

**CASTAIC LAKE WATER AGENCY
COMMERCIAL PAPER NOTES**

DEALER AGREEMENT

As of September 1, 2011

Castaic Lake Water Agency
27234 Bouquet Canyon Road
Santa Clarita, CA 91350

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

Dear Ladies & Gentlemen:

This Dealer Agreement confirms the agreement among the undersigned, CITIGROUP GLOBAL MARKETS INC. (the "Dealer"), the UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY (the "Authority"), a joint exercise of powers agency organized and in good standing under the laws of the State of California and the CASTAIC LAKE WATER AGENCY duly organized and existing under the laws of the State of California (the "Agency"), for the Dealer to act as exclusive dealer in connection with the execution and delivery of Castaic Lake Water Agency Commercial Paper Notes (the "Notes"). The Notes are to be issued under and pursuant to a resolution adopted by the Board of the Authority on September 28, 2011 (the "Resolution"), and will be authenticated by U.S. Bank National Association, as paying agent (in such capacity the "Paying Agent"), pursuant to an Issuing and Paying Agent Agreement, dated as of September 1, 2011, by and among the Authority, the Agency and the Paying Agent. All terms used herein and not defined herein shall have the meanings specified in the Resolution.

The Notes are to be executed and delivered for the purposes described in the Resolution. The aggregate principal amount of the Notes that may be outstanding at any one time and the aggregate amount of interest to maturity on such Notes are limited as provided in the Resolution. The holders from time to time of the Notes will be entitled to the benefits of a letter of credit issued by Citibank, N.A. (the "Bank"), under and pursuant to a Letter of Credit Reimbursement Agreement, dated _____, 2011 (the "Credit Agreement"), by and between the Agency and the Bank.

1. Appointment of Dealer; Basic Responsibilities of Dealer. (a) Subject to the terms and conditions herein contained, the Agency and the Authority hereby appoint the Dealer, and the Dealer hereby accepts such appointment, as exclusive dealer for the Agency and the Authority in connection with the offering, issuance and sale of the Notes.

(b) In its capacity as dealer, the Dealer shall exercise customary efforts to solicit purchases of the Notes, on such terms and conditions, including maturity dates and interest rates, as may prevail from time to time in the tax-exempt commercial paper market. On or before 12:30 P.M., New York City time, on each day on which Notes, the purchase of which has been solicited by the Dealer, are to be executed and delivered, the Dealer will notify an Approving Officer (as defined in the Issuing and Paying Agent Agreement) and the Issuing and Paying Agent of the amounts and terms and conditions of such Notes with respect to which the Dealer has received indications of interest from potential purchasers. Such amounts and terms and conditions shall be subject to the approval of an Approving Officer. The receipt by the Dealer of such indications of interest from

potential purchasers of Notes shall not constitute legal and binding commitments of such purchasers, and the giving by the Dealer of notice of such indications of interest from potential purchasers of Notes pursuant to this paragraph shall not constitute, or be construed as constituting, notice of the receipt by the Dealer of legal and binding commitments of such purchasers.

(c) It is understood and agreed that the Dealer's responsibilities hereunder will include (i) the soliciting of purchases of Notes from investors that customarily purchase commercial paper or tax-exempt securities in large denominations, (ii) effecting and processing such purchases, (iii) causing the furnishing, by mail or otherwise (at the Agency's expense), of such materials as are described in Section 3 hereof, (iv) billing and receiving payment for Note purchases, and (v) performing such other related functions as may be requested by the Agency and agreed to by the Dealer.

2. The Notes. As more fully described in the Resolution, the Notes will be issuable in minimum denominations of \$100,000 and increments of \$1,000 thereabove and will have maturities of not more than 270 days from their respective dates of execution and delivery, and are subject to further limitation as to maturity as set forth in Section 3 of the Resolution. The Notes may be executed and delivered in registered form, without coupons, or bearer form. The Notes will be issued as interest-bearing obligations, maturing at such times as an approving officer may designate upon authorizing the issuance thereof. Principal of and interest, if any, on the Notes will be payable at maturity in immediately available funds through the facilities of The Depository Trust Company.

3. Furnishing of Memorandum. (a) The Agency agrees to pay the cost of as many copies as the Dealer may reasonably request of an offering memorandum pertaining to the Notes and Supplements (as such terms are hereinafter defined) thereto for use in connection with the offering of the Notes. The initial offering memorandum, including the cover page and all summary statements, appendices and other materials included or incorporated therein by reference or attached thereto or accompanying therewith as it may be amended or supplemented from time to time by a Supplement or Supplements is hereinafter referred to as the "Initial Offering Memorandum." The Dealer will furnish the Initial Offering Memorandum to each offeree of the Notes at or prior to the date on which such offeree is first offered the Notes.

(b) As promptly as practicable, but in no event more than 90 days following a written request by the Dealer and not more than 90 days following receipt by the Agency of the annual audited financial statements of the Agency for the fiscal year ended June 30, 2012, the Authority shall supplement the Initial Offering Memorandum. Such updated memorandum, including the cover page and all summary statements, appendices and other materials included or incorporated therein by reference or attached thereto or accompanying therewith as it may be amended or supplemented from time to time by a Supplement or Supplements (as such term is hereinafter defined), is hereinafter referred to as an "Annual Memorandum." The Dealer will furnish each Annual Memorandum to each offeree of Notes offered subsequent to the receipt by the Dealer of such Annual Memorandum.

(c) Each Annual Memorandum shall be revised in the same manner and within the same period as is provided in paragraph (b) of this Section with respect to the Initial Offering Memorandum. The most current Annual Memorandum (or the Initial Offering Memorandum if no subsequent Annual Memorandum has been delivered to the Dealer) is hereinafter referred to as the "Memorandum."

(d) If, during and prior to such time as any Memorandum is used in connection with the offering and sale of the Notes, any event or condition actually known to the Agency relating to or affecting the Authority or the Agency, or the Bank or the Letter of Credit shall occur which might materially adversely affect the properties, business, condition (financial or other) or results of operations of the Agency or the ability of the Agency to perform its obligations under and in respect of this Dealer Agreement, the Notes, the TRAN (as defined in the Resolution), the Resolution, the Resolution of the Agency adopted on September 28, 2011 relating to the TRAN (the "Agency Resolution"), the Issuing and Paying Agent Agreement, or the Credit Agreement, or which might affect the correctness of any statement of a material fact contained in such Memorandum, the Agency will promptly notify the Dealer of the circumstances and details of such event or condition. If, as a result of such event or condition or any other event or condition, it is necessary or advisable, in the opinion of the Dealer, to amend or supplement such Memorandum in light of such event or condition, the Agency will forthwith cooperate with the Dealer in the prompt preparation of a supplement to such Memorandum (a "Supplement"), in form and substance satisfactory to the Dealer, which will so amend or supplement such Memorandum.

(e) Simultaneously with the furnishing thereof to the Bank, the Agency shall furnish to the Dealer all financial statements, reports and information required to be furnished to the Bank pursuant to Section 5.02 of the Credit Agreement.

(f) The information relating to the Agency contained in each Memorandum and any Official Statement of the Agency which accompanies such Memorandum will be true and correct in all material respects on and as of the respective dates of such Memorandum and such Official Statement of the Agency.

4. Conditions To Dealer's Obligations. The obligations of the Dealer under this Dealer Agreement have been undertaken in reliance on, and shall be subject to, the due performance by the Agency and Authority of their obligations and agreements to be performed hereunder and to the accuracy of and compliance with the respective representations, warranties, covenants and agreements of the Authority contained herein, in each case on and as of the date of delivery of this Dealer Agreement and on and as of each date on which the Notes are to be issued. The obligations of the Dealer hereunder with respect to each date on which the Notes are to be issued are also subject, at the discretion of the Dealer, to the following further conditions precedent:

(a) The Resolution, the Agency Resolution, the TRAN, the Credit Agreement, the Letter of Credit, and the Issuing and Paying Agent Agreement shall be in full force and effect and the Notes to be issued on such date shall have the full benefits of all of the foregoing, all of which shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Dealer, and there shall be in full force and effect such additional resolutions, agreements, instruments and certificates (including such certificates as may be required by Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel ("Bond Counsel"), regarding the exclusion from gross income of interest, if any, on the Notes from federal income tax) and such opinions of counsel, which resolutions, agreements, certificates and opinions of counsel shall be satisfactory in form and substance to Bond Counsel, and there shall have been taken in connection therewith and in connection with the issuance of the Notes all such action as shall, in the opinion of Bond Counsel, be necessary in connection with the transactions contemplated hereby.

(b) There shall have been no material adverse change in the properties, business, condition (financial or other) or results of operations of the Agency or the Bank since the date of the

Memorandum; and no Event of Default (as such term is defined in the Resolution or the Credit Agreement) shall have occurred and be continuing and no event shall have occurred and be continuing which with the passage of time or giving of notice or both, would constitute such an Event of Default.

(c) At or prior to the first date on which Notes are to be sold pursuant to the terms of the Resolution and this Dealer Agreement, the Dealer shall have received:

(i) executed copies of the Credit Agreement and the Issuing and Paying Agent Agreement; and a transcript of all proceedings relating to the authorization of the Notes certified by a duly authorized official of the Authority;

(ii) opinions dated as of such date of: (a) Bond Counsel; (b) General Counsel to the Agency and (c) Kutak Rock LLP, counsel to the Bank (each such opinion to be in form and substance as previously agreed to by each such counsel and the Dealer);

(iii) a certificate of the Authority, executed by any duly authorized official of the Authority, dated as of such date, as to the accuracy of and compliance with the representations, warranties, covenants and agreements of the Authority contained in the Resolution on and as of such date, which certificate may state that the certifications therein set forth are to the best knowledge and belief of such official;

(iv) a certificate of the Agency, executed by any duly authorized official of the Agency, dated as of such date, as to the accuracy of and compliance with the representations, warranties, covenants and agreements of the Agency contained in the Credit Agreement on and as of such date, which certificate may state that the certifications therein set forth are to the best knowledge and belief of such official;

(v) a certificate of the Bank, executed by a duly authorized representative of the Bank, dated as of such date, as to the correctness of information concerning the Bank which is contained in the Initial Offering Memorandum;

(vi) a specimen of the Letter of Credit;

(vii) copies of all documents required by, and delivered pursuant to Section 5(a)(i) of the Credit Agreement; and

(viii) copies of such other documents, certificates and opinions as the Dealer shall have reasonably requested.

5. Term and Termination of Dealer Agreement. (a) This Dealer Agreement shall become effective upon execution by the Dealer, the Authority and the Agency and may be canceled by the Dealer or the Authority or the Agency (each with the consent of the Bank) at any time on written notice. To be effective, such written notice must be given no less than 60 days prior to such cancellation date with a copy to the Issuing and Paying Agent and the Bank; provided, however, that upon the mutual agreement of the Dealer and the Authority, such written notice may be given fewer than 60 days prior to such cancellation date; provided that any such cancellation shall not become effective until the appointment of a successor Dealer reasonably acceptable to the Agency and the Bank. The Authority will use its best efforts to notify [Standard & Poor's Ratings Services, and

Fitch Ratings, Inc.] (in the manner prescribed by Section 7(e) hereof) of the termination of this Dealer Agreement and any change in the dealer for the Notes.

(b) In addition, the Dealer may terminate its obligations under this Dealer Agreement at any time by notifying the Agency, the Authority and the Bank in writing or by telegram, telex or other electronic communication of its election to do so:

(i) if any event shall have occurred, or information become known, which, in the Dealer's reasonable opinion, makes untrue, incorrect or misleading in any material respect any statement or information contained in the Memorandum or has the effect that the Memorandum contains an untrue, incorrect or misleading statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and the Authority shall fail to supplement the Memorandum in a manner satisfactory to the Dealer within a reasonable period of time after requested to do so by the Dealer.

(ii) Legislation shall be favorably reported by a committee of the House of Representatives or the Senate of the Congress of the United States or be introduced by committee by amendment or otherwise in, or be enacted by, the House of Representatives or the Senate or be recommended by the President of the United States to the Congress of the United States for passage by the Congress of the United States, or a decision by a court established under Article III of the Constitution of the United States, or the Tax Court of the United States, shall be rendered or a ruling, regulation or order of the Treasury Department of the United States or the Internal Revenue Service or any other governmental entity having jurisdiction over the subject matter shall be made or proposed having the purpose or effect of imposing federal income taxation or any other event shall have occurred which result in the imposition of federal income taxation, upon interest, if any, on the Notes.

(iii) Legislation shall be favorably reported by a committee of the House of Representatives or the Senate of the Congress of the United States, or shall be introduced by committee by amendment or otherwise, or be introduced by the House of Representatives or the Senate or shall be recommended by the President of the United States to the Congress of the United States for passage by the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the United States Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter should be made or proposed, to the effect that the offering or sale of obligations of the character of the Notes, as contemplated hereby, is or would be in violation of any provision of the Securities Act of 1933 as amended (the "Securities Act") and as then in effect, or the Securities Act of 1934 as amended and as then in effect, or that the Indenture shall be required to be qualified under the Trust Indenture Act of 1939 as amended and as then in effect, or with the purpose or effect of otherwise prohibiting the offering for sale of obligations of the character of the Notes, or the Notes as contemplated hereby, without registration under the Securities Act or qualification of the Indenture under the Trust Indenture Act of 1939, as amended.

(iv) Any information shall have become known which in the reasonable opinion of the Dealer, makes untrue any statement of a material fact contained in the Annual Memorandum prepared as provided in Section 3 hereof, or causes the Annual Memorandum prepared as provided in Section 3 hereof, as so supplemented or amended, to contain any untrue statement of a

material fact or to omit to state a material fact necessary to make the statements made therein, in light of the circumstance under which they were made, not misleading.

(v) Any legislation, resolution, ordinance, rule or regulation shall be introduced in, or be enacted by, any federal governmental body, department or agency of the United States or the State of California, or a decision by any court of competent jurisdiction within the United States or the State of California shall be rendered which, in the Dealer's reasonable opinion, materially adversely affects the marketability of the Notes.

(vi) Additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities similar to the Notes by any governmental authority or by any national securities exchange which in the Dealer's reasonable opinion, materially adversely affects the marketability of the Notes.

(vii) Any governmental authority shall impose, as to the Notes, or obligations of the character of the Notes, any material restrictions not now in force, or increase materially those now in force which, in the Dealer's reasonable opinion, materially adversely affects the marketability of the Notes.

(viii) A banking moratorium shall have been established by federal or New York authorities.

(ix) The rating of the Notes shall have been downgraded to a rating below "F-1+" by Fitch Ratings, Inc. or "A-1" by Standard & Poor's Corporation or such rating agencies shall withdraw any ratings they may have in effect with respect to the Notes.

(x) A war involving the United States shall have been declared, or any existing conflict involving the armed forces of the United States shall have escalated, or any other national emergency relating to the effective operation of government of the financial community shall have occurred, which, in the Dealer's reasonable opinion, materially adversely affects the marketability of the Notes.

(xi) Any event, including without limitation, the bankruptcy or default of any issuer of, or obligor on tax-exempt securities shall have occurred which, in the Dealer's reasonable opinion, makes the marketing of the securities of the character of the Notes impossible over an extended period of time.

(xii) The Resolution, the Issuing and Paying Agent Agreement, the Letter of Credit and any Alternate Letter of Credit shall cease to be in full force and effect or shall have been amended, modified or supplemented except as agreed to by the Dealer.

(xiii) An Event of Default under the Resolution or the Credit Agreement has occurred and is continuing.

(xiv) A No-Issuance Notice has been delivered by the Bank under the Credit Agreement.

6. Payment of Fees and Expenses. (a) In consideration of the services to be performed by the Dealer under this Dealer Agreement, the Agency agrees to pay to the Dealer a fee in the amount of the product of: (i) .10 of 1% divided by 365 or 366, as appropriate; and (ii) the sum of the

principal amounts of such Notes outstanding on each day during the billing period (to which reference is made in the next succeeding sentence). It is understood and agreed that: (1) payment of such fee shall be made by the Agency quarterly in arrears upon receipt of an invoice therefor from the Dealer; and (2) the obligation of the Agency to pay such fee shall survive the termination or cancellation of this Dealer Agreement to the extent that such obligation related to Notes outstanding prior to such termination or cancellation.

(b) All reasonable expenses and costs of the Dealer in effecting the authorization, preparation, issuance, offering, delivery and sale of the Notes (including, without limitation, the expenses and costs of the preparation, printing, photocopying, execution and delivery of the Notes, the Initial Offering Memorandum, each Annual Memorandum, each Supplement, the Credit Agreement, the Issuing and Paying Agent Agreement, this Dealer Agreement and all other agreements and documents contemplated hereby and thereby, including amendments, modifications and supplements to any such agreements and documents at any time during the term of this Dealer Agreement) shall be paid or reimbursed by the Agency, unless and to the extent that such expenses and costs are paid out of or reimbursed from the proceeds of the Notes.

7. Miscellaneous. (a) All notices, demands and formal actions under this Dealer Agreement shall be in writing and mailed, telecopied, telegraphed or delivered to:

The Dealer:

Citigroup Global Markets Inc.
390 Greenwich Street, 2nd Floor
New York, New York 10013
Attention: Manager, Short-Term Finance Group
Phone: (212) 723-5594
Fax Number: (212) 723-8939

The Authority:

Upper Santa Clara Valley Joint Powers Authority
27234 Bouquet Canyon Road
Santa Clarita, CA 91350
Attn: Treasurer
Fax Number: (661) 297-1610

The Agency:

Castaic Lake Water Agency
27234 Bouquet Canyon Road
Santa Clarita, CA 91350
Attn: Administrative Services Manager
Fax Number: (661) 297-1610

provided, however, that all notices pursuant to, or contemplated by, the provisions of Section 1 of this Dealer Agreement shall be given by telephonic communication between or among authorized representatives of the parties to this Dealer Agreement and shall be confirmed in writing and mailed, telecopied or delivered to such parties on the later of the Business Day following the settlement, if

any, of the respective transactions to which such notices relate or the Business Day following the telephonic communication. The Dealer, the Authority and the Agency may, by notice given under this Dealer Agreement, designate other addresses to which subsequent notices, requests, reports or other communications shall be directed;

(b) Any certificate authorized by the Authority, signed by any authorized official or officials of the Authority or the Agency and delivered to the Dealer shall be deemed a representation by the Authority or the Agency to the Dealer as to the statements made therein;

(c) This Dealer Agreement will inure to the benefit of and be binding upon the Authority, the Agency and the Dealer and their respective successors and assigns, and will not confer any rights upon any other person, partnership, association or corporation; provided that the Bank shall be an express and direct third party beneficiary of this Dealer Agreement entitled to enforce the provisions hereof. The term “successors” and “assigns” shall not include any purchaser of any of the Notes merely because of such purchase;

(d) All of the representations, warranties and covenants of the Authority and the Agency and the Dealer in this Dealer Agreement shall remain operative and in full force and effect, regardless of: (i) any investigation made by or on behalf of the Dealer; or (ii) delivery of and any payment for any Notes hereunder;

(e) The Dealer shall use its best efforts to notify [Standard & Poor’s Ratings Services and Fitch Ratings, Inc.] of any modification of or amendment to the Dealer Agreement. Notice shall be sent by first class mail, postage prepaid;

(f) Section headings have been inserted in this Dealer Agreement as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Dealer Agreement and will not be used in the interpretation of any provisions of this Dealer Agreement;

(g) If any provision of this Dealer Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Dealer Agreement invalid, inoperative or unenforceable to any extent whatever;

(h) This Dealer Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which constitute one and the same document;

(i) The Authority and the Agency acknowledge and agree that: (i) the offering of the Notes pursuant to this Dealer Agreement is an arm’s-length commercial transaction between the Authority, the Agency and the Dealer; (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Dealer is and has been acting solely as a principal and is not acting as the agent, advisor or fiduciary of the Authority or the Agency; (iii) the Dealer has not assumed an advisory or fiduciary responsibility in favor of the Authority or the Agency with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Dealer has provided other services or is currently providing other services to the Authority or the Agency on

other matters) and the Dealer has no obligation to the Authority or the Agency with respect to the offering contemplated hereby except the obligations expressly set forth in this Dealer Agreement; and (iv) the Authority and the Agency have consulted their own legal, financial and other advisors to the extent that they have deemed appropriate.

(j) THIS DEALER AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

8. Conflict Between Documents. In the event of a conflict between the provisions of this Dealer Agreement and the Resolution, the provisions of this Dealer Agreement shall be controlling.

[Signatures to Dealer Agreement are continued on the next page]

[Signatures to Dealer Agreement continued]

CITIGROUP GLOBAL MARKETS INC.

By: _____
Title: Managing Director

[Signatures to Dealer Agreement continued]

UPPER SANTA CLARA VALLEY JOINT
POWERS AUTHORITY

By: _____
President

CASTAIC LAKE WATER AGENCY

By: _____
President