Fiscal Services of the Department, the Chief, Enterprise Accounting Branch of the Department, and any Deputy Director are each hereby designated by the Director as a person who may sign any Certificate of the Department, within the meaning of that term in Section 101, related to the sale, issuance and delivery of the Bonds of Series A. In addition, pursuant to Sections 7 and 120 of the Water Code, the Chief, Division of Fiscal Services of the Department, the Chief, Enterprise Accounting Branch of the Department, and any Deputy Director are each hereby delegated the authority to execute and deliver any and all certificates, agreements and other instruments that are necessary or appropriate in connection with the sale, issuance and delivery of the Bonds of Series A. Notwithstanding the foregoing, one or more of the Chief, Division of Fiscal Services of the Department, the Chief, Enterprise Accounting Branch of the Department and the Deputy Comptroller of the Department, may sign any Certificate of the Department delivered in connection with a claim by the Department on the Series A Account as required by Section 503 of the Resolution with respect to the application of proceeds of the Series A Bonds to the payment of California WaterFix Capital Costs as set forth in Section 1501(D), such a Certificate of the Department may be incorporated into the related claim.

SECTION 1604. Execution in Counterpart. This First Supplemental Resolution may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original and all of which shall together constitute but one and the same instrument.

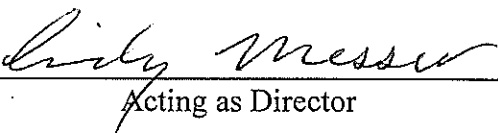
THIS FIRST SUPPLEMENTAL RESOLUTION is hereby adopted in the State of California by the State of California Department of Water Resources as of July 21, 2017.

Approved as to legal form and sufficiency:

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES



Chief Counsel



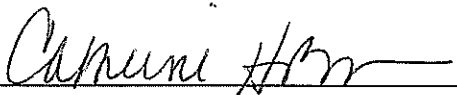
Acting as Director

Approved as to legal form and sufficiency:

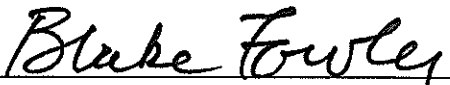
Approved pursuant to California Water Code Section 11706 and as to the express obligations of the Treasurer hereunder:

XAVIER BECERRA
Attorney General of the State of California

TREASURER OF THE STATE OF CALIFORNIA

By 

Deputy Attorney General

By 

Deputy State Treasurer
For California State Treasurer John Chiang

Approved:

ORRICK, HERRINGTON & SUTCLIFFE LLP

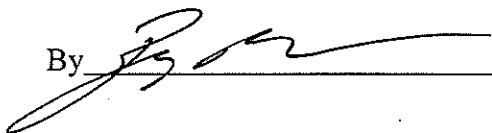
By 

EXHIBIT C

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

SECOND SUPPLEMENTAL RESOLUTION
PROVIDING FOR THE ISSUANCE OF
CALIFORNIA WATERFIX REVENUE BONDS
SERIES B

(No. DWR-CWF-3)

Adopted as of July 21, 2017

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SECOND SUPPLEMENTAL RESOLUTION
PROVIDING FOR THE ISSUANCE OF
CALIFORNIA WATERFIX REVENUE BONDS
SERIES B

(No. DWR-CWF-2)

WHEREAS, as of July 21, 2017, the State of California Department of Water Resources (the "Department") duly adopted a resolution designated "No. DWR-CWF-1", and titled "California WaterFix Revenue Bond General Bond Resolution" (as amended and supplemented, the "Resolution");

WHEREAS, Sections 204 and 205 of the Resolution authorize the issuance of Bonds and provide that the Department may issue Bonds of any Series for the purpose of obtaining moneys for the payment of California WaterFix Capital Costs (including California WaterFix Planning Costs), funding capitalized interest on such Series of Bonds, for deposit in the Reserve Account and to pay expenses the Department will have incurred in connection with the issuance such Series of Bonds upon compliance with the provisions of such Sections 204 and 205;

WHEREAS, the Department has determined, and does hereby determine, that it is necessary to carry out certain of the objects and purposes of the Central Valley Project Act consisting of (i) paying or reimbursing California WaterFix Capital Costs, (ii) funding a deposit to the Reserve Account, (iii) funding interest on the Bonds of Series B, and (iv) paying costs of issuance of the Bonds of Series B;

WHEREAS, prior to the issuance of the Bonds of Series B, the Department shall determine the amount of Bonds of Series B required to be issued for such objects and purposes;

WHEREAS, the Department hereby determines to issue, as authorized by and otherwise in accordance with the Resolution, the Bonds of Series B in an aggregate principal amount equal to the amount so determined for the purpose of obtaining the moneys required for such purposes; and

WHEREAS, the provisions of Sections 204 and 205 of the Resolution have been satisfied or will be satisfied at the time of issuance of the Bonds of Series B;

NOW, THEREFORE, BE IT RESOLVED by the State of California Department of Water Resources as follows:

ARTICLE XVII

PROVISION FOR THE ISSUANCE OF BONDS OF SERIES B

SECTION 1701. Bonds of Series B Subject to the Resolution. The terms and conditions contained in the Resolution shall apply to the Bonds of Series B with the same force and effect as if the same were herein set forth at length, with such additions thereto and variations thereof as may be appropriate to make the same conform to this Article XVII and Articles XVIII through XX.

SECTION 1702. Finding of Authority to Issue Bonds of Series B. The Department has reviewed all proceedings heretofore taken relative to the authorization of the Bonds of Series B, and has found as a result of such review, and hereby finds and determines, that all conditions, things and acts required by law to exist, happen or to be performed precedent to and in the issuance of the Bonds of Series B do exist, have happened and have been performed in due time, form and manner as required by law, and the Department is now authorized to issue the Bonds of Series B in the manner and form provided in the Resolution.

SECTION 1703. Issuance of Bonds of Series B. The Department hereby determines to issue a Series of Bonds authorized to be issued under the Resolution. The Bonds of this Series shall be designated as and shall be distinguished from the Bonds of all other Series by the designation "California WaterFix Revenue Bonds, Series B". The aggregate principal amount of the Bonds of Series B at any time Outstanding shall not exceed the amount determined by the Department prior to the issuance of the Bonds of Series B as being required to be issued for the purposes described in Section 1704.

SECTION 1704. Purpose. The Bonds of Series B are to be issued for the purposes of Sections 204 and 205 solely to obtain moneys to (i) pay or reimburse California WaterFix Capital Costs, (ii) fund a deposit to the Reserve Account in the amount of the Reserve Account Requirement allocated to the Bonds of Series B, (iii) fund interest on the Bonds of Series B, and (iv) pay costs of issuance of the Bonds of Series B.

ARTICLE XVIII

TERMS OF THE BONDS OF SERIES B

SECTION 1801. Terms of the Bonds of Series B. The Bonds of Series B shall be dated, be issued in such denominations, mature on such date or dates, have such interest rates, interest payment dates and record dates, be Serial Bonds or Term Bonds, and be redeemable on such dates and on such terms as are provided by Certificate of the Department delivered upon the sale of such Series of Bonds.

SECTION 1802. Form of Bonds of Series B and Treasurer's Certificate of Authentication. The form of the Bonds of Series B and the Treasurer's Certificate of Authentication of Bonds shall be substantially as set forth below, subject to such modifications as may be specified by the Certificate of the Department delivered upon the sale of such Series:

(FORM OF BOND OF SERIES B)

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK, "DTC") TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

No. R- _____

\$ _____

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES
CALIFORNIA WATERFIX REVENUE BOND
SERIES B

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>ISSUE DATE</u>	<u>CUSIP</u>
	December 1, _____	_____	_____

Registered Owner:

Principal Sum: _____ DOLLARS

THE DEPARTMENT OF WATER RESOURCES (the "Department"), a department of the State of California organized and existing under the Water Code of the State of California, for value received, promises to pay (but only out of the Revenues and certain other moneys referred to below) to the registered owner or registered assigns, on the maturity date specified above (subject to any right of prior redemption provided below), the principal sum specified above, together with interest on such principal sum (calculated on the basis of a 360-day year composed of twelve 30-day months) from the interest payment date immediately preceding the date of registration of this Bond (unless this Bond is registered as of an interest payment date, in which event it shall bear interest from that date, or unless this Bond is registered before its first interest payment date, in which event it shall bear interest from the Issue Date specified above) until this Bond is fully paid in accordance with its terms at the interest rate per annum specified above, payable [semiannually on June 1 and December 1 in each year], commencing on [this Bond's first interest payment date]. Interest shall cease to accrue upon this Bond from and after the date of maturity unless this Bond is presented for payment and remains unpaid after presentation. Principal (or redemption price) of this Bond is payable in lawful money of the United States of America upon surrender at the office of the Treasurer of the State of California (the "Treasurer") in Sacramento, California. Interest on this Bond is payable in like lawful money by check or draft mailed to the person whose name appears on the Bond registration books of the Treasurer as the owner as of the Record Date at the owner's address as it appears on the registration books or at such address as the owner may have filed with the Treasurer for that purpose. "Record Date" means the close of business on the fifteenth day of the month immediately preceding an interest payment date, whether or not the day is a business day.

Payment of the principal or redemption price of, and interest on, this Bond is secured by a first and direct charge and lien upon the Revenues (as defined in the Resolution) and all moneys and securities held, and accounts established, under the Resolution (except amounts in any rebate account established under the Resolution), subject only to the provisions of the Resolution permitting the payment or use thereof for the purposes, in the manner, and upon the terms and conditions set forth in the Resolution. NEITHER THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE NOR ANY PART THEREOF OF THIS BOND NOR ANY INTEREST THEREON CONSTITUTES A DEBT, LIABILITY, OR OBLIGATION OF THE STATE OF CALIFORNIA, OR, EXCEPT AS EXPRESSLY PROVIDED HEREIN AND IN THE RESOLUTION, OF THE DEPARTMENT.

This Bond is one of the duly authorized issue of the Department's "California WaterFix Revenue Bonds" (the "Bonds"). The Bonds are issued and to be issued pursuant to the statute known as the Central Valley Project Act, which is Part 3 of Division 6 of the Water Code of the State of California (the "Central Valley Project Act"), and pursuant to a resolution of the Department adopted as of July 21, 2017, and titled "California WaterFix Revenue Bond General Bond Resolution" (as amended, the "Resolution"). As provided in the Resolution, the Bonds may be issued from time to time in one or more series in various principal amounts, may mature at different times, may bear interest at different rates payable on different dates, and may otherwise vary as provided in the Resolution. All Bonds issued and to be issued under the Resolution are and will be equally secured by the pledge of the Revenues and certain other moneys hereinafter mentioned.

This Bond is one of a series of Bonds designated as "California WaterFix Revenue Bonds, Series B" (the "Bonds of Series B"), issued under the Resolution and a supplemental resolution of the Department adopted as of July 21, 2017 and titled "Second Supplemental Resolution Providing for the Issuance of California WaterFix Revenue Bonds, Series B" (the "Second Supplemental Resolution"). The Bonds of Series B are issued in an aggregate principal amount not to exceed \$ _____.

Copies of the Resolution and the Second Supplemental Resolution are on file at the office of the Department in Sacramento, California, and at the office of the Treasurer in Sacramento, California. The terms of the Resolution and the Second Supplemental Resolution are hereby incorporated herein and constitute a contract between the Department and the registered owner from time to time of this Bond, and to all the provisions thereof the registered owner hereof, by acceptance of this Bond, hereby consents and agrees.

The Bonds of Series B maturing on or after December 1, 20__ are subject to redemption prior to their respective stated maturities, at the option of the Department from any source of available funds, as a whole, or in part by such maturities as the Department may designate (and by lot within any maturity), on any date on or after June 1, 20__, upon payment of a redemption price equal to the principal amount of the Bonds of Series B to be redeemed, plus accrued interest to the date fixed for redemption, without premium.

This Bond is transferable, as provided in the Resolution, only on the registration books of the Treasurer kept for that purpose in Sacramento, California, at the Office of the Treasurer, upon surrender of this Bond at the Office of the Treasurer, together with an instrument of

transfer satisfactory to the Treasurer. Upon surrender, the Department shall execute, and the Treasurer shall authenticate, in the name of the transferee, a new registered Bond or Bonds of the same series, maturity, and aggregate principal amount as this Bond and such new Bond or Bonds shall be delivered by the Treasurer at the Treasurer's office in Sacramento, California. The Department, the Treasurer and any other person may treat the person in whose name this Bond is registered as the absolute owner of this Bond for the purpose of receiving payment of, or on account of, the principal or redemption price hereof and interest due hereon and for all other purposes. The Treasurer shall not be required to register the transfer of this Bond during the five days next preceding any date established by the Treasurer for the selection of Bonds for redemption, during the period after the selection of this Bond for redemption or during the period from the fifteenth day of the month next preceding any interest payment date to such interest payment date.

The Bonds of Series B are issuable only in the form of fully registered Bonds in the denominations of \$5,000 and integral multiples of \$5,000. This Bond may be exchanged for registered Bonds of other authorized denominations, of the same series, maturity and aggregate principal amount upon the surrender thereof for such purpose by the registered owner at the office of the Treasurer in Sacramento, California.

The rights and obligations of the Department and of the registered owners of the Bonds may be changed at any time in the manner, to the extent, and upon the terms and conditions provided in the Resolution, *provided, however*, that (1) no change shall be made in the principal amount or the redemption price of any Bond, or the rate of interest thereon, or the maturity of the principal thereof or of any installment of interest thereon, without the consent of all the registered owners of Bonds; and (2) no change shall be made in the percentages of the principal amount of Bonds the vote or consent of which is required by the Resolution to effect any change, without the consent of all the registered owners of Bonds, all as more fully set forth in the Resolution.

This Bond shall not be entitled to any right or benefit under the Resolution or the Second Supplemental Resolution or be valid or become effective for any purpose until the Treasurer's Certificate of Authentication is executed and dated by the Treasurer or a deputy of the Treasurer.

It is hereby certified that all conditions, things and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other indebtedness of the Department, does not exceed any limit prescribed by law.

IN WITNESS WHEREOF, the State of California Department of Water Resources has caused this Bond to be executed in its name and on its behalf with the facsimile signature of the Director of Water Resources of the State of California and the facsimile countersignature of the Governor of the State of California, and the seal of the Department to be reproduced hereon, all as of the Issue Date specified above.

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

Director of Water Resources

[SEAL]

COUNTERSIGNED:

Governor of the State of California

(FORM OF TREASURER'S CERTIFICATE OF AUTHENTICATION)

This Bond is one of the California WaterFix Revenue Bonds described in the within-mentioned Resolution which has been registered on _____, ____.

TREASURER OF THE STATE OF CALIFORNIA

By _____
Deputy State Treasurer
For California State Treasurer John Chiang

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____ the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____, attorney, to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

NOTE: The signature to this Assignment must correspond with the name as written upon the face of the bond in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed:

NOTICE: The signature must be guaranteed by an eligible guarantor institution.

SECTION 1803. Regulations With Respect to Transfer. The Treasurer shall not be required to register the transfer of any Bond of Series B during the five days next preceding any date established by the Treasurer for the selection of Bonds of Series B for redemption, during the period after the selection of such Bond for redemption or during the period from the fifteenth day of the month preceding any interest payment date to such interest payment date. Bonds of Series B may be issued only in registered form and registered Bonds of Series B may not be exchanged for coupon Bonds.

SECTION 1804. Paying Agent; Place of Payment. The Treasurer is hereby appointed as a Paying Agent for the Bonds of Series B to pay the principal or Redemption Price of such Bonds presented for payment at the office of the Treasurer in Sacramento, California. Subject to Section 1410, payments of the principal or Redemption Price of, and interest on, the Bonds of Series B shall be made at the Office of the Treasurer in Sacramento, California.

SECTION 1805. Book-Entry Bonds.

(A) As provided in Section 313(A) and except as provided in subparagraph (C) of this Section, the registered owner of all of the Bonds of Series B shall be Cede & Co., as nominee for The Depository Trust Company ("DTC"). Payment of the interest on any Bond of Series B registered in the name of Cede & Co. shall be made on each Interest Payment Date for such Bonds to the account, in the manner and at the address indicated in or pursuant to the blanket letter of representations delivered to DTC by the Department and the Treasurer (the "Representation Letter"). Payment of principal or interest for any Bond of Series B registered in the name of Cede & Co. shall be made pursuant to the Representation Letter by wire transfer of New York clearing house or equivalent next day funds or by wire transfer of same day funds to

the account of Cede & Co. at the address indicated on the regular record date or special record date for Cede & Co. in the registration books of the Treasurer.

(B) The Treasurer and the Department shall treat DTC (or its nominee) as the sole and exclusive owner of the Bonds of Series B registered in its name for the purposes of payment of the principal or Redemption Price of or interest on the Bonds of Series B, selecting the Bonds of Series B or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under the Resolution or this Second Supplemental Resolution, registering the transfer of Bonds of Series B, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever, and neither the Treasurer, nor the Department shall be affected by any notice to the contrary. Neither the Treasurer nor the Department shall have any responsibility or obligation to any Participant (which shall mean, for purposes of this Section, securities brokers and dealers, banks, trust companies, clearing corporations and other entities, some of whom directly or indirectly own DTC), any person claiming a beneficial ownership interest in the Bonds of Series B under or through DTC or any Participant, or any other person which is not shown on the registration books as being a Bondholder, with respect to the accuracy of any records maintained by DTC or any Participant; the payment of DTC or any Participant of any amount in respect of the principal of, Redemption Price of or interest on the Bonds of Series B; any notice which is permitted or required to be given to Bondholders under the Resolution; the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Bonds of Series B; any consent given or other action taken by DTC as Bondholder; or any other purpose. Upon delivery by DTC to the Treasurer of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to record date, the word "Cede & Co." in this Second Supplemental Resolution shall refer to such new nominee of DTC.

The Representation Letter shall not in any way limit the provisions of this subsection (B) or in any other way impose upon the Department, the Treasurer or any Paying Agent any obligation whatsoever with respect to persons having interests in the Bonds of Series B other than the Bondholders, as shown on the registration books kept by the Treasurer.

(C) Notwithstanding any contrary provision herein, the Bonds of Series B may be issued in registered form, with the physical delivery of Bond certificates to the initial purchaser thereof, and without participation in the book-entry system of any securities depository. The registration of such Bonds may be transferred to DTC (or its nominee) in accordance with the provisions of the Resolution at any time. With respect to Bonds of Series B registered in the name of Cede. & Co, if the Department and the Treasurer determine that it is in the best interest of the beneficial owners of the Bonds of Series B that they be able to obtain Bond certificates, and notify DTC of such determination, DTC will notify the Participants of the availability through DTC of such Bond certificates. In such event, the Treasurer shall authenticate, transfer and exchange certificates for the Bonds of Series B as requested by DTC and any other registered Bondholders in appropriate amounts as provided in Article III. DTC may determine to discontinue providing its services with respect to the Bonds of Series B at any time by giving notice to the Department and the Treasurer and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the Department and the Treasurer shall deliver certificates for the Bonds of Series B as described in the Resolution. In the event such Bond certificates are issued, the provisions of

the Resolution and this Second Supplemental Resolution shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal of and interest on such certificates.

(D) In connection with any notice or other communication to be provided to Holders of Bonds of Series B pursuant to the Resolution and this Second Supplemental Resolution by the Department or the Treasurer with respect to any consent or other action to be taken by Bondholders, the Department or the Treasurer, as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date pursuant to the Representation Letter not less than 15 calendar days in advance of such record date to the extent possible. Notice to DTC shall be given only when DTC is the sole Holder of Bonds of Series B.

ARTICLE XIX

DISPOSITION OF PROCEEDS OF BONDS OF SERIES B AND OTHER MONEYS

SECTION 1901. Disposition of Proceeds and Other Moneys; Transfer of Funds. Immediately upon receipt thereof, the proceeds of the sale of the Bonds of Series B shall be applied, deposited and set aside as follows pursuant to a Certificate of the Department delivered prior to the issuance of the Bonds of Series B and specifying the applicable amounts:

(A) The amount of the Reserve Account Requirement allocable to the Bonds of Series B upon the issuance of the Bonds of Series B shall be deposited in the Reserve Account;

(B) An amount equal to the amount of interest accruing on the Bonds of Series B for the three year period commencing on the date of issuance of the Bonds of Series B shall be deposited, set aside and held in trust in the Construction Fund and shall be used solely for the payment of such interest, *provided, however*, that if any moneys so set aside for such purpose remain after the payment of such interest, such moneys shall be used to pay California WaterFix Capital Costs, as directed by the Department.

(C) The balance of the proceeds of the sale of the Bonds of Series B shall be deposited in the Construction Fund and allocated to a Series B Account for the payment or reimbursement, as directed by the Department, of California WaterFix Capital Costs, including but not limited to an amount reserved to pay the expenses of the Department incurred in connection with the issuance and sale of the Bonds of Series B, *provided, however*, that any such reimbursement of any "state agency" as defined by California Water Code Section 11102 for advances for the costs of construction of California WaterFix may only occur simultaneously with the issuance of the first Series of Bonds issued for costs of construction of the California WaterFix.

ARTICLE XX

MISCELLANEOUS

SECTION 2001. Tax Covenants. The Department shall at all times do and perform all acts and things permitted by law and this Resolution that are necessary or desirable in order to assure that interest paid on the Bonds of Series B will be excluded from gross income for federal income tax purposes and shall take no action that would result in such interest not being so excluded. Without limiting the generality of the foregoing, the Department agrees to comply with the provisions of the Tax Certificate to be executed and delivered by the Department in connection with the issuance of the Bonds of Series B. This covenant shall survive payment in full or defeasance of the Bonds of Series B.

SECTION 2002. Continuing Disclosure. The Department shall at all times comply with and carry out all of the provisions of the Continuing Disclosure Certificate to be delivered in connection with the issuance of the Bonds of Series B as such certificate may be amended or supplemented from time to time in accordance with the terms thereof. Notwithstanding any other provision of the Resolution, failure of the Department to comply with the Continuing Disclosure Certificate shall not be considered an event of default under the Resolution; however, the Treasurer, any Holder or any Beneficial Owner (as defined in the Continuing Disclosure Certificate) may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Department to comply with its obligations under this Section.

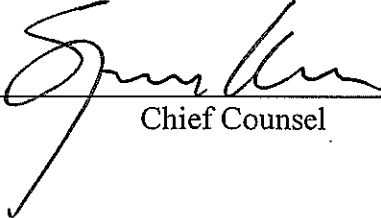
SECTION 2003. Designation and Delegation. The Chief, Division of Fiscal Services of the Department, the Chief, Enterprise Accounting Branch of the Department, and any Deputy Director are each hereby designated by the Director as a person who may sign any Certificate of the Department, within the meaning of that term in Section 101, related to the sale, issuance and delivery of the Bonds of Series B. In addition, pursuant to Sections 7 and 120 of the Water Code, the Chief, Division of Fiscal Services of the Department, the Chief, Enterprise Accounting Branch of the Department, and any Deputy Director are each hereby delegated the authority to execute and deliver any and all certificates, agreements and other instruments that are necessary or appropriate in connection with the sale, issuance and delivery of the Bonds of Series B. Notwithstanding the foregoing, one or more of the Chief, Division of Fiscal Services of the Department, the Chief, Enterprise Accounting Branch of the Department and the Deputy Comptroller of the Department, may sign any Certificate of the Department delivered in connection with a claim by the Department on the Series B Account as required by Section 503 of the Resolution with respect to the application of proceeds of the Series B Bonds to the payment of California WaterFix Capital Costs as set forth in Section 1501(D), such a Certificate of the Department may be incorporated into the related claim.

SECTION 2004. Execution in Counterpart. This Second Supplemental Resolution may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original and all of which shall together constitute but one and the same instrument.

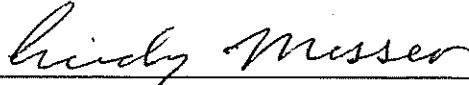
THIS SECOND SUPPLEMENTAL RESOLUTION is hereby adopted in the State of California by the State of California Department of Water Resources as of July 21, 2017.

Approved as to legal form and sufficiency:

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES



Chief Counsel



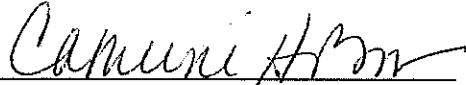
Acting as Director

Approved as to legal form and sufficiency:

Approved pursuant to California Water Code Section 11706 and as to the express obligations of the Treasurer hereunder:

XAVIER BECERRA
Attorney General of the State of California

TREASURER OF THE STATE OF CALIFORNIA

By 

Deputy Attorney General

By 

Deputy State Treasurer
For California State Treasurer John Chiang

Approved:

ORRICK, HERRINGTON & SUTCLIFFE LLP

By 