



Yucaipa Valley Water District

12770 Second Street, Yucaipa, California 92399 Phone: (909) 797-5117

Notice and Agenda of a Regular Meeting of the Board of Directors

Wednesday, January 21, 2015 at 6:00 p.m.

- I. **CALL TO ORDER** - Pledge of Allegiance
- II. **ROLL CALL**
- III. **PUBLIC COMMENTS** - At this time, members of the public may address the Board of Directors on matters within its jurisdiction. To provide comments on specific agenda items, please complete a speaker's request form and provide the completed form to the Board Secretary prior to the board meeting.
- IV. **CONSENT CALENDAR** - All matters listed under the Consent Calendar are considered by the Board of Directors to be routine and will be enacted in one motion. There will be no discussion of these items prior to the time the board considers the motion unless members of the board, the administrative staff, or the public request specific items to be discussed and/or removed from the Consent Calendar.
 - A. Minutes of Meetings
 - 1. Regular Board Meeting - January 7, 2015
 - 2. Board Workshop - January 13, 2015
 - B. Payment of Bills
 - 1. Approve/Ratify Invoices for Board Awarded Contracts
 - 2. Ratify General Expenses for December 2014
- V. **BOARD REPORTS**
 - A. Reports by Board Members
- VI. **STAFF REPORT**

Any person with a disability who requires accommodation in order to participate in this meeting should telephone Tysa Baeumel at (909) 797-5117 at least 48 hours prior to the meeting in order to make a request for a disability-related modification or accommodation.

Materials related to an item on this agenda submitted to the Board of Directors after distribution of the board meeting packet are available for public inspection during normal business hours at the District office located at 12770 Second Street, Yucaipa. Meeting material is also be available on the District's website at www.yvwd.dst.ca.us

VII. DISCUSSION ITEMS

- A. Authorization and Approval of the 2015A Refunding Documents Associated with the Refinancing of the 2004A Certificates of Participation [[Director Memorandum No. 15-004 - Page 22 of 285](#)]
- RECOMMENDED ACTION: That the Board approves and directs the authorized execution and issuance of the following documents related to the refinancing of the 2004A Certificates of Participation: Resolution No. 2015-03 Authorizing the Issuance of Refunding Revenue Bonds; Continuing Disclosure Certificate; Preliminary Official Statement; Escrow Agreement; Indenture of Trust; and the Bond Purchase Contract.
- B. Unaudited Financial Report for the Period Ending on December 31, 2014 [[Director Memorandum No. 15-005 - Page 200 of 285](#)]
- RECOMMENDED ACTION: That the Board receives and files the unaudited financial report as presented.
- C. Authorization to Solicit Bids for the Construction of an 8-Inch Drinking Water Pipeline in 8th Street and Washington Drive [[Director Memorandum No. 15-006 - Page 228 of 285](#)]
- RECOMMENDED ACTION: That the Board of Directors authorizes the District staff to solicit bids for the construction of 750 linear feet of 8-inch ductile iron pipe in 8th Street and 815 linear feet of 8-inch ductile iron pipe in Washington Drive.
- D. Consideration of Change Order No. 1 Related to the 2014 Annual Reservoir Cleaning Contract with Applied Diving Services [[Director Memorandum No. 15-007 - Page 230 of 285](#)]
- RECOMMENDED ACTION: That the Board approves Change Order No. 1 for a contract deduction in the amount of \$2,810 for a revised contract amount of \$45,705.
- E. Consideration of Resolution No. 2015-04 Requesting the Local Agency Formation Commission Take Proceedings for the Annexation of 172.28 Acres as Assessor's Parcel Number 408-090-013 - Hugh W. Holbert Family Trust, Calimesa [[Director Memorandum No. 15-008 - Page 232 of 285](#)]
- RECOMMENDED ACTION: That the Board adopt Resolution No. 2015-04 as presented.
- F. Consideration of Resolution No. 2015-05 Requesting the Local Agency Formation Commission Take Proceedings for the Annexation of Three Parcels Owned by Yucaipa Valley Water District (Assessor's Parcel Numbers 301-201-23, 301-201-36, and 413-250-006) [[Director Memorandum No. 15-009 - Page 237 of 285](#)]
- RECOMMENDED ACTION: That the Board adopt Resolution No. 2015-05 as presented.
- G. Approval of Change Order No. 1 for the Focused Groundwater Model of the Gateway Basin in Yucaipa [[Director Memorandum No. 15-010 - Page 241 of 285](#)]
- RECOMMENDED ACTION: That the Board of Directors approve Change Order No. 1 with Geoscience for a sum not to exceed \$16,390 for the preparation of a groundwater model.
- H. Consideration of Resolution Nos. 2015-06, 2015-07, and 2015-08 Supporting Additional Phases of the Integrated Recycled Water and Drought Preparedness Pipeline Projects in San Timoteo (Phase 3), Oak Glen (Phase 4), and Mentone (Phase 5) [[Director Memorandum No. 15-011 - Page 246 of 285](#)]
- RECOMMENDED ACTION: That the Board adopts Resolution Nos. 2015-06, 2015-07 and 2015-08 as presented.

- I. Approval of a Professional Services Agreement with Fieldman Rolapp & Associates and a Terms of Retention Contract with Stradling, Yocca, Carlson & Rauth for the Refinancing of the 2004A Certificates of Participation [[Director Memorandum No. 15-012 - Page 258 of 285](#)]

RECOMMENDED ACTION: That the Board of Directors authorize the General Manager to execute the Professional Services Agreement and Terms of Retention Contract.

VIII. DIRECTORS COMMENTS

IX. ANNOUNCEMENTS

- A. January 27, 2015 at 4:00 p.m. - Board Workshop
- B. January 28, 2015 at 6:00 p.m. - San Gorgonio Pass Regional Water Resource Alliance at the City of Banning
- C. February 4, 2015 at 6:00 p.m. - Regular Board Meeting
- D. February 10, 2015 at 4:00 p.m. - Board Workshop
- E. February 18, 2015 at 6:00 p.m. - Regular Board Meeting
- F. February 24, 2015 at 4:00 p.m. - Board Workshop
- G. February 25, 2015 at 6:00 p.m. - San Gorgonio Pass Regional Water Resource Alliance at the City of Banning
- H. March 4, 2015 at 6:00 p.m. - Regular Board Meeting
- I. March 10, 2015 at 4:00 p.m. - Board Workshop
- J. March 18, 2015 at 6:00 p.m. - Regular Board Meeting
- K. March 24, 2015 at 4:00 p.m. - Board Workshop
- L. March 25, 2015 at 6:00 p.m. - San Gorgonio Pass Regional Water Resource Alliance at the City of Banning
- M. April 1, 2015 at 6:00 p.m. - Regular Board Meeting

X. ADJOURNMENT

Consent Calendar



Yucaipa Valley Water District

MINUTES OF A REGULAR BOARD MEETING

January 7, 2015 at 6:00 P.M.

Directors Present:

Bruce Granlund, President
Lonni Granlund, Vice President
Jay Bogh, Director
Ken Munoz, Director
Tom Shalhoub, Director

Staff Present:

Joseph Zoba, General Manager
Vicky Elisalda, Controller
Brent Anton, Engineering Manager
Jennifer Ares, Water Resource Manager

Directors Absent:

None

Consulting Staff Present:

David Wysocki, Legal Counsel

Registered Guests and Others Present:

Steve Copelan, San Bernardino Valley Municipal Water District
Bill Dickson, San Gorgonio Pass Water Agency

The regular meeting of the Board of Directors of the Yucaipa Valley Water District was called to order by Director Bruce Granlund at 6:00 p.m. at the Administrative Office Building, 12770 Second Street, Yucaipa, California.

CALL TO ORDER

Director Bruce Granlund led the pledge of allegiance.

FLAG SALUTE

The roll was called and Director Bruce Granlund, Director Lonni Granlund, Director Jay Bogh, Director Ken Munoz and Director Tom Shalhoub were present.

ROLL CALL

There were no public comments

PUBLIC COMMENTS

Director Tom Shalhoub moved to approve the consent calendar and Director Ken Munoz seconded the motion to approve the consent calendar.

CONSENT CALENDAR

A. Minutes of Meetings

1. Regular Board Meeting - December 17, 2014

The motion was approved by the following vote:

Director Jay Bogh - Yes
Director Bruce Granlund - Yes
Director Lonni Granlund - Yes
Director Ken Munoz - Yes
Director Tom Shalhoub - Yes

A. Reports by Board Members

BOARD REPORTS

- Director Tom Shalhoub reported on the San Gorgonio Pass Water Agency meeting on December 19, 2014

which involved the appointment of Leonard Stevenson to the Board of Directors.

- Director Tom Shalhoub reported on the San Geronio Pass Water Agency meeting on January 5, 2015.
- Director Jay Bogh reported on the San Bernardino Valley Municipal Water District Advisory Commission meeting held on December 11, 2014.

General Manager Joseph Zoba reported on the following items:

- On January 23, 2015, the Southern California Water Committee will be meeting at the local Pepsico bottling facility.
- Ethics training is scheduled for January 29, 2015 at 6:00 p.m.
- Copies of Delivering the Future were distributed from the San Bernardino Valley Municipal Water District.

STAFF REPORT

DISCUSSION ITEMS:

Following a staff presentation by General Manager Joseph Zoba, Director Jay Bogh moved and Director Tom Shalhoub seconded a motion to adopt Resolution No. 2015-01 as presented.

The motion was approved by the following vote:

- Director Jay Bogh - Yes
- Director Bruce Granlund - Yes
- Director Lonni Granlund - Yes
- Director Ken Munoz - Yes
- Director Tom Shalhoub - Yes

DM 15-001
ADOPTION OF
RESOLUTION NO.
2015-01 APPROVING
AN INVESTMENT
POLICY AND
APPOINTMENT OF
THE GENERAL
MANAGER AS THE
DISTRICT
INVESTMENT
OFFICER

Following a staff presentation by General Manager Joseph Zoba, Director Tom Shalhoub moved and Director Ken Munoz seconded a motion to adopt Resolution No. 2015-02.

The motion was approved by the following vote:

- Director Jay Bogh - Yes
- Director Bruce Granlund - Yes
- Director Lonni Granlund - Yes
- Director Ken Munoz - Yes
- Director Tom Shalhoub - Yes

DM 15-002
ADOPTION OF
RESOLUTION NO.
2015-02 APPOINTING
A CORPORATE
REPRESENTATIVE TO
SMALL CLAIMS
COURT

Following a staff presentation by General Manager Joseph Zoba, there was no action taken by the Board of Directors which will result in the implementation of Section 2 of Ordinance No. 53-2007 increasing the compensation paid to board members from \$127.64 to \$134.02 per day for each day's attendance at meetings as defined in Ordinance No. 53-2007.

DM 15-003
REIMBURSEMENT
POLICY AND
COMPENSATION PAID
TO MEMBERS OF THE
BOARD OF
DIRECTORS
PURSUANT TO
ASSEMBLY BILL NO.
1234

Director Ken Munoz distributed a photograph of a roadway sign used to inform the public about water flushing activities to maintain the quality of the drinking water supply.

DIRECTOR
COMMENTS

Director Lonni Granlund provided a crystal gavel to Director Bruce Granlund as a token of the Board's appreciation for his service as President.

Director Bruce Granlund mentioned the announcements listed on the agenda.

ANNOUNCEMENTS

The meeting was adjourned at 6:20 p.m.

Respectfully submitted,

Joseph B. Zoba, Secretary

(Seal)

MINUTES OF A BOARD WORKSHOP

January 13, 2014 at 4:00 P.M.

Directors Present:

Lonni Granlund, President
Jay Bogh, Vice President
Bruce Granlund, Director
Ken Munoz, Director
Tom Shalhoub, Director

Staff Present:

Joseph Zoba, General Manager
Jennifer Ares, Water Resource Manager
John Hull, Public Works Supervisor
Bob Wall, Operations Manager
Brent Anton, Engineering Manager
Vicky Elisalda, Controller
Kevin King, Operations Manager
Peggy Little, Administrative Supervisor

Directors Absent:

None

Consulting Staff Present:

David Wysocki, Legal Counsel
Doug Brown, Bond Counsel
Tom DeMars, Financial Advisor
Josh Lentz, Financial Advisor
Jack Tsang, Underwriter

Guests and Others Present:

Leonard Stevenson, San Gorgonio Pass Water Agency
Vanessa Register, Customer
David Duron, Customer

- I. Call to Order - 4:00 p.m.
- II. Public Comments - General Manager Joseph Zoba recognized the members of the Board of Directors and District staff in attendance.
- III. Staff Report:
 - General Manager Joseph Zoba discussed the Ethics Training session scheduled for Thursday, January 29, 2015 from 6:00 p.m. to 8:00 p.m.
- IV. Presentations
 - A. Overview of the 2015A Refunding Documents Associated with the Refinancing of the 2004A Certificates of Participation [Workshop Memorandum No. 15-001] - Bond Counsel Doug Brown from Stradling Yocca Carlson & Rauth, Financial Advisors Tom DeMars and Josh Lentz from Fieldman Rolapp, and Underwriter Jack Tsang from Merrill Lynch, Pierce, Fenner & Smith presented the refunding documents included in the board workshop packet. The District staff also distributed the latest version of the bond purchase contract for review by the Board of Directors. The financial refunding team members discussed the documents in detail and responded to a variety of questions from the Board of Directors regarding the documents and the process for refunding the 2004A Certificates of Participation.
 - B. Overview of the 2015 Upper Santa Ana Watershed Integrated Regional Water Management Plan [Workshop Memorandum No. 15-002] - Water Resource Manager Jennifer Ares provided an overview of the 2015 Upper Santa Ana

Watershed Integrated Regional Water Management Plan. A public hearing will be conducted on February 4, 2015 to adopt the plan.

- C. Overview of the Drinking Water Filtration System Production Enhancement Project [Workshop Memorandum No. 15-003] - General Manager Joseph Zoba provided an overview of a proposed project that would increase the efficiency of drinking water production at the Yucaipa Valley Regional Water Filtration Facility.
- V. Operational Updates
 - A. Overview of Biosolids Handling and Disposal at the Wochholz Regional Water Recycling Facility [Workshop Memorandum No. 15-004] - Operations Manager Kevin King provided an overview of biosolids disposal at the Wochholz Regional Water Recycling Facility and the costs for hauling biosolids to One Stop.
- VI. Capital Improvement Projects
 - A. 2015 Pipeline Replacement Program - Construction of an 8-Inch Potable Water Pipeline in 8th Street and Washington Drive, Yucaipa [Workshop Memorandum No. 15-005] - Engineering Manager Brent Anton discussed the proposed pipeline replacement project in 8th Street and Washington Drive.
- VII. Administrative Items
 - A. Unaudited Financial Report for the Period Ending on December 31, 2014 [Workshop Memorandum No. 15-006] - Controller Vicky Elisalda provided an overview of the unaudited financial report for the period ending on December 31, 2014.
 - B. Participation in Various Organizations and Associations [Workshop Memorandum No. 15-007] - General Manager Joseph Zoba provided a presentation about the organizations and associations used by Yucaipa Valley Water District together with membership cost information and benefits to the organization.
 - C. Change Order No. 1 for the 2014 Annual Reservoir Diving Contract with Applied Diving Services [Workshop Memorandum No. 15-008] - Operations Manager Bob Wall provided an overview of Change Order No. 1 which will reduce the overall cost of the original contract.
 - D. Regional Recycled Water System Expansion Goals and Project Priorities for 2016 [Workshop Memorandum No. 15-009] - General Manager Joseph Zoba provided an overview of future proposed recycled water pipeline projects.
 - E. Annexation of 172.28 Acres (APN 407-090-001) to the Service Area of the Yucaipa Valley Water District - Hugh Holbert [Workshop Memorandum No. 15-010] - General Manager Joseph Zoba provided an overview of the proposed annexation of 172.28 acres located in Calimesa.
 - F. Annexation of Various District Owned Parcels to the Yucaipa Valley Water District [Workshop Memorandum No. 15-011] - General Manager Joseph Zoba identified three District owned parcels that should be annexed into the District's boundary by the Local Agency Formation Commission.
- VIII. Director Comments - Director Ken Munoz asked about the status of the ad hoc water committee meetings hosted by the City of Yucaipa. Director Jay Bogh asked about the status of the automatic meter reading and septic waste hauling for brine disposal.

IX. Adjournment - The meeting was adjourned at 5:45 p.m.

Respectfully submitted,

Joseph B. Zoba, Secretary

Board Awarded Contracts
Consent Calendar Regular Meeting -January 21, 2015

District Awarded Contracts	Director Memorandum	Job or GL #	Job Cost Breakdown	Awarded Contract Amount	Prior Payments to Date	Pending Invoice Amount	Total Contract Payments	Remaining Contract Amount	Percent Remaining	Encumbered Funds - Remaining Contract Amount				
										General Operating Expenses	Water Division Funds	Sewer Division Funds	Non-Potable Division Funds	Other Funds
Aklufi & Wysocki - FY 2015 Legal Services	--	*-5-06-54107	--	--	\$19,609	\$2,633	\$22,241							
Applied Diving Services, Inc. Inspection and cleaning of 17 facilities	14-090	0x-5-0x-51003	--	\$48,515	\$0	\$45,705	\$45,705	\$2,810	6%	\$2,810				
Delta Partners \$90,000 per year - Legislative Consult (exp 12/18) W/S	13-079	*-5-06-54109	--	\$90,000	\$82,500	\$7,500	\$90,000	\$0	0%	\$0				
Gateway Pacific Contractors, Inc. Preparation of a groundwater model for the Gateway Basin	14-091	SCIP funding	--	\$7,520,080	\$0	\$0	\$0	\$7,520,080	100%					\$7,520,080
Geoscience Preparation of a groundwater model for the Gateway Basin	14-070	04-5-06-54109	--	\$35,320	\$28,500	\$683	\$29,182	\$6,138	17%	\$6,138				
Krieger & Stewart														
Initiate Design of R-12.4	04-164	65-295	\$74,900	\$603,000	\$132,595	\$2,729	\$135,324	\$467,676	78%		\$467,676			
TO#4 Revised	05-075		\$600											
TO#4, Amendment #2	14-014		\$45,000											
TO#5- Construction Mgmt Services	14-092		\$482,500											
TO#5, Design R-13.4 and H-2 Reservoirs for JP Ranch	05-083	65-180	\$47,400	\$79,000	\$50,471	\$0	\$50,471	\$28,529	36%					\$28,529
60% R-13.4 and 40% H-2	05-083	65-179	\$31,600											
TO#7, Design of a 24" Recycled Water Pipeline	11-091	04-9435	\$220,800	\$269,800	\$254,532	\$0	\$254,532	\$15,268	6%				\$15,268	
TO#7, Amendment #1 Addtl Design Costs	14-012		\$49,000											
One Stop Landscape Supply - FY 2015 Sludge Hauling & Reuse	--	03-5-02-57031	--	--	\$110,332	\$22,826	\$133,157							
Platinum Advisors														
FY 2015 Lobbyist N-T-E per month	13-080	02-5-06-54109	--	--	\$30,000	\$5,000	\$35,000							
FY 2015 Quarterly Filing & Misc. Expenses		02-5-06-54109	--	--	\$125	\$125	\$250							
Qversa														
Conversion and Installation of Pulse Meter Controls	14-087	02-5-40-57001	--	\$60,750	\$0	\$0	\$0	\$60,750	100%	\$60,750				
Redlands Ford														
4 Utility Trucks for Water Production/5 for Public Works	14-095	--	--	\$213,084	\$0	\$0	\$0	\$213,084	100%	\$213,084				
RMC Water & Environment														
TO#25, Digester Cleaning & a Solids Process Cond Assess	12-066	88-12830	\$57,730	\$329,600	\$115,797	\$1,605	\$117,402	\$212,198	64%			\$212,198		
TO#25, Amendment #1	13-074		\$271,870											
TO#26, SRF Mgmt Svcs for the Calimesa Regional Recycled Water Pipel	14-023	04-5-06-54109		\$95,692	\$17,030	\$0	\$17,030	\$78,663	82%				\$78,663	
San Bernardino Valley Municipal Water District														
Cost sharing for Yucaipa Groundwater Study by Geoscience	13-078			\$136,945	\$0	\$0	\$0	\$136,945	100%		\$136,945			
United States Geological Survey														
Yucaipa Basin Groundwater Investigation	12-097	02-5-06-54109	\$100,000	\$100,000	\$48,152	\$0	\$48,152	\$51,848	52%		\$51,848			
Vavrinek, Trine, Day & Company (VTD)														
FY 2014 Auditing Services \$23,900 + \$7,775 for Single Audit	13-024	*-5-06-54108	\$31,675	\$31,675	\$23,800	\$0	\$23,800	\$7,875	25%	\$7,875				
FY 2015 Auditing Services \$23,900 + \$7,775 for Single Audit	13-024	*-5-06-54108	\$31,675	\$31,675	\$0	\$0	\$0	\$31,675	100%	\$31,675				
GRAND TOTALS				\$9,677,881	\$946,187	\$88,804	\$1,034,992	\$8,833,538	--	\$322,332	\$656,469	\$212,198	\$93,930	\$7,548,609
										\$322,332		\$962,598		\$7,548,609
Approval of General Expenses December 2014 (Check Register Attached)														

Check Register - December 2014

<u>Check Date</u>	<u>Check Number</u>	<u>Name</u>	<u>Check Amount</u>
12/01/2014	22144	AMERICAN INTEGRATED	1,459.66
12/01/2014	22145	OROZCO, DIANE& RUDY	30.02
12/01/2014	22146	American Water Works Assoc.	3,981.00
12/01/2014	22147	State Water Resources Control	165.00
12/01/2014	22148	CWEA-TCP (OAKPORT ST.)	885.00
12/01/2014	22149	Water Environment Federation	272.00
12/01/2014	22150	Ameripride Uniform Services	470.71
12/01/2014	22151	BofA Credit Card	4,189.72
12/01/2014	22152	Dudek & Associates, Inc	3,431.87
12/01/2014	22153	Fedex	125.08
12/01/2014	22154	Leroy's Landscape Services	5,700.00
12/01/2014	22155	Lowe's Companies, Inc.	301.96
12/01/2014	22156	NetComp Technologies,Inc.	1,710.00
12/01/2014	22157	RMC Water and Environment	4,679.40
12/01/2014	22158	U.S. Telepacific Corp	3,817.10
12/01/2014	22159	The Gas Company	48.10
12/01/2014	22160	George F. Siddle	80.50
12/01/2014	22161	Verizon	153.43
12/01/2014	22162	Yucaipa Disposal, Inc.	1,366.84
12/01/2014	22163	William Abbott	2,600.00
12/01/2014	22164	Air & Hose Source, Inc.	190.08
12/01/2014	22165	Aqua-Metric Sales Company	1,623.72
12/01/2014	22166	Cemex Inc. USA	1,910.11
12/01/2014	22167	Eurofins Eaton Analytical, Inc	32,275.00
12/01/2014	22168	Evoqua Water Technologies LLC	1,121.10
12/01/2014	22169	Hasa, Inc.	3,975.97
12/01/2014	22170	JR Freeman Co. Inc.	445.89
12/01/2014	22171	Nagem, Inc.	337.50
12/01/2014	22172	Praxair Inc.	588.36
12/01/2014	22173	Steven Enterprises, Inc	13,316.60
12/01/2014	22174	Boot Barn #4	173.19
12/01/2014	22175	Standard Insurance Company	2,633.28
12/01/2014	22176	US Healthworks Medical Group,	281.58
12/01/2014	22177	Western Dental Services, Inc.	288.11
12/01/2014	22178	Anthem Blue Cross L and H	356.90
12/01/2014	22179	Standard Insurance Company	2,974.49
12/01/2014	22180	Aetna Health of California	42,376.00
12/01/2014	22181	Standard Insurance Vision Plan	578.16
12/01/2014	22182	MetLife Small Business Center	413.08
12/01/2014	22183	WageWorks, Inc.	207.50
12/08/2014	22184	AWWA CA-NV (Rancho Cucamonga)	75.00
12/08/2014	22185	American Water Works Assoc.	1,200.00
12/08/2014	22186	ADS, LLC	2,634.00
12/08/2014	22187	Ameripride Uniform Services	513.95
12/08/2014	22188	Crown Ace Hardware - Yucaipa	597.19
12/08/2014	22189	First American Data Tree, LLC	50.00
12/08/2014	22190	CA-EPA Dept Of Toxic Substance	322.50
12/08/2014	22191	Konica Minolta Business Soluti	723.73
12/08/2014	22192	SCCI, Inc.	350.00
12/08/2014	22193	SB CNTY-Fire Hazard Abatement	200.00
12/08/2014	22194	Sims Welding & Supply Co., Inc	197.90
12/08/2014	22195	South Coast A.Q.M.D.	1,354.71
12/08/2014	22196	Association of San Bernardino	252.00
12/08/2014	22197	The Gas Company	109.74
12/08/2014	22198	Underground Service Alert Of S	141.00

Check Register - December 2014

<u>Check Date</u>	<u>Check Number</u>	<u>Name</u>	<u>Check Amount</u>
12/08/2014	22199	USDA Forest Service	120.62
12/08/2014	22200	Auto Care Clinic	2,343.38
12/08/2014	22201	Edward S Babcock & Sons, Inc.	180.00
12/08/2014	22202	Jan Brinkman Jr.	484.92
12/08/2014	22203	DC Frost Associates, Inc.	507.49
12/08/2014	22204	David Sunden	591.88
12/08/2014	22205	Fisher Scientific Co.	152.02
12/08/2014	22206	Grainger	436.00
12/08/2014	22207	Inland Water Works Supply Co.	16,014.00
12/08/2014	22208	Larry Jacinto Farming, Inc.	500.00
12/08/2014	22209	JR Freeman Co. Inc.	520.20
12/08/2014	22210	Nuckles Oil Company, Inc.	3,200.32
12/08/2014	22211	Microflex Corp #774353	1,241.25
12/08/2014	22212	Most Dependable Fountains, Inc	939.80
12/08/2014	22213	Nagem, Inc.	459.05
12/08/2014	22214	Patton Sales Corporation	216.27
12/08/2014	22215	Polydyne Inc.	5,713.20
12/08/2014	22216	Pro-Pipe & Supply, Inc.	274.72
12/08/2014	22217	SB CNTY-Fire Protection Distri	189.36
12/08/2014	22218	Smart & Final Stores, LLC	333.79
12/08/2014	22219	Sterling Water Technologies LL	17,691.48
12/08/2014	22220	Steven Enterprises, Inc	1,296.33
12/08/2014	22221	Robert Austin	7,113.70
12/12/2014	22222	PAYROLL CHECK	1,931.51
12/12/2014	22223	PAYROLL CHECK	283.69
12/12/2014	22224	CA-PERS Supplemental Income 45	19,304.72
12/12/2014	22225	WageWorks, Inc.	1,595.80
12/12/2014	22226	Public Employees' Retirement S	33,282.29
12/12/2014	22227	Hong Nelson	125.00
12/12/2014	22228	IBEW Local 1436	270.00
12/12/2014	22229	Franchise Tax Board	100.00
12/12/2014	22230	United State Treasury	413.87
12/12/2014	22231	Cobb's Printing, LLC	250.56
12/12/2014	22232	Rodd Greene	404.00
12/12/2014	22233	Gregory N. Godwin	200.00
12/12/2014	22234	Workboot Warehouse	393.77
12/12/2014	22235	Cypress Insurance Company	15,377.92
12/12/2014	22236	Robert Hines	404.00
12/15/2014	22237	Aklufi & Wysocki	5,096.25
12/15/2014	22238	Delta Partners, LLC	7,500.00
12/15/2014	22239	Geoscience Support Services, I	17,936.20
12/15/2014	22240	Krieger & Stewart	995.55
12/15/2014	22241	One Stop Landscape Supply Inc	19,864.00
12/15/2014	22242	Platinum Advisors, LLC	5,000.00
12/15/2014	22243	RMC Water and Environment	1,500.00
12/15/2014	22244	T.B.U., Inc.	5,712.50
12/15/2014	22245	VTD, Vavrinek, Trine, Day & CO	3,120.00
12/15/2014	22246	Addiction Medicine Consultants	2,610.00
12/15/2014	22247	Ralph C. Casas	79.75
12/15/2014	22248	Ameripride Uniform Services	444.91
12/15/2014	22249	Ana Sanchez	150.00
12/15/2014	22250	Central Communications	341.25
12/15/2014	22251	Corelogic, Inc.	330.00
12/15/2014	22252	Coverall North America, Inc.	1,021.00
12/15/2014	22253	Jason Gokei	81.00

Check Register - December 2014

<u>Check Date</u>	<u>Check Number</u>	<u>Name</u>	<u>Check Amount</u>
12/15/2014	22254	Incode Division-Tyler Technolo	350.00
12/15/2014	22255	InfoSend, Inc.	5,097.34
12/15/2014	22256	Konica Minolta Business Soluti	87.84
12/15/2014	22257	Management Action Programs Inc	3,100.00
12/15/2014	22258	RMC Water and Environment	1,459.00
12/15/2014	22259	San Bdno. Valley Muni. Water D	60.00
12/15/2014	22260	Separation Processes, Inc.	597.50
12/15/2014	22261	Southern CA Emergency Medicine	275.00
12/15/2014	22262	South Coast A.Q.M.D.	903.14
12/15/2014	22263	State Water Resources Control	649,273.50
12/15/2014	22264	Tattletale Portable Alarm Syst	1,974.00
12/15/2014	22265	The Counseling Team Internatio	360.00
12/15/2014	22266	Verizon	11.32
12/15/2014	22267	Aqua-Metric Sales Company	2,448.49
12/15/2014	22268	Auto Care Clinic	82.90
12/15/2014	22269	Brenntag Pacific, Inc	11,336.82
12/15/2014	22270	Calolympic Glove & Safety Co.,	953.55
12/15/2014	22271	Victor James Valenti	3,884.88
12/15/2014	22272	Jan Brinkman Jr.	70.00
12/15/2014	22273	Evoqua Water Technologies LLC	918.60
12/15/2014	22274	Grainger	618.02
12/15/2014	22275	Graybar Electric Co., Inc.	173.10
12/15/2014	22276	Hach Company	482.33
12/15/2014	22277	House Of Quality, Parts Plus	5,817.64
12/15/2014	22278	VOID CHECK	0.00
12/15/2014	22279	Innerline Engineering	8,700.00
12/15/2014	22280	J.L. Wingert Co.	346.69
12/15/2014	22281	James John Brothers	9,773.00
12/15/2014	22282	JR Freeman Co. Inc.	748.93
12/15/2014	22283	Nuckles Oil Company, Inc.	3,414.31
12/15/2014	22284	NCL Of Wisconsin Inc	774.23
12/15/2014	22285	SB CNTY-Fire Protection Distri	915.44
12/15/2014	22286	Smart & Final Stores, LLC	91.92
12/15/2014	22287	Sunshine Growers Nursery	152.82
12/15/2014	22288	UPS Store#1504/ Mail Boxes Etc	13.83
12/15/2014	22289	HD Supply Facilities Maintenan	472.40
12/22/2014	22290	Atkinson, Andelson, Loya, Ruud	5,243.29
12/22/2014	22291	Christopher R. Crosby	168.00
12/22/2014	22292	Ameripride Uniform Services	438.46
12/22/2014	22293	AT&T Mobility	1,078.09
12/22/2014	22294	BofA Credit Card	5,211.24
12/22/2014	22295	NetComp Technologies,Inc.	2,725.12
12/22/2014	22296	Air & Hose Source, Inc.	71.28
12/22/2014	22297	Brenntag Pacific, Inc	4,331.34
12/22/2014	22298	Grainger	928.51
12/22/2014	22299	Hach Company	637.16
12/22/2014	22300	Innerline Engineering	1,450.00
12/22/2014	22301	Donald Kent Stone	500.00
12/22/2014	22302	VOID CHECK	0.00
12/22/2014	22303	Safety Kleen Systems, Inc.	265.46
12/22/2014	22304	Paxxo, Inc.	2,776.00
12/22/2014	22305	SOLIS, SYLVIA	41.70
12/22/2014	22306	BEIGHTLER, SHELBY	38.43
12/22/2014	22307	CABRERA, GILBERT	35.44
12/24/2014	22308	PAYROLL CHECK	1,937.31

Check Register - December 2014

<u>Check Date</u>	<u>Check Number</u>	<u>Name</u>	<u>Check Amount</u>
12/24/2014	22309	CA-PERS Supplemental Income 45	16,362.25
12/24/2014	22310	WageWorks, Inc.	1,534.26
12/24/2014	22311	Public Employees' Retirement S	32,543.25
12/24/2014	22312	Hong Nelson	125.00
12/24/2014	22313	Franchise Tax Board	100.00
12/29/2014	22314	Ameripride Uniform Services	448.91
12/29/2014	22315	Redlands Employment Services	762.76
12/29/2014	22316	Bay Alarm Company	4,581.96
12/29/2014	22317	Fedex	84.16
12/29/2014	22318	Leroy's Landscape Services	2,955.00
12/29/2014	22319	Mike McCuiston	2,220.40
12/29/2014	22320	NetComp Technologies, Inc.	145.00
12/29/2014	22321	SCE Rosemead	191,973.41
12/29/2014	22322	Southern California Water Comm	850.00
12/29/2014	22323	U.S. Telepacific Corp	3,808.44
12/29/2014	22324	Verizon	153.43
12/29/2014	22325	Aqua-Metric Sales Company	12,765.60
12/29/2014	22326	BofA Credit Card	1,245.93
12/29/2014	22327	Center Electric	1,595.00
12/29/2014	22328	Clinical Laboratory of San Ber	4,130.50
12/29/2014	22329	Evoqua Water Technologies LLC	955.33
12/29/2014	22330	Fisher Scientific Co.	170.48
12/29/2014	22331	G&G Environmental Compliance, I	2,394.53
12/29/2014	22332	Grainger	2,044.50
12/29/2014	22333	Inland Water Works Supply Co.	1,503.16
12/29/2014	22334	Innerline Engineering	1,450.00
12/29/2014	22335	JR Freeman Co. Inc.	390.35
12/29/2014	22336	Lowe's Companies, Inc.	52.90
12/29/2014	22337	MBC Applied Environmental Scie	1,300.00
12/29/2014	22338	Nuckles Oil Company, Inc.	2,025.84
12/29/2014	22339	Nagem, Inc.	1,200.00
12/29/2014	22340	Praxair Inc.	19.22
12/29/2014	22341	Q Versa, LLC	8,301.24
12/29/2014	22342	Red Alert Special Couriers	454.26
12/29/2014	22343	Redlands-Yucaipa Rentals Inc.	8.00
12/29/2014	22344	Riverside Winnelson Company	237.60
12/29/2014	22345	VOID CHECK	0.00
12/29/2014	22346	American Family Life Assurance	3,393.67
12/29/2014	22347	WageWorks, Inc.	207.50
12/31/2014	22348	ROW Traffic Safety, Inc.	9,974.04
December 2014 Check Register Total			1,414,978.30

Board Reports



Yucaipa Valley Water District

Staff Report



Yucaipa Valley Water District



NEWS FOR IMMEDIATE RELEASE

January 15, 2015

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DWR increases 2015 Allocation to Water Contractors

SACRAMENTO – December storm runoff and close coordination among federal and state agencies to take advantage of it will allow the California Department of Water Resources (DWR) to increase expected water deliveries in 2015 to most customers of the State Water Project (SWP) from 10 percent of their requested amounts to 15 percent. The new allocation replaces the initial allocation of 10 percent announced on December 1.

With the U.S. Bureau of Reclamation, operator of the Central Valley Project (CVP), DWR also submitted to state regulators today a drought contingency plan that highlights potential modifications to water quality rules and water rights permits that project operators may seek, depending on the weather.

The early submittal of the plan to the State Water Resources Control Board reflects an unprecedented level of coordination and planning among the state and federal agencies that either operate water projects based in the Sacramento-San Joaquin Delta or regulate those projects. Tight coordination in recent months allowed the projects to store storm runoff without violating statutory and regulatory obligations to protect water quality and wildlife.

A few storms reached California last month, but there have been none since December 21. It will take sustained levels of significant snow and rain to ease the drought, now in its fourth year. Water conservation by residents and businesses across the state remains critically important.

Since the December rains, more than 450,000 acre-feet (AF) of water have been moved into San Luis Reservoir, a critical south-of-Delta pool for both the SWP and the federal CVP. Both projects have ready access to this increased storage south of the Delta to meet their contractors' needs.

The 29 public water agencies that take delivery of SWP supplies have requested 4,172,686 AF. With the new allocation, contractors will receive 635,759 AF. If the contractors' health and safety needs cannot be met by that allocation, DWR may increase deliveries to satisfy those needs. An acre-foot is roughly enough water to meet the needs of a family of four for one year.

Increased storage in the state's major reservoirs gave DWR's water managers confidence they can deliver the higher allocation. Lake Oroville, the SWP's principal reservoir, held 828,220 AF on November 21. The lake's storage today is 1,396,535 AF, an increase of nearly 570,000 AF. Nevertheless, Oroville's average storage for this date is more than 2,234,000 AF, so the current storage is only 62 percent of average for mid-January.

DWR Director Mark Cowin said although allocations have been increased, the current divergence from average conditions due to the drought makes water conservation as important as ever. "We cannot stress enough," he said, "that water conservation will be critical in stretching our supplies to the maximum extent possible throughout the coming year."

Cowin noted that dry conditions have been the norm since the December storms. Northern California has had virtually no rain for the past three weeks, and the near-term weather forecast predicts little if any precipitation. The Sierra snowpack, normally an important source of water during the summer and fall, today has a statewide water equivalent of only 4.9 inches, just 36 percent of normal for January 15.

One year ago, DWR reduced its initial allocation to contractors of 5 percent to zero, the first ever such allocation for all SWP contractors. Storms in February and March allowed managers to increase the allocation back up to 5 percent. The only previous zero allocation in the 54-year history of the SWP was for agriculture in 1991, but cities and others that year received 30 percent of requested amounts.

The final SWP allocation for calendar year 2013 was 35 percent of requested water amounts. In 2012, the final allocation was 65 percent. It was 80 percent in 2011, up dramatically from an initial allocation of 25 percent. The final allocation was 50 percent in 2010, 40 percent in 2009, 35 percent in 2008 and 60 percent in 2007. The last 100 percent allocation – difficult to achieve even in wet years because of Delta pumping restrictions to protect threatened and endangered fish species – was in 2006.

California's Water Year 2014 – overlapping with California's driest calendar year of 2013 -- was the third driest in 119 years of record, based on statewide precipitation. When Water Year 2014 ended on September 30, the state's reservoirs tracked by DWR collectively held only 60 percent of average storage for the date, or 41 percent of capacity. Cumulative reservoir storage on the same date in the deep drought year of 1977 was five million AF less, but California had 16 million fewer people in 1977.

Lake Oroville in Butte County is at 39 percent of its 3.5 million acre-foot capacity. Shasta Lake north of Redding, California's and the CVP's largest reservoir, is at 42 percent of its

4.5 million acre-foot capacity (66 percent of its historical average for mid-January). San Luis Reservoir currently holds 47 percent of its 2 million AF capacity (65 percent of average for today's date).

In January 2014, Governor Edmund G. Brown Jr. declared a drought state of emergency and issued statewide water conservation goals. The state recorded 5,620 fires during calendar year 2014 resulting in 90,606 acres burned, about 1,000 fires more than the annual average of the preceding five years. Vast tracts of farmland have been fallowed and some communities have been short on drinking water.

Long-range weather forecasts are uncertain, and it's not known whether this winter will alleviate or deepen the drought, leaving conservation – the wise, sparing use of water – as California's most reliable drought management tool.

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Visit SaveOurWater.com to find out how everyone can do their part, and visit [Drought CA Gov](http://DroughtCA.gov) to learn more about how California is dealing with the effects of the drought

**More drought information is available at DWR's Drought Web site
<http://www.water.ca.gov/waterconditions/waterconditions.cfm>**

DWR's California Data Exchange Center Web sites show current water conditions at the state's largest reservoirs and weather stations

Reservoirs

<http://cdec.water.ca.gov/reservoir.html>

Precipitation

http://cdec.water.ca.gov/snow_rain.html

Visit SaveOurWater.com to find out how everyone can do their part, and visit Drought.CA.gov to learn more about how California is dealing with the effects of the drought. The Department of Water Resources operates and maintains the State Water Project, provides dam safety and flood control and inspection services, assists local water districts in water management and water conservation planning and plans for future statewide water needs.



Discussion Items



Yucaipa Valley Water District



Date: January 21, 2015

Prepared By: Joseph Zoba, General Manager

Subject: Authorization and Approval of the 2015A Refunding Documents Associated with the Refinancing of the 2004A Certificates of Participation

Recommendation: That the Board approves and directs the authorized execution and issuance of the following documents related to the refinancing of the 2004A Certificates of Participation:

- Resolution No. 2015-03 Authorizing the Issuance of Refunding Revenue Bonds;
- Continuing Disclosure Certificate;
- Preliminary Official Statement;
- Escrow Agreement;
- Indenture of Trust; and
- Bond Purchase Contract.

At the regular board meeting held on October 15, 2014, the Board of Directors authorized the General Manager to: (1) enter into a contract with Fieldman Rolapp & Associates for financial advisor services related to the refinancing of the 2004A bonds; (2) enter into a contract with Stradling, Yocca, Carlson & Rauth, for bond counsel and disclosure counsel services; (3) request proposals and select an underwriter for a negotiated sale; and (4) refinance the 2004A Certificates of Participation for the Yucaipa Valley Regional Water Filtration Facility.

The District staff has been working closely with our financial advisors (Fieldman Rolapp & Associates), bond counsel (Stradling, Yocca, Carlson & Rauth), and the bond underwriters (Bank of America Merrill Lynch) to refinance the 2004A Certificates of Participation.

The following documents were reviewed and discussed at the board workshop on January 13, 2015. In order to proceed with the refinancing of the 2004A Certificates of Participation, the Board of Directors will need to approve the attached documents.

Attachments:

- Disclosure Procedures Related to the Issuance of Municipal Debt Obligations - Adopted on December 17, 2014 [Director Memorandum No. 14-103] - [See page 2 of 178](#)
- Resolution No. 2015-03 Authorizing the Issuance of refunding Revenue Bonds - [See page 6 of 178](#)
- Continuing Disclosure Certificate - [See page 9 of 178](#)
- Preliminary Official Statement - [See page 16 of 178](#)
- Escrow Agreement - [See page 73 of 178](#)
- Indenture of Trust - [See page 85 of 178](#)
- Bond Purchase Contract - [See page 156 of 178](#)



Yucaipa Valley Water District

Policy and Procedure

Policy Title	Policy Number	
Disclosure Procedures Related to the Issuance of Municipal Debt Obligations		
Approval Date	Approved By	Effective Date

Board of Directors

PURPOSE

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

BACKGROUND

The District from time to time issues certificates of participation, revenue bonds, notes or other obligations (collectively, "Obligations") in order to fund or refund capital investments, other long-term programs and working capital needs. Certain obligations are executed and delivered through the Yucaipa Valley Water District Financing Corporation (the "Financing Corporation") and others are incurred directly by the District. In offering Obligations to the public, and at other times when the District makes certain reports, the District must comply with the "anti-fraud rules" of federal securities laws. ("Anti-fraud rules" refers to Section 17 of the Securities Act of 1933 and Section 10(b) of the Securities and Exchange Act of 1934, and regulations adopted by the Securities and Exchange Commission under those Acts, particularly "Rule 10b-5" under the 1934 Act.)

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

When Obligations are issued, the two central disclosure documents which are prepared are a preliminary official statement ("POS") and a final official statement ("OS", and collectively with the POS, "Official Statement"). The Official Statement generally consists of (i) the forepart (which describes the specific transaction including maturity dates, interest rates, redemption provisions, the specific type of financing, the leased premises (in certificate of participation financings) and other matters particular to the financing, (ii) a section which provides information on the District, including its financial condition as well as certain operating information ("District Section"), and (iii) various other appendices, including the District's audited financial report, form of the proposed legal opinion, and form of continuing disclosure undertaking. Investors use the Official Statement

as one of their primary resources for making informed investment decisions regarding the Obligations.

DISCLOSURE PROCESS

When the District determines to issue Obligations directly or through the Financing Corporation, the District Controller requests the involved departments to commence preparation of the portions of the Official Statement (including particularly the District Section) for which they are responsible. While the general format and content of the Official Statement may not normally change substantially from offering to offering, except as necessary to reflect major events, the District Controller and other relevant staff are responsible for reviewing and preparing or updating certain portions of the District Section which are within their particular areas of knowledge. Once the draft POS has been substantially updated, the entire draft POS is shared with the General Manager for review and input. Additionally, all participants in the disclosure process are separately responsible for reviewing the entire draft POS.

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

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

Prior to distributing a POS to potential investors, there is typically a formal conference call which includes District officials involved in the preparation of the POS, members of the financing team and the underwriters and the underwriter's counsel, during which the POS is reviewed in its entirety to obtain final comments and to allow the underwriters to ask questions of the District's senior officials. This is referred to as a "due diligence" meeting.

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

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

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

In connection with the closing of the transaction, one or more senior District officials execute certificates stating that certain portions of the OS, as of the date of each OS and as of the date of closing, does not contain any untrue statement of material fact or omit to state any material fact necessary to make the statements contained in the Official Statement in light of the circumstances under which they were made, not misleading. General Counsel also provides an opinion letter (generally addressed to the underwriters) advising that information contained in the District Section of the OS (or specified portions thereof) as of its date did not, and as of the date of the closing, does not contain any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. General Counsel does not opine to the underwriters or to other third parties as to any financial, statistical, economic or demographic data or forecasts, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, and certain other customary matters.

DISTRICT SECTION

The information contained in the District Section is developed by personnel under the direction of the Controller, with the assistance of the financing team. In certain circumstances, additional officials will be involved, as necessary. The following principles govern the work of the respective staffs that contribute information to the District Section:

- District staff involved in the disclosure process are responsible for being familiar with its responsibilities under federal securities laws as described above.
- District staff involved in the disclosure process should err on the side of raising issues when preparing or reviewing information for disclosure. Officials and staff are encouraged to consult General Counsel, Bond Counsel or members of the financing team if there are questions regarding whether an issue is material or not.
- Care should be taken not to shortcut or eliminate any steps outlined in the Procedures on an ad hoc basis. However, the Procedures are not necessarily intended to be a rigid list of procedural requirements, but instead to provide guidelines for disclosure review. If warranted, based on experience during financings or because of additional SEC pronouncements or other reasons, the District should consider revisions to the Procedures.
- The process of updating the District Section from transaction to transaction should not be viewed as being limited to updating tables and numerical information. While it is not anticipated that there will be major changes in the form and content of the District Section at the time of each update, everyone involved in the process should consider the need for revisions in the form, content and tone of the sections for which they are responsible at the time of each update.

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

TRAINING

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

ANNUAL CONTINUING DISCLOSURE REQUIREMENTS

In connection with the issuance or execution and delivery of Obligations, the District has entered into a number of contractual agreements ("Continuing Disclosure Certificates") to provide annual reports related to its financial condition (including its audited financial statements) as well as notice of certain events relating to the Obligations specified in the Continuing Disclosure Certificates. The District must comply with the specific requirements of each Continuing Disclosure Certificate. The District's Continuing Disclosure Certificates generally require that the annual reports be filed within 270 days after the end of the District's fiscal year, and material event notices are generally required to be filed within 10 business days of their occurrence.

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

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

Draft YVWD Resolution No. 2015-03

Stradling Yocca Carlson & Rauth
Draft 12/17/14 of 1/5/15

RESOLUTION NO. _____

RESOLUTION OF THE YUCAIPA VALLEY WATER DISTRICT AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$~~_____~~40,000,000 WATER SYSTEM REFUNDING REVENUE BONDS AND APPROVING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS IN CONNECTION THEREWITH AND CERTAIN OTHER MATTERS

WHEREAS, the Yucaipa Valley Water District (the "District"), a county water district duly organized and existing under and pursuant to the Constitution and laws of the State of California (the "State"), has previously undertaken the acquisition of certain facilities; and

WHEREAS, this Board has determined that it is in the best interest of the District to refinance the certificates of participation executed and delivered to acquire such facilities and to approve certain documents in connection with such refinancing;

NOW, THEREFORE, the Board of Directors of the Yucaipa Valley Water District does hereby resolve as follows:

1. The Indenture of Trust, in substantially the form attached hereto as Exhibit A and, upon execution as authorized below, made a part hereof as though set forth in full herein, is hereby approved. The President or Vice President of the Board or the designee thereof is hereby authorized and directed to execute and deliver the Indenture of Trust with such changes, insertions and omissions as may be recommended by General Counsel or Stradling Yocca Carlson & Rauth, a Professional Corporation ("Bond Counsel") and approved by the officers executing the same, said execution being conclusive evidence of such approval.

2. The Escrow Agreement, in substantially the form attached hereto as Exhibit B and, upon execution as authorized below, made a part hereof as though set forth in full herein, is hereby approved. The President and Vice President of the Board or the designee thereof is hereby authorized and directed to execute and deliver the Escrow Agreement with such changes, insertions and omissions as may be recommended by General Counsel or Bond Counsel and approved by the officers executing the same, said execution being conclusive evidence of such approval.

3. The Board of Directors of the District hereby authorize the preparation, sale and delivery of the Water System Refunding Revenue Bonds (the "Bonds") in an aggregate principal amount not to exceed \$~~_____~~40,000,000 (except such amount may be increased with the approval of the General Manager to provide for original issue discount to the extent such original issue discount will result in a lower interest rate or yield to maturity with respect to the Bonds) in accordance with the terms and provisions of the Indenture of Trust to refund the Yucaipa Valley Water District Water System Revenue Certificates of Participation, Series 2004A, to fund a reserve fund, if required by the rating agencies rating the Bonds or otherwise determined to be advantageous by the District, and the pay the costs of issuance with respect to the Bonds.

4. The Bond Purchase Contract between the District and _____, ~~as representative~~ Merrill Lynch, Pierce, Fenner & Smith Incorporated, in substantially the form attached hereto as Exhibit C and, upon execution as authorized below, made a part hereof as though

DOCSOC/1684665v34/024636-0005

set forth in full herein, and directed to execute and deliver the Bond Purchase Contract with such changes, insertions and omissions as may be recommended by General Counsel or Bond Counsel and approved by the officers executing the same, said execution being conclusive evidence of such approval; provided, however that in no event shall the principal amount of Bonds issued exceed \$ 40,000,000 nor shall the underwriting discount exceed 0.500% nor shall the net interest cost of the Bonds be greater than 5.000%.

5. The preparation and distribution of the Preliminary Official Statement, in substantially the form attached hereto as Exhibit D, is hereby approved. The General Manager of the District or the designee thereof is hereby authorized to sign a certificate pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 relating to the Preliminary Official Statement and the President or Vice President of the Board or the General Manager or the designee thereof is hereby authorized and directed to execute, approve and deliver the Official Statement in substantially the form of the Preliminary Official Statement which, upon execution as authorized below, is made a part hereof as though set forth in full herein, with such changes, insertions and omissions as may be recommended by General Counsel or Bond Counsel and approved by the officers executing the same, said execution being conclusive evidence of such approval. The underwriter is hereby authorized to distribute copies of said Preliminary Official Statement to persons who may be interested in the initial purchase of the Bonds and is directed to deliver copies of any final Official Statement to all actual initial purchasers of the Bonds.

6. The Continuing Disclosure Certificate, in substantially the form attached hereto as Exhibit E and, upon execution as authorized below, made a part hereof as though set forth in full herein, is hereby approved. The President or Vice President of the Board or the designee thereof is hereby authorized and directed to execute and deliver the Continuing Disclosure Certificate with such changes, insertions and omissions as may be recommended by General Counsel or Bond Counsel and approved by the officers executing the same, said execution being conclusive evidence of such approval.

7. The Board of Directors of the District hereby authorizes the General Manager to select a municipal bond insurer to insure payments of principal of and interest on all or a portion of the Bonds so long as the General Manager determines that obtaining the municipal bond insurance policy provided thereby will result in a lower interest rate or yield to maturity with respect to such Bonds. Bond Counsel is hereby directed to make all changes to the Indenture of Trust, the Escrow Agreement, the Bond Purchase Contract, the Preliminary Official Statement and the Continuing Disclosure Certificate as are necessary to reflect the selection of a municipal bond insurer and the reasonable comments thereof.

8. In the event that a reserve fund is established with respect to the Bonds, the Board of Directors of the District hereby authorizes the General Manager to select a municipal bond insurer to provide a reserve fund surety bond to be deposited into the reserve fund for the Bonds, so long as the General Manager determines that obtaining the reserve fund surety will be cost effective to the District. Bond Counsel is hereby directed to make changes to the Indenture of Trust, the Escrow Agreement, the Bond Purchase Contract, the Preliminary Official Statement and the Continuing Disclosure Certificate as are necessary to reflect the selection of a municipal bond issuer providing a reserve fund surety bond and the reasonable comments thereof. The President or Vice President of the Board or the designee thereof are hereby authorized to execute and deliver any customary agreement with the municipal bond insurer providing the reserve fund surety bond.

9. Wells Fargo Bank, National Association, is hereby appointed to act as trustee under the Indenture of Trust.

10. The District hereby approves the engagement letter of Stradling Yocca Carlson & Rauth, a Professional Corporation, as Bond Counsel in substantially the form attached hereto as Exhibit F and authorizes the General Manager to execute and deliver said engagement letter.

11. The President or Vice President of the Board or the General Manager or the designee and any other proper officer of the District, acting singly, are hereby authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by the Indenture of Trust, the Escrow Agreement, the Bond Purchase Contract, the Continuing Disclosure Certificate, the Preliminary Official Statement, the Official Statement and this resolution.

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

13. This resolution shall take effect immediately.

I DO HEREBY CERTIFY that the foregoing is a true and correct copy of the Resolution adopted by the Board of Directors of the Yucaipa Valley Water District on January 21, 2015.

President of the Board of Directors

[SEAL]

Attest:

Secretary of the Board of Directors

*Stradling Yocca Carlson & Rauth
Draft of 12/17/14*

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Yucaipa Valley Water District (the "District") in connection with the issuance of \$_____ Water System Refunding Revenue Bonds, Series 2015A (the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust, dated as of January 1, 2015 (the "Indenture"), by and between the District and Wells Fargo Bank, National Association, as Trustee (the "Trustee"). The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (as defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean the District, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"EMMA" shall mean the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>.

"Holders" shall mean the Owners as defined in the Indenture.

"Listed Event" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"Official Statement" shall mean the Official Statement relating to the Bonds, dated January __, 2015.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean EMMA.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports. The District shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the District’s fiscal year (presently such fiscal year ends June 30), commencing with the report for the fiscal year ending June 30, 2015, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(a) If the District is unable to provide to the Repository an Annual Report by the date required in this Section 3, the District shall send a notice to the Repository in substantially the form attached as Exhibit A.

(b) Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of the Repository, if any; and

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing the Repository to which it was provided.

SECTION 4. Content of Annual Reports. The District’s Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they come available.

(b) The operating results of the District and debt service coverage on the Bonds and any parity obligations for the last Fiscal Year, presented in a similar format as the table entitled, [“YUCAIPA VALLEY WATER DISTRICT WATER SYSTEM HISTORIC OPERATING RESULTS”] on page ___ of the Official Statement; provided however if such operating results and debt service coverage can be derived from the audited financial statements required to be filed in 4(a) above, failure to file a separate table under this section 4(b) shall not constitute a default hereunder.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) Business Days after the event:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;
5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701 TEB);
6. tender offers;
7. defeasances;
8. ratings changes; and
9. bankruptcy, insolvency, receivership or similar proceedings.

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. unless described in Section 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds;

2. modifications to the rights of Bond holders;

3. optional, unscheduled or contingent Bond redemptions;

4. release, substitution or sale of property securing repayment of the Bonds;

5. non-payment related defaults;

6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and

7. appointment of a successor or additional trustee or the change of the name of a trustee.

(c) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the District shall file a notice of such occurrence with EMMA in a timely manner not more than ten (10) Business Days after the event.

(d) While the failure to file a notice of the occurrence of a Listed Event under Section 5(a)(8) shall constitute non-compliance with the terms hereof and may be required to be disclosed by the District in accordance with the Rule, failure shall not constitute an event of default hereunder if (i) the District did not receive written notice of such rating change from the respective rating agency, (ii) the rating change was a result of a change in the rating of a liquidity or credit enhancement and the market was generally aware of the change in the rating of such liquidity or credit enhancer or (iii) the rating agency filed a notice of such rating change with the Repository.

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule. In the event of any amendment or waiver of a

provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to file an annual report under Section 4 hereof or to file a report of a significant event under Section 5 hereof, any Holders or Beneficial Owners of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to make such filing. Notwithstanding the foregoing, no action may be undertaken by Holders or Beneficial Owners of the Bonds with respect to the accuracy of the information contained in any such filing or otherwise without the approval in writing of Holder or Beneficial Owner of at least 50% of the aggregate principal amount of the Bonds. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

No Owners or Beneficial Owners may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the District satisfactory written evidence of their status as Owners or Beneficial Owners of at least 50% aggregate principal amount of the Bonds, and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or wilful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: _____, 2015

YUCAIPA VALLEY WATER DISTRICT

By: _____
General Manager

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Person: YUCAIPA VALLEY WATER DISTRICT

Name of Obligation: WATER SYSTEM REFUNDING REVENUE BONDS,
SERIES 2015A

Date of Issuance: _____, 2015

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate executed by the District on the date of issuance of the Bonds. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

YUCAIPA VALLEY WATER DISTRICT

By: [no signature required; form only]

Stradling Yocca Carlson & Rauth
Draft of 1/7/15

PRELIMINARY OFFICIAL STATEMENT DATED JANUARY __, 2015

NEW ISSUE – BOOK-ENTRY ONLY

RATINGS: See the caption "RATINGS"

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described in this Official Statement, interest (and original issue discount) on the 2015 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the 2015 Bonds is exempt from State of California personal income tax. See the caption "TAX MATTERS" with respect to tax consequences relating to the 2015 Bonds.

\$ _____*
YUCAIPA VALLEY WATER DISTRICT
WATER SYSTEM REFUNDING REVENUE BONDS
SERIES 2015A

Dated: Date of Issuance

Due: September 1, as set forth below

The 2015 Bonds are being issued to provide funds to provide a portion of the money to refund all of the currently outstanding Yucaipa Valley Water District Water System Revenue Certificates of Participation, Series 2004A and to pay costs of issuance of the 2015 Bonds, all as more fully described herein.

The 2015 Bonds are being issued in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Purchasers of the 2015 Bonds will not receive securities representing their beneficial ownership in the 2015 Bonds purchased. Interest on the 2015 Bonds is payable on March 1 and September 1 of each year, commencing September 1, 2015, until the maturity thereof. The principal of and interest on the 2015 Bonds are payable by the Trustee to Cede & Co. and such interest and principal payments are to be disbursed to the beneficial owners of the 2015 Bonds through their nominees.

The 2015 Bonds are subject to optional, mandatory and extraordinary redemption as more fully described herein.*

The 2015 Bonds are being issued pursuant to the Indenture of Trust, dated as of January 1, 2015, by and between the Yucaipa Valley Water District and Wells Fargo Bank, National Association, as trustee. The 2015 Bonds are limited obligations of the District payable solely from Net Revenues of the District's Water System remaining after payment of Operation and Maintenance Costs of the Water System, and amounts on deposit in certain funds and accounts created under the Indenture, including the Rate Stabilization Fund, subject to certain restrictions described herein. The District may incur additional obligations payable from Net Revenues on a parity with the obligation to pay principal of and interest on the 2015 Bonds, subject to the terms and conditions of the Indenture, as more fully described herein. The District owns and operates a Wastewater System and a Recycled Water System but the revenues of the District's Wastewater System and Recycled Water System are not pledged to the payment of principal of and interest on the 2015 Bonds and principal of and interest on the 2015 Bonds are not payable from revenues of the District's Wastewater System and Recycled Water System.

THE 2015 BONDS ARE NOT A DEBT OF THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE DISTRICT), AND NEITHER THE STATE, NOR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE DISTRICT), IS LIABLE THEREON, NOR IN ANY EVENT SHALL THE 2015 BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OF THE DISTRICT OTHER THAN THE NET REVENUES AND OTHER MONEYS PLEDGED THEREFOR UNDER THE INDENTURE. THE OBLIGATION OF THE DISTRICT TO MAKE PAYMENTS IN ACCORDANCE WITH THE INDENTURE IS A LIMITED OBLIGATION OF THE DISTRICT AS SET FORTH IN THE INDENTURE AND THE DISTRICT SHALL HAVE NO LIABILITY OR OBLIGATION IN CONNECTION HERewith EXCEPT WITH RESPECT TO SUCH PAYMENTS TO BE MADE PURSUANT TO THE INDENTURE. THE 2015 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE DISTRICT IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS ARE ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

MATURITY SCHEDULE – See Inside Cover Page

The 2015 Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval of the valid, legal and binding nature of the 2015 Bonds by Stradling Yocca Carlson & Rauth, a Professional Corporation, Sacramento, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriter by their counsel, Katten Muchin Rosenman LLP, New York, New York, for the District by Aklufi & Wysocki, Riverside, California, General Counsel to the District, and for the Trustee by its counsel. It is anticipated that the 2015 Bonds will be available for delivery through the facilities of The Depository Trust Company on or about February __, 2015.

BofA Merrill Lynch

Dated: January __, 2015

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

MATURITY SCHEDULE

\$ _____^{*}
YUCAIPA VALLEY WATER DISTRICT
WATER SYSTEM REFUNDING REVENUE BONDS
SERIES 2015A

<i>Maturity Date</i> <i>(September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Price</i>	<i>Yield</i>	<i>CUSIP</i> [†]
	\$	%		%	

\$ _____ % Term Bonds due September 1, 20__, Price _____, Yield _____ % CUSIP[†]

^{*} Preliminary, subject to change.

[†] Copyright 2015, American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, managed on behalf of the American Bankers Association by Standard & Poor's. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP service. CUSIP numbers are provided for reference only. The District, the Financial Advisor and the Underwriter do not assume any responsibility for the accuracy of such numbers.

No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter to give any information or to make any representations other than those contained in this Official Statement in connection with the offering made hereby and, if given or made, such other information or representations must not be relied upon as having been authorized by the District or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2015 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the 2015 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

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

The information set forth herein has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriter. The information and expression of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2015 BONDS AT A LEVEL THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE 2015 BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

CERTAIN STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT REFLECT NOT HISTORICAL FACTS BUT FORECASTS AND "FORWARD-LOOKING STATEMENTS." NO ASSURANCE CAN BE GIVEN THAT THE FUTURE RESULTS DISCUSSED HEREIN WILL BE ACHIEVED, AND ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THE FORECASTS DESCRIBED HEREIN. IN THIS RESPECT, THE WORDS "ESTIMATE," "PROJECT," "ANTICIPATE," "EXPECT," "INTEND," "BELIEVE" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. ALL PROJECTIONS, FORECASTS, ASSUMPTIONS, EXPRESSIONS OF OPINIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

THE 2015 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE 2015 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

The District maintains a website. However, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2015 Bonds.

YUCAIPA VALLEY WATER DISTRICT

BOARD OF DIRECTORS

Lonni Granlund, President
Jay Bogh, Vice President
Bruce Granlund, Director
Kenneth P. Munoz, Director
Tom Shalhoub, Director

DISTRICT STAFF

Joseph B. Zoba, General Manager
Jack Nelson, Assistant General Manager
Vicky Elisalda, Controller

SPECIAL SERVICES

General Counsel

Aklufi & Wysocki
Riverside, California

Bond Counsel

Stradling Yocca Carlson & Rauth, a Professional Corporation
Sacramento, California

Financial Advisor

Fieldman, Rolapp & Associates
Irvine, California

Trustee

Wells Fargo Bank, National Association
Los Angeles, California

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SUMMARY STATEMENT

This summary is subject in all respects to the more complete information contained in this Official Statement, and the offering of the 2015 Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used and not otherwise defined in this Summary Statement have the meanings ascribed to them in this Official Statement.

Purpose. The 2015 Bonds are being issued to provide funds to refund all of the currently outstanding Yucaipa Valley Water District Water System Revenue Certificates of Participation, Series 2004A and to pay costs of issuance of the 2015 Bonds, all as more fully described herein.

Security for the 2015 Bonds. The 2015 Bonds are secured by a pledge of all Revenues of the District's Water System. The 2015 Bonds are limited obligations of the District payable solely from Revenues of the District's Water System remaining after payment of Operation and Maintenance Costs of the Water System and amounts on deposit in certain funds and accounts created under the Indenture, including the Rate Stabilization Fund. The District may incur additional obligations payable on a parity with the obligation to pay principal of and interest on the 2015 Bonds in the future as described herein. The District owns and operates a Wastewater System and a Recycled Water System but the revenues of the District's Wastewater System and Recycled Water System are not pledged to the payment of principal of and interest on the 2015 Bonds and principal of and interest on the 2015 Bonds are not payable from revenues of the District's Wastewater System and Recycled Water System. See the caption "SECURITY FOR THE 2015 BONDS—Flow of Funds" herein.

THE 2015 BONDS ARE NOT A DEBT OF THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE DISTRICT), AND NEITHER THE STATE, NOR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE DISTRICT), IS LIABLE THEREON, NOR IN ANY EVENT SHALL THE 2015 BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OF THE DISTRICT OTHER THAN THE NET REVENUES AND OTHER MONEYS PLEDGED THEREFOR UNDER THE INDENTURE. THE OBLIGATION OF THE DISTRICT TO MAKE PAYMENTS IN ACCORDANCE WITH THE INDENTURE IS A LIMITED OBLIGATION OF THE DISTRICT AS SET FORTH IN THE INDENTURE AND THE DISTRICT SHALL HAVE NO LIABILITY OR OBLIGATION IN CONNECTION HERewith EXCEPT WITH RESPECT TO SUCH PAYMENTS TO BE MADE PURSUANT TO THE INDENTURE. THE 2015 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE DISTRICT IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Refunding Plan. A portion of the proceeds of the 2015 Bonds and certain other money will be transferred to Wells Fargo Bank, National Association, as trustee with respect to the 2004A Certificates to refund the \$36,895,000 currently outstanding aggregate principal amount of the 2004A Certificates on or about the date of issuance of the 2015 Bonds.

Parity Payments. After the refunding contemplated herein, the District will not have any outstanding obligations payable from Net Revenues on a parity with the 2015 Bonds. The District may incur additional obligations on a parity with the 2015 Bonds, subject to the terms and conditions described under the caption "SECURITY FOR THE BONDS—Additional Indebtedness." See the caption "THE DISTRICT—Other Outstanding Obligations."

Rate Covenant. The Indenture will require the District, to the fullest extent permitted by law, to fix and prescribe, at the commencement of each Fiscal Year, rates and charges for the Water Service provided by the Water System, which are reasonably expected, to be at least sufficient to yield during such Fiscal Year, Net Revenues equal to 110% of the Debt Service payable in such Fiscal Year; provided, however, that for purposes of the foregoing covenant, Revenues in such Fiscal Year do not include any amount transferred from the Rate Stabilization Fund to the Water System Revenue Fund in excess of 10% of Debt Service payable in such Fiscal Year. The District may make adjustments from time to time in such rates and charges and may make such

classification thereof as it deems necessary, but will not reduce the rates and charges then in effect unless the District reasonably expects Net Water System Revenues from such reduced rates and charges to be sufficient to meet the foregoing requirements. See the caption “SECURITY FOR THE 2015 BONDS—Rate Covenant.”

No Reserve Fund. No reserve fund has been created or will be funded with respect to the 2015 Bonds.

Rate Stabilization Fund. The Indenture continues the Rate Stabilization Fund which is held by the District. The District may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Water System Revenue Fund for application in accordance with the Indenture. In the event that all or a portion of the 2015 Bonds are discharged in accordance with the Indenture, the District may transfer all or any portion of such amounts for application to the payment of the 2015 Bonds in accordance with the Indenture. On the date of issuance of the 2015 Bonds, the District approximately \$[500,209.14] will be on deposit in the Rate Stabilization Fund. See the caption “SECURITY FOR THE 2015 BONDS—Rate Stabilization Fund.”

Redemption. The 2015 Bonds are subject to optional, mandatory and extraordinary redemption as described herein.

The District. The District was formed as part of a reorganization, pursuant to the Reorganization Act of 1965, being Division I of Title 6 of the Government Code of the State of California. This reorganization consisted of the formation of the District, dissolution of the Calimesa Water District and formation of Improvement District No. 1 of the District as successor in interest thereto, and dissolution of Improvement District “A” of the San Bernardino Valley Municipal Water District and the formation of Improvement District “A” of the District as successor in interest thereto. On September 14, 1971, the Secretary of State of the State of California certified and declared formation of the District. The District operates under the County Water District Law, being Division 12 of the State of California Water Code. Although the immediate function of the District was to provide water service, the District has assumed responsibility for providing wastewater and recycled water service in Yucaipa Valley.

Situated in both San Bernardino County and Riverside County, the District is located about 70 miles east of the City of Los Angeles and 20 miles southeast of the City of San Bernardino in the foothills of the San Bernardino Mountains. The District serves the cities of Calimesa and Yucaipa and has a population of approximately 44,900 [water customers] within its service area.

As of December 31, 2014, the District provided water services to approximately 12,374 active connections.

The Water System consists of 25 wells and pumps, 13 booster stations, approximately 215 miles of pipeline varying from 4 to 30 inches in diameter, and 27 above-ground reservoirs with a total storage capacity of over 34 million gallons. Most of the District water is supplied from groundwater through local wells owned by the District. The District also provides surface water treated at the Oak Glen Water Filtration Plant, which receives surface water from Birch Creek, Oak Creek, Adams Tunnel and Clark Tunnel. As a supplemental source of water, the District currently purchases State Water Project water through the San Bernardino Valley Municipal Water District and the San Gorgonio Pass Water Agency for potable and non-potable use and for recharge of the groundwater basin. See “THE WATER SYSTEM OF THE DISTRICT.”

§ _____*

**YUCAIPA VALLEY WATER DISTRICT
WATER SYSTEM REFUNDING REVENUE BONDS
SERIES 2015A**

INTRODUCTION

General

This Official Statement, including the cover page, the inside cover page and all appendices hereto, provides certain information concerning the sale and delivery of the Yucaipa Valley Water District Water System Refunding Revenue Bonds, Series 2015A (the “2015 Bonds”). The 2015 Bonds are being issued pursuant to an Indenture of Trust, dated as of January 1, 2015 (the “Indenture”), by and between the Yucaipa Valley Water District (the “District”) and Wells Fargo Bank, National Association, Los Angeles, California, as trustee (the “Trustee”). Descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. Capitalized terms used and not otherwise defined herein have the meanings ascribed to them in Appendix B—“DEFINITIONS AND SUMMARY OF THE INDENTURE.”

The 2015 Bonds are being issued to provide funds to provide a portion of the money to refund all of the currently outstanding Yucaipa Valley Water District Water System Revenue Certificates of Participation, Series 2004A (the “2004 Certificates”) as described under the caption “REFUNDING PLAN” and to pay costs of issuance of the 2015 Bonds. See the caption “ESTIMATED SOURCES AND USES OF FUNDS.”

The 2015 Bonds are limited obligations of the District payable solely from Net Revenues, which consist of Revenues of the District’s Water System remaining after payment of Operation and Maintenance Costs of the Water System, as such terms are defined in Appendix B hereto, and amounts on deposit in certain funds and accounts created under the Indenture, including the Rate Stabilization Fund. The District may incur additional obligations payable on a parity with the obligation to pay principal of and interest on the 2015 Bonds in the future. See the caption “SECURITY FOR THE 2015 BONDS—Additional Indebtedness.” The revenues of the District’s Wastewater System and the Recycled Water System are not pledged to the payment of principal of and interest on the 2015 Bonds and principal of and interest on the 2015 Bonds are not payable from revenues of the District’s Wastewater System and Recycled Water System.

The summaries and references to the Indenture and all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary or reference is qualified in its entirety by reference to the full Indenture and each such document, statute, report or instrument, copies of which are available for inspection at the offices of the District in Yucaipa, California and will be available from the Trustee upon request and payment of duplication cost. Unless otherwise indicated, all financial and statistical information herein has been provided by the District.

The District regularly prepares a variety of reports, including audits, budgets and related documents. Any registered owner of the 2015 Bonds (each, an “Owner”) may obtain a copy of such reports, as available, from the Trustee or the District. Additional information regarding the Official Statement may be obtained by contacting the Trustee or Yucaipa Valley Water District, 12770 Second Street, Yucaipa, California Telephone: (909) 797-5117.

* Preliminary, subject to change.

REFUNDING PLAN

General

The District caused the execution and delivery of the 2004 Certificates pursuant to a Trust Agreement, dated as of June 1, 2004 (the "2004 Trust Agreement"), by and among the District, the Yucaipa Valley Water District Financing Corporation (the "Corporation") and Wells Fargo Bank, National Association, as trustee. The 2004 Certificates are payable from installment payments made under an Installment Purchase Agreement, dated as of June 1, 2004 (the "2004 Installment Purchase Agreement"), by and between the District and the Corporation. The 2004 Certificates are currently outstanding in the aggregate principal amount of \$36,895,000.

The District plans to apply a portion of the proceeds of the 2015 Bonds and certain other moneys to refund all outstanding obligations with respect to the 2004 Certificates. To effect such refunding, the District will cause a portion of the proceeds of the 2015 Bonds and certain other moneys to be deposited into the Escrow Fund (the "2004 Escrow Fund") established under the Escrow Agreement (2004 Certificates) dated as of January 1, 2015 (the "2004 Escrow Agreement"), by and between District and Wells Fargo Bank, National Association, as escrow agent (the "Escrow Agent"). Such amounts will be held in cash or invested in direct general obligations of the United States of America (the "Defeasance Obligations").

With respect to the 2004 Certificates, cash and certain Defeasance Obligations will be scheduled to mature in such amounts and at such times and bear interest at such rates as to provide amounts sufficient to pay on _____, 2015 the principal with respect to the 2004 Certificates maturing on and after September 1, 2015, plus accrued interest evidenced and represented thereby to the date fixed for prepayment, without premium.

All cash and Defeasance Obligations in the Escrow Fund will be irrevocably pledged to secure, when due, the payment of the principal, interest with respect to the 2004 Certificates and will not be available to pay the principal or interest on the 2015 Bonds.

As a result of the deposit and investment of funds under the 2004 Escrow Agreement, all of the District's obligations with respect to the 2004 Certificates, including the pledge and lien on the Net Revenues of the Water System which secure the District's obligations under the 2004 Installment Purchase Agreement, will be fully discharged upon the issuance of the 2015 Bonds.

THE 2015 BONDS

General Provisions

The 2015 Bonds will be issued in the aggregate principal amount of \$_____*. The 2015 Bonds will be dated as of the date of initial issuance thereof (the "Issuance Date"), will bear interest from such date at the rates per annum set forth on the inside cover page hereof, payable on March 1 and September 1 of each year, commencing September 1, 2015 (each, an "Interest Payment Date"), and will mature on the dates set forth on the inside cover page hereof. Interest on the 2015 Bonds will be computed on the basis of a 360 day year of twelve 30 day months.

The 2015 Bonds will be issued only in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2015 Bonds. Ownership interests in the 2015 Bonds may be purchased in book-entry form, in denominations of \$5,000 or any integral multiple thereof. See the caption "—Book Entry Only System" below and Appendix D attached hereto.

* Preliminary, subject to change.

In the event that the book-entry only system described below is discontinued, the principal of and redemption premium (if any) on the 2015 Bonds are payable by check or draft of the Trustee upon presentation and surrender thereof at maturity or upon prior redemption at the office of the Trustee in Los Angeles, California (the "Office of the Trustee"). Interest on the 2015 Bonds is payable on each Interest Payment Date to the person whose name appears on the registration books maintained by the Trustee (the "Registration Books") as the Owner thereof as of the close of business on the fifteenth day of the calendar month preceding the Interest Payment Date (the "Record Date"), such interest to be paid by check or draft of the Trustee, sent by first class mail to the Owner at such Owner's address as it appears on the Registration Books. An Owner of \$1,000,000 or more in principal amount of 2015 Bonds may, at such Owner's option, be paid interest by wire transfer of immediately available funds in accordance with written instructions provided to the Trustee by such Owner prior to the applicable Record Date. The principal of and interest and premium on the 2015 Bonds will be payable in lawful money of the United States of America.

Interest on any 2015 Bond will be payable from the Interest Payment Date preceding the date of issuance thereof, unless such date is after a Record Date and on or before the succeeding Interest Payment Date, in which case interest thereon will be payable from such Interest Payment Date, or unless such date is on or before August 15, 2015, in which case interest thereon will be payable from the Issuance Date.

Transfers and Exchanges Upon Termination of Book-Entry Only System

In the event that the book-entry system described above is abandoned, the 2015 Bonds will be printed and delivered as provided in the Indenture. Thereafter, any 2015 Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such 2015 Bond for cancellation at the Office of the Trustee, accompanied by delivery of a duly executed instrument of transfer in a form approved by the Trustee. Upon the surrender of a 2015 Bond for transfer, the Trustee is to issue a new 2015 Bond or 2015 Bonds of the same maturity, for a like series and aggregate principal amount and of authorized denomination or denominations. The Trustee may charge a sum for each new 2015 Bond issued upon any transfer. The Trustee may require the payment by any 2015 Bond Owner requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer. Following any transfer of 2015 Bonds, the Trustee will cancel and destroy the 2015 Bonds it has received.

2015 Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of 2015 Bonds of other authorized denominations of the same series and maturity. The Trustee may charge a sum for each new 2015 Bond issued upon any exchange except in the case of any exchange of temporary 2015 Bonds for definitive 2015 Bonds. The Trustee may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. Following any exchange of 2015 Bonds, the Trustee will cancel and destroy the 2015 Bonds it has received.

The Trustee is not required to register the exchange or transfer of any 2015 Bond: (i) within 15 days preceding selection of 2015 Bonds for redemption; or (ii) selected for redemption.

Redemption of the 2015 Bonds

*Optional Redemption of 2015 Bonds.** The 2015 Bonds with stated maturities on or after September 1, 20__ are subject to redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity as directed by the District in a Written Request provided to the Trustee at least 60 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of \$5,000, on or after September 1, 20__, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

* Preliminary, subject to change.

Mandatory Redemption.* The 2015 Bonds with stated maturities on September 1, 20__ are subject to mandatory sinking fund redemption in part (by lot) on each September 1 on and after September 1, 20__, in integral multiples of \$5,000 at a Redemption Price of the principal amount thereof plus accrued interest evidenced and represented thereby to the date fixed for redemption, without premium, in accordance with the following schedule:

<i>Redemption Date</i> <i>(October 1)</i>	<i>Principal</i> <i>Amount</i>
*	\$

* Final Maturity.

Extraordinary Redemption. The 2015 Bonds are subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity and within maturities as directed by the District in a Written Request provided to the Trustee at least 60 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of \$5,000 from Net Proceeds, upon the terms and conditions of, and as provided for in, the Indenture, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium. See Appendix B under the captions “PARTICULAR COVENANTS—Insurance” and “PARTICULAR COVENANTS—Eminent Domain Proceeds,” respectively, for a description of the circumstances under which the 2015 Bonds could be subject to extraordinary redemption from Net Proceeds of insurance or condemnation.

Notice of Redemption

When redemption is authorized or required, the Trustee will give notice to the Owners of the 2015 Bonds designated for redemption. Notice of redemption will be mailed by first class mail at least 20 days but not more than 60 days before any Redemption Date, to the respective Owners of any 2015 Bonds designated for redemption at their addresses appearing on the Registration Books, to the Securities Depositories and the Information Services; provided that, in the case of notice of optional redemption not related to an advance or current refunding, such notice may be given only if sufficient funds have been deposited with the Trustee to pay the applicable Redemption Price of the 2015 Bonds to be redeemed, provided that such notice may be cancelled by the District upon Written Request delivered to the Trustee not less than five days prior to such Redemption Date. Each notice of redemption will state the date of notice, the Redemption Date, the place or places of redemption, the Redemption Price, will designate the maturities, CUSIP numbers, if any, and, if less than all 2015 Bonds of any such maturity are to be redeemed, the serial numbers of the 2015 Bonds of such maturity to be redeemed by giving the individual number of each 2015 Bond or by stating that all 2015 Bonds between two stated numbers, both inclusive, have been called for redemption and, in the case of 2015 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on the Redemption Date there will become due and payable on each of said 2015 Bonds or parts thereof designated for redemption the Redemption Price thereof or of said specified portion of the principal thereof in the case of a 2015 Bond to be redeemed in part only, together with interest accrued thereon to the Redemption Date, and that (provided that moneys for redemption have been deposited with the Trustee) from and after such Redemption Date interest thereon ceases to accrue, and will require that such 2015 Bonds be then surrendered to the Trustee. Neither the failure to receive such notice nor any defect in the notice or the mailing thereof will affect the validity of the redemption of any 2015 Bond. Notice of redemption of 2015 Bonds will be given by the Trustee, at the expense of the District, for and on behalf of the District.

With respect to any notice of optional redemption of 2015 Bonds, such notice will state that such redemption will be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such 2015 Bonds to be redeemed and that, if such moneys have not been so received, said notice will be of no force and effect and the Trustee will not be required to redeem such 2015 Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made, and the Trustee will within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Book-Entry Only System

One fully-registered 2015 Bond of each maturity of each series will be issued in the principal amount of the 2015 Bonds of such maturity. Such 2015 Bond will be registered in the name of Cede & Co. and will be deposited with DTC.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the 2015 Bonds will be printed and delivered and will be governed by the provisions of the Indenture with respect to payment of principal and interest and rights of exchange and transfer.

The District cannot and does not give any assurances that DTC Participants or others will distribute payments of principal of and interest on the 2015 Bonds received by DTC or its nominee as the registered Owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will service and act in the manner described in this Official Statement. See Appendix D hereto for additional information concerning DTC.

DEBT SERVICE PAYMENT SCHEDULE

Set forth below is a schedule of principal of and interest on the 2015 Bonds payable in the Fiscal Years ending June 30 indicated:

<i>June 30</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2015	\$	\$	\$
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
TOTAL	\$	\$	\$

SECURITY FOR THE 2015 BONDS

Limited Obligations Payable From Net Revenues

All of the Revenues, all amounts held in the Water System Revenue Fund and the Rate Stabilization Fund under the Indenture and any other amounts (including proceeds of the sale of the 2015 Bonds) held in any fund or account established pursuant to the Indenture (except the Rebate Fund) are irrevocably pledged under the Indenture to secure the payment of the principal of and interest, and the premium, if any, on the 2015 Bonds in accordance with their terms and the provisions of the Indenture, subject however to the pledge thereon securing Bonds and Contracts. See the caption “- Flow of Funds.” The Revenues will not be used for any other purpose while the 2015 Bonds remain Outstanding; provided that out of the Revenues and amounts on deposit in the Rate Stabilization Fund there may be apportioned such sums for such purposes as are expressly permitted in the Indenture and described below.

The District is obligated to make payments of principal of and interest on the 2015 Bonds solely from the District’s Net Water System Revenues (the “Net Revenues”), along with amounts on deposit in the Rate Stabilization Fund and certain other funds and accounts created under the Indenture. The term “Net Water System Revenues” means, for any Fiscal Year of the District (currently, the District’s Fiscal Year commences on July 1 of each year) (“Fiscal Year”), the Water System Revenues for such Fiscal Year less the Operation and Maintenance Costs of the Water System for such Fiscal Year. See the caption “-Flow of Funds” for a summary of the definition of Water System Revenues. See Appendix B—“DEFINITIONS AND SUMMARY OF INDENTURE” for a detailed discussion of the terms of the Indenture. After the refunding contemplated

herein, the District will not have any obligations payable from Net Revenues on a parity with the obligation to pay principal of and interest on the 2015 Bonds.

THE 2015 BONDS ARE NOT A DEBT OF THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE DISTRICT), AND NEITHER THE STATE, NOR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE DISTRICT), IS LIABLE THEREON, NOR IN ANY EVENT SHALL THE 2015 BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OF THE DISTRICT OTHER THAN THE NET REVENUES AND OTHER MONEYS PLEDGED THEREFOR UNDER THE INDENTURE. THE OBLIGATION OF THE DISTRICT TO MAKE PAYMENTS IN ACCORDANCE WITH THE INDENTURE IS A LIMITED OBLIGATION OF THE DISTRICT AS SET FORTH IN THE INDENTURE AND THE DISTRICT SHALL HAVE NO LIABILITY OR OBLIGATION IN CONNECTION HEREWITH EXCEPT WITH RESPECT TO SUCH PAYMENTS TO BE MADE PURSUANT TO THE INDENTURE. THE 2015 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE DISTRICT IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Flow of Funds. In order to carry out and effectuate the pledge and lien contained in the Indenture, the District has agreed and covenanted that the Water System Revenues shall be deposited when and as received in a special fund designated as the "Water System Revenue Fund" which fund has been established and which fund the District has agreed and covenanted to maintain and to hold separate and apart from other funds so long as the 2015 Bonds remain unpaid. Moneys in the Water System Revenue Fund will be held in trust by the District and will be applied, used and withdrawn by the District for the purposes set forth below.

Water System Revenues are defined under the Indenture to include all income, rents, rates, fees, charges and other moneys derived from or attributable to the ownership or operation of the Water System calculated in accordance with generally accepted accounting principles, including, without limiting the generality of the foregoing, all proceeds of the Riverside County and the San Bernardino County 1% *ad valorem* property tax received by the District; plus all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the District from the sale, furnishing and supplying of water, or other services, facilities and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Water System; plus the development impact fees or similar charges related to the Water System; plus the earnings on and income derived from the investment of the amounts described above, and from investment of amounts in the Water System Revenue Fund; plus the earnings on and income derived from investment of the District reserves allocated to the Water System; plus, notwithstanding the application of generally accepted accounting principles, all amounts transferred from the Rate Stabilization Fund to the Water System Revenue Fund during any Fiscal Year in accordance with the Indenture but excluding in all cases any amounts transferred from the Water System Revenue Fund to the Rate Stabilization Fund during any Fiscal Year in accordance with the Indenture, customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District, and any proceeds of taxes restricted by law to be used by the District to pay obligations of the District other than Bonds or Contracts.

The District will, from the moneys in the Water System Revenue Fund, pay all Water System Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Water System Operation and Maintenance Costs, the payment of which is not then immediately required) as such Water System Operation and Maintenance Costs become due and payable.

The District accounts for moneys received and expenses paid in accordance with generally accepted accounting principles applicable to governmental agencies such as the District ("GAAP"). In certain cases GAAP requires or permits moneys collected in one Fiscal Year to be recognized as revenue in a subsequent Fiscal Year and requires or permits expenses paid or incurred in one Fiscal Year to be recognized as expenses in a subsequent Fiscal Year. See "APPENDIX A – YUCAIPA VALLEY WATER DISTRICT FINANCIAL

STATEMENTS.” Except as otherwise expressly noted herein, all financial information derived from the District’s audited financial statement reflect the application of GAAP.

All remaining moneys in the Water System Revenue Fund shall be applied by the District at the following times for the transfer to the following respective special funds in the following order of priority:

(i) Not later than six (6) Business Days prior to each Interest Payment Date, the District will, from the moneys in the Water System Revenue Fund, transfer to the Trustee for deposit in the Payment Fund the amount, if any, necessary for the payments of interest and principal, including mandatory sinking fund installments, if any, on the 2015 Bonds due and payable on such Interest Payment Date. The District will also, from the moneys in the Water System Revenue Fund, transfer to the applicable trustee for deposit in the respective payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Debt Service in accordance with the provisions of any Bond or Contract.

(ii) Not later than six (6) Business Days prior to each Interest Payment Date, the District will, from the remaining moneys in the Water System Revenue Fund, thereafter, without preference or priority and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the applicable trustee for such other reserve funds and/or accounts, if any, as may have been established in connection with Bonds or Contracts, that sum, if any, necessary to restore such funds or accounts to an amount equal to the reserve requirement with respect thereto.

(iii) Moneys on deposit in the Water System Revenue Fund on any date when the District reasonably expects such moneys will not be needed for the payment of Water System Operation and Maintenance Costs, or for any of the purposes described in clauses (i) or (ii) above, may be expended by the District on principal of and interest on notes, bonds, contracts or other obligations payable from the Water System Net Revenues subordinate to the payments described in clauses (i) and (ii) above, or for any other purpose permitted by law, including, but not limited to the deposit of amounts in the Rate Stabilization Fund.

Rate Covenant

The Indenture will require the District, to the fullest extent permitted by law, to fix and prescribe, at the commencement of each Fiscal Year, rates and charges for the Water Service provided by the Water System which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Water System Revenues equal to one hundred ten percent (110%) of Debt Service payable in such Fiscal Year; provided, however, that for purposes of the foregoing covenant, Water System Revenues in such Fiscal Year shall not include any amount transferred from the Rate Stabilization Fund to the Water System Revenue Fund in excess of ten percent (10%) of Debt Service payable in such Fiscal Year. The District may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Water System Revenues from such reduced rates and charges are reasonably expected to be sufficient to meet the foregoing requirements. Failure to produce Net Water System Revenues to equal one hundred ten percent (110%) of Debt Service at the end of a Fiscal Year is not an Event of Default under the Indenture so long as the District complies with the covenant described above. Such failure may, however, affect the ability of the District to issue Bonds or incur Contracts payable from Net Revenues on a parity with the 2015 Bonds. See the caption “-Additional Indebtedness.”

Rate Stabilization Fund

There is continued under the Indenture a special fund designated as the “Rate Stabilization Fund” to be held by the District in trust thereunder, which fund the District has pledged to the payment of the 2015 Bonds under the Indenture and has agreed and covenanted to maintain and to hold separate and apart from other funds so long as any 2015 Bonds remain unpaid. On the date of the issuance of the 2015 Bonds,

approximately \$[500,209.14] will be on deposit in the Rate Stabilization Fund. Money transferred by the District from the Water System Revenue Fund to the Rate Stabilization Fund in accordance with the Indenture will be held in the Rate Stabilization Fund and applied in accordance with the Indenture.

The District may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Water System Revenue Fund for application in accordance with the Indenture or, in the event that all or a portion of the 2015 Bonds are discharged in accordance with the Indenture, transfer all or any portion of such amounts for application in accordance with the Indenture. Amounts transferred from the Rate Stabilization Fund to the Water System Revenue Fund pursuant to the Indenture during or within 270 days after a Fiscal Year, may be taken into account as Water System Revenues for purposes of the calculations described under the captions “—Rate Covenant” and “—Additional Indebtedness” in such Fiscal Year.

Under certain circumstances, moneys received in one Fiscal Year may be required or permitted by GAAP to be recorded as revenue in a subsequent Fiscal Year, regardless of whether such moneys have been deposited in the Rate Stabilization Fund. See “APPENDIX A – YUCAIPA VALLEY WATER DISTRICT FINANCIAL STATEMENTS.”

Additional Indebtedness

The District may at any time execute any Contract or issue any Bonds, as the case may be, in accordance with the Indenture; provided:

(i) The Net Revenues for the most recent audited Fiscal Year preceding the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, as evidenced by both a calculation prepared by the District and a special report prepared by an Independent Certified Public Accountant or an Independent Financial Consultant on such calculation on file with the District, shall have produced a sum equal to at least one hundred ten percent (110%) of the Debt Service for such Fiscal Year; and

(ii) The Net Revenues for the most recent audited Fiscal Year preceding the date of the execution of such Contract or the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds, as the case may be, including adjustments to give effect as of the first day of such Fiscal Year to increases or decreases in rates and charges for the Water Service approved and in effect as of the date of calculation, as evidenced by a calculation prepared by the District and to each new connection to the Water System that, during all or any part of such Fiscal Year, was not in existence and that would have been derived from such connection if it had been made prior to the beginning of such Fiscal Year, shall have produced a sum equal to at least one hundred ten percent (110%) of the Debt Service for such Fiscal Year plus the Debt Service which would have accrued on any Contracts executed or Bonds issued since the end of such Fiscal Year assuming such Contracts had been executed or Bonds had been issued at the beginning of such Fiscal Year, plus the Debt Service which would have accrued had such Contract been executed or Bonds been issued at the beginning of such Fiscal Year; and

(iii) The estimated Net Revenues for the then current Fiscal Year and for each Fiscal Year thereafter to and including the first complete Fiscal Year after the latest date of operation of any uncompleted Parity Project, as evidenced by a certificate of the General Manager of the District on file with the District, including (after giving effect to the completion of all such uncompleted Parity Projects) an allowance for estimated Net Revenues for each of such Fiscal Years arising from any increase in the income, rents, fees, rates and charges estimated to be fixed, prescribed or received for the Water Service and which are economically feasible and reasonably considered necessary based on projected operations for such period, as evidenced by a certificate of the General Manager on file with the District, shall produce a sum equal to at least one hundred ten percent (110%) of the estimated Debt Service for each of such Fiscal Years, after giving effect to the execution of all Contracts and the issuance of all Bonds estimated to be required to be executed or issued to pay the costs of completing all uncompleted Parity Projects within such Fiscal Years, assuming that all such

Contracts and Bonds have maturities, interest rates and proportionate principal repayment provisions similar to the Contract last executed or then being executed or the Bonds last issued or then being issued for the purpose of acquiring and constructing any of such uncompleted Parity Projects.

Notwithstanding the foregoing, Bonds or Contracts may be issued or incurred to refund outstanding Bonds or Contracts if, after giving effect to the application of the proceeds thereof, total Debt Service will not be increased in any Fiscal Year in which Bonds or Contracts (outstanding on the date of issuance or incurrence of such refunding Bonds or Contracts, but excluding such refunding Bonds or Contracts) not being refunded are outstanding in an amount in excess of 10%.

Nothing in the Indenture shall prohibit the District from issuing or entering into notes, bonds, contracts or other obligations payable from Net Water System Revenues subordinate to Bonds or Contracts. See the caption “YUCAIPA VALLEY WATER DISTRICT –Outstanding District Obligations.”

No Reserve Fund

No reserve fund has been created or will be funded with respect to the 2015 Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds with respect to the refunding of the 2004 Certificates:

<i>Sources</i> ⁽¹⁾ :	
Principal Amount of 2015 Bonds	\$
Net Original Issue Premium/Discount	
From Reserve Fund for 2004 Certificates	
District Contribution ⁽²⁾	
Total Sources	<u>\$</u>
 <i>Uses</i> ⁽¹⁾ :	
Transfer to Escrow Agent for Refunding of 2004 Certificates	\$
Deposit to Costs of Issuance Fund ⁽³⁾	
Total Uses	<u>\$</u>

⁽¹⁾ All amounts rounded to the nearest dollar. Totals may not add due to rounding.

⁽²⁾ Reflects March 1, 2015 interest payment with respect to the 2004 Certificates.

⁽³⁾ Includes Underwriter’s discount and certain legal fees, premiums for the Policy, financing and printing costs.

YUCAIPA VALLEY WATER DISTRICT

General

The District was formed as part of a reorganization, pursuant to the Reorganization Act of 1965, being Division I of Title 6 of the Government Code of the State of California. This reorganization consisted of the formation of the District, dissolution of the Calimesa Water District and formation of Improvement District No. 1 of the District as successor-in-interest thereto, and dissolution of Improvement District “A” of the San Bernardino Valley Municipal Water District and the formation of Improvement District “A” of the District as successor-in-interest thereto. On September 14, 1971, the Secretary of State of the State of California certified and declared formation of the District. The District operates under the County Water District Law, being Division 12 of the State of California Water Code (the “Act”). Although the immediate function of the District was to provide water service, the District has assumed responsibility for providing wastewater and recycled water service in Yucaipa Valley.

Situated in both San Bernardino County and Riverside County, the District is located about 70 miles east of the City of Los Angeles and 20 miles southeast of the City of San Bernardino in the foothills of the San Bernardino Mountains. The District serves the cities of Calimesa and Yucaipa and has a population of approximately 44,900 [water customers] within its service area.

As of December 31, 2014, the District provided water services to approximately 12,374 active connections identified as follows:

Customer Classification	Number of Active Water Service Connections
Single Family Residential	11,296
Multi-Family Residential	515
Commercial	259
Industrial	13
Institutional	83
Irrigation - Potable Water	124
Irrigation - Recycled Water	57
Construction Water - Potable Water	22
Construction Water - Recycled Water	5
Total	12,374

The Water System consists of 25 wells and pumps, 13 booster stations, approximately 215 miles of pipeline varying from 4 to 30 inches in diameter, and 27 reservoirs with a total storage capacity of over 34 million gallons. Most of the District water is supplied from groundwater through local wells owned by the District. The District also provides surface water treated at the Oak Glen Water Filtration Plant (the “Oak Glen Plant”), which receives surface water from Birch Creek, Oak Creek, Adams Tunnel and Clark Tunnel. As a supplemental source of water, the District currently purchases State Water Project water through the San Bernardino Valley Municipal Water District (“SBVMWD”) and the San Geronio Pass Water Agency (“SGPWA”) for potable and non-potable use and for recharge of the groundwater basin. See the caption “THE WATER SYSTEM OF THE DISTRICT — Water Supply System and Water Supply” below.

Land and Land Use

The altitude of the District rises from about 2,000 feet above sea level at the western end of the valley to about 5,000 feet at the eastern end, with an average elevation of roughly 2,650 feet. The topography of the area is characterized by rolling hills separated by deeply entrenched stream beds, namely, the Yucaipa and Wilson Creeks. The District includes the incorporated cities of Yucaipa and Calimesa which are in San Bernardino and Riverside Counties, respectively.

Based upon current land use policies of the cities and counties within the boundaries of the District, the District projects that the undeveloped land within its boundaries will continue to be developed. The projected population of the District in the year 2030 will be approximately 94,800, which reflects buildout of the City of Calimesa and the Oak Valley development. Although approximately 49.8% of the land within the boundaries of the District are undeveloped, less than 1% of District water sales are to agricultural water users.

Governance and Management

The District is governed by a 5-member board of directors (the “Board”), the members of which are elected from separate divisions of the District for staggered 4-year terms. The current Board members, the expiration dates of their terms and their occupations are set forth below.

<u>Board of Directors Member</u>	<u>Expiration of Term</u>	<u>Occupation</u>
Lonni Granlund, President	2016	Property Manager, Real Estate Broker
Jay Bogh, Vice President	2018	Building Firm Manager
Bruce Granlund, Director	2018	Retired Senior District Attorney Investigator
Kenneth P. Munoz	2016	Pipeline Contractor / Business Owner
Tom Shalhoub, Director	2018	Retired Business Owner

Day-to-day management of the District is delegated to the General Manager. Set forth below is a brief resume of the General Manager and principal administrators of District operations and finances:

Joseph B. Zoba has served as General Manager and Chief Executive Officer of the District since June 1994. Together with other District staff Mr. Zoba is in charge of providing water production, water treatment, water distribution, wastewater collection, wastewater treatment, and recycled water services to the cities of Yucaipa and Calimesa. In addition, he represents the District as the Watermaster Appointee and Treasurer of the Beaumont Basin Watermaster. Mr. Zoba graduated from the University of California, Riverside with a Bachelor of Science in Biochemistry and a Master's in Business Administration and from California State University, San Bernardino with a Master's in Public Administration. Mr. Zoba has been recognized for his achievements with an Outstanding Early Career Achievement Award by the Gary A. Anderson Graduate School of Management and inducted into the John A. Rowland High School Hall of Fame.

John "Jack" Nelson has served as Assistant General Manager of the District since May 1994. Mr. Nelson began his employment with the District in 1989 as a District engineer. Mr. Nelson previously worked for ten years with a private engineering firm where he focused on water, wastewater, and storm water system design. Prior to that Mr. Nelson worked for the County of Riverside in the Sanitary Landfill Department and for Caltrans in highway design. Mr. Nelson has a Bachelor of Science in Civil Engineering from Norwich University, and a Master's in Public Administration from California State University, San Bernardino. Mr. Nelson is a registered Professional Civil Engineer in Civil Engineering in the State of California. Mr. Nelson has also completed the California Special District Association Special District Board Management certification.

Vicky Elisalda has served as District Controller since November 2003. Ms. Elisalda began her employment with the District in 1997 as the District's Accounting Supervisor and then was promoted to Administrative Manager in July 2002. Ms. Elisalda previously worked for twenty-four years in the private sector, with experience in all phases of accounting and supervision. Ms. Elisalda has an Associates Degree in Accounting and has completed numerous continuing education courses.

District Powers

The District has broad general powers over the use of water within its boundaries, including the right of eminent domain and the authority to acquire, control, distribute, store, spread, sink, treat, purify, reclaim, process and salvage any water for beneficial use, to provide sewer service, to sell treated or untreated water and recycled water, to contract with the United States, other political subdivisions, public utilities, and other persons, and, subject to certain constitutional limits, to levy taxes on lands.

Employees and Employee Benefits

Pension Benefits. The District contributes to the California Public Employees Retirement System ("PERS"), an agent multiple-employer defined benefit pension plan (the "Pension Plan") which acts as a common investment and administrative agent for its participating member employers. The Pension Plan provides retirement, disability, annual cost-of-living adjustments and death benefits to Pension Plan members

and beneficiaries. Benefit provisions under the Pension Plan are established by statutes of the State and by District resolution. Funding contributions for the Pension Plan are determined annually on an actuarial basis as of June 30 by PERS; the District must fund those contribution amounts.

For Fiscal Year 2014, the District’s annual pension cost was \$503,798 for PERS and was equal to the District’s required and actual contributions. The required contribution was determined as part of the July 1, 2012, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included: (i) a 7.50% investment rate of return (net of administrative expense); (ii) projected annual salary increases that vary by duration of service coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%; and (iii) 3.30% to 14.20% per year cost of living adjustments depending on age, service and type of employment. Both assumptions (i) and (ii) included an inflation component of 2.75% and a payroll growth rate of 3.00%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investment over a thirty-year period (smoothed market value). Initial unfunded liabilities are amortized over a closed period that depends on the plan’s date of entry into PERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 30-year period.

The required Fiscal Year 2015 employer contribution rate of 14.936% is equal to the annual pension cost (“APC”) percentage of payroll. Gains and losses that occur in the operation of the CalPERS 2.0% at 60 Risk Pool Retirement Plan are amortized over a rolling 30 year period. If the plan’s accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period. The PERS actuary uses a smoothing technique to determine actuarial value that is calculated based on certain policies and actuarial assumptions. These policies and actuarial assumptions are subject to change by PERS in the future and may result in increases to the District’s APC.

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. The following is the most recent available three-year APC information for the plan.

<i>Fiscal Year</i>	<i>APC</i>	<i>Percentage of APC Contributed</i>	<i>Net Pension Obligation</i>
2012	\$497,301	100%	-
2013	522,063	100	-
2014	503,798	100	-

The schedule below shows the history of the PERS 2.0% at 60 Risk Pool Retirement Plan actuarial value of assets, actuarial accrued liability, and the relationship of the unfunded actuarial accrued liability (“UAAL”) to payroll as of June 30, 2012:

<i>Fiscal Year</i>	<i>Actuarial Valuation Date</i>	<i>Entry Age Normal Accrued Liability [A]</i>	<i>Actuarial Value of Assets [B]</i>	<i>Unfunded Liability (Excess Assets) [A-B]</i>	<i>Funded Status [B/A]</i>	<i>Annual Covered Payroll [C]</i>	<i>UAAL/ (Excess Assets) as a % of Payroll [(A-B)/C]</i>
June 30, 2010	June 30, 2010	\$624,423,437	\$594,492,164	\$29,931,273	95.2%	\$186,777,830	16.0%
June 30, 2011	June 30, 2011	682,375,804	639,237,247	43,138,557	93.7	183,877,169	22.3%
June 30, 2012	June 30, 2012	736,231,913	701,224,211	35,007,702	95.3	208,517,122	16.8%

Contributions for participants hired on or after January 1, 2013 who were not already enrolled in PERS through their previous employers are governed by Assembly Bill 340 (“AB 340”), which is described below.

On September 12, 2012, the State Governor signed AB 340, which implements pension reform in the State. Effective January 1, 2013, AB 340, among other things: (i) requires public retirement systems and their participating employers to share equally with employees the normal cost rate for such retirement systems; (ii) prohibits employers from paying any portion of the required member contributions to such retirement systems for employees hired after January 1, 2013 who are new PERS members (those who were not already enrolled in a public retirement system through their previous employers or who moved between employers or public retirement systems with a 6 month break in service) (“New Members”); (iii) establishes a compulsory maximum non safety benefit formula of 2.5% at age 67; and (iv) defines final compensation as the highest average annual pensionable compensation earned during a 36 month period.

The District has implemented a tier of PERS pension benefits for employees hired after January 1, 2013 to comply with AB 340’s compulsory reduced formula. Participants hired on or after January 1, 2013 who are New Members are required to contribute the percentage of their annual covered salary under the Agency’s PERS plans required by PERS, which will not exceed 50% of the normal cost rate, as determined by PERS. The current contribution rate for New Members is 6.25% of annual base salary. The District makes a 7% portion of the contributions required of District employees on their behalf and for their account and New Members hired on or after January 1, 2013 pay the entire employee contribution rate of 6.25% of their member contributions.

PERS reported significant investment losses in 2009 and investment gains for Fiscal Years 2010, 2011, 2012 and 2013 in excess of 13.0%, 21.7%, 1.0% and 12.5%, respectively. Future earnings performance may increase or decrease future contribution rates for plan participants, including the District. The District does not expect any future APC increases to have a material adverse effect on the District’s obligation to make payments of principal of and interest on the 2015 Bonds. See Note 13 of the District’s audited financial statements included hereto as Appendix A for additional information with respect to the District and PERS.

Other Post-Employment Benefits. On February 17, 1999, the Board of Directors eliminated District-paid post-retirement medical benefits for employees hired after July 1, 1999. The District does not currently have any post-employment benefits liability.

Budget Process

Prior to June 1 of each year, the General Manager of the District submits to the Board of Directors a proposed budget for the upcoming fiscal year. The District staff presents a proposed budget at a public workshop to review the budget material and obtain comments from residents and ratepayers. Subsequent to the workshop, the Board of Directors typically approves the budget prior to July 1. The Board of Directors approved the budget for Fiscal Year 2015 on May 21, 2014, and there have been no amendments to the Fiscal Year 2015 budget since that date.

District Insurance

The District manages its insurance affairs through the purchase of commercial insurance to protect the assets of the District. The District currently carries general liability insurance coverage with limits of \$1,000,000 per occurrence and \$3,000,000 in the aggregate. In addition, a \$5,000,000 excess liability policy is in place should claims exceed the underlying policy limits. The District also maintains property and inland marine coverage with a total insured value of \$104,000,000. Commercial automotive liability insurance for owned, non-owned and hired automobiles is purchased with limits of \$1,000,000 per occurrence and \$3,000,000 in the aggregate, along with excess liability coverage of \$5,000,000, should claims exceed the underlying limits. All District-owned vehicles are insured for physical damage. The employee crime insurance is covered by commercial crime coverage with a limit of \$250,000. The District has had no settled claims that exceeded its commercial coverage in any of the past three fiscal years.

Outstanding District Obligations

Outstanding Obligations Payable From Water System Revenues. In connection with the execution and delivery of the 2004 Certificates, the District entered into the 2004 Installment Purchase Contract. The installment payments thereunder (the “2004 Installment Payments”) are secured by Water System Revenues. As of June 30, 2014, the 2004 Installment Payments were outstanding in the aggregate principal amount of \$37,930,000. The District expects to refund all of the outstanding 2004 Certificates from the proceeds of the 2015 Bonds. See the caption “REFUNDING PLAN.”

Outstanding Obligations Payable From Wastewater System Revenues. The District has entered into agreements to obtain five loans from the SWRCB to finance the expansion, construction and modification of its Wastewater System and Recycled Water System (collectively, the “State Loans”). The interest rates on the State Loans range from 2.2% to 2.7%. As of June 30, 2014, the total outstanding amount under the State Loans was \$49,658,520. The State Loans are payable from net revenues of the District’s Wastewater System, which generally include all revenues derived from the provision of wastewater service to customers within the District’s service area (see the caption “—Wastewater System and Recycled Water System” below). The State Loans are not payable from Water System Revenues. Net revenues of the District’s Wastewater System and Recycled Water System are not pledged to and are not available to pay the principal of and interest on the 2015 Bonds.

Wastewater System and Recycled Water System

The District provides wastewater and recycled water services to customers within its service area. Domestic wastewater produced within the District’s service area is conveyed via District sewer and wastewater pipelines and is treated at the Henry N. Wochholz Wastewater Treatment Plant (the “Treatment Plant”). The Treatment Plant utilizes microfiltration, reverse osmosis, and ultraviolet light disinfection to treat wastewater. In 2008, the District completed improvements to the Treatment Plant to expand its capacity to 8 million gallons per day. In 2012, the District completed the Yucaipa Valley Regional Brineline (the “Brineline”), which transports salt and minerals produced by the reverse osmosis treatment process away from the Treatment Plant. The Brineline terminates at an existing brine disposal pipeline 15 miles from the Treatment Plant, which then extends to the Orange County Sanitation District’s facilities in the City of Huntington Beach. Recycled water produced at the Treatment Plant is distributed through the District’s recycled water distribution system for irrigation and other commercial uses within the District.

Revenues of the Wastewater System and the Recycled Water System are not available to pay debt service on the 2015 Bonds and operation and maintenance costs of the Wastewater System and Recycled Water System do not constitute Operation and Maintenance Costs of the Water System.

THE WATER SYSTEM OF THE DISTRICT

Water System and Water Supply

As of June 2014, there were 12,326 active water connections compared with 12,265 in June 2013. The Water System consists of 25 wells and pumps, 13 booster stations, approximately 206 miles of pipeline varying from 4 to 30 inches in diameter, 27 above-ground reservoirs with a total storage capacity of over 34 million gallons, the Oak Glen Plant which has a rated capacity of 550 gallons per minute and can receive surface water from several sources, and the Yucaipa Valley Drinking Water Filtration Facility (the “Yucaipa Filtration Facility”), which has a rated capacity of 8,333 gallons per minute and can receive surface water and water from the State Water Project.

Local wells supply approximately 60 percent of the District’s current potable water supply. The balance of the District’s current water potable supply is supplied from (i) surface water provided through the Oak Glen Plant, which receives surface water from Birch Creek, Oak Creek, Adams Tunnel, Clark Tunnel and

(ii) surface water provided through the Yucaipa Filtration Facility, which receives surface water from State Water Project purchased from SBVMWD and SGPWA. Under certain circumstances, the District may access additional surface water supplies from Mill Creek and the Santa Ana River under the Santa Ana River - Mill Creek Cooperative Water Agreement. See the caption “—State Water Project” below. Supplemental water purchased from the State Water Project through SBVMWD and SGPWA is used for direct delivery of potable water after treatment at the Yucaipa Filtration Facility, non-potable use, for backwash water and the recharge of the groundwater basins.

The Groundwater Basin. The District has traditionally met the bulk of its service area customer needs from groundwater through the District’s primary water wells. Most of these wells pump from the Yucaipa Groundwater Basin (the “Yucaipa Basin”) which consists of seven sub-basins with an estimated total safe yield of 9,645 acre-feet. Over the past decade, the District has purchased supplemental water from SBVMWD and SGPWA to recharge the local groundwater basins. In addition, to manage local groundwater supplies, since [2007], the District has met part of its service area customer needs by directly delivering potable water from the Yucaipa Filtration Facility in-lieu of pumping groundwater. As of 2014, four of the seven sub-basins in the Yucaipa Basin area had increased the amount of water by volume in comparison to 1991 amounts and one sub-basin was approximately equal in water by volume in comparison to 1991 amounts. Two sub-basins in the Yucaipa Basin area, which are experiencing overdraft, are shared with other local water purveyors. The District and such local water purveyors are currently working to establish groundwater extraction rules to manage such over drafted groundwater sub-basins in the Yucaipa Basin.

The quality of present ground water meets existing regulatory requirements, with average total dissolved solids of 328 mg/l in calendar year 2013. The District purchases State Water Project water through SBVMWD and SGPWA to recharge the Yucaipa Basin.

The District is not currently involved in and is unaware of, any material litigation between any of the water users in the Yucaipa Basin. The water rights of individual water users within the Yucaipa Basin have not been adjudicated.

The District also produces groundwater from the Beaumont Basin which is managed by the Beaumont Basin Watermaster. On February 4, 2004, the District participated in a Stipulated Agreement and is currently one of five appropriators responsible for the management of the Beaumont Basin Watermaster adjudication. As of December 31, 2013, the District has 14,684 acre-feet of water available in a storage account within the Beaumont Basin.

In Fiscal Year 2014, approximately 6,923 acre-feet and 1,114 acre-feet of water was produced from the Yucaipa Basin and the Beaumont Basin, respectively, for a total of approximately 8,037 acre-feet. The District’s ability to treat State Water Project water at the Yucaipa Filtration Facility for direct delivery to District customers has reduced the District’s level of pumping from the these two local groundwater basins. See the caption “—Yucaipa Valley Regional Water Filtration Facility.”

The District currently has 25 active and standby groundwater wells available for use. The District’s current pumping capacity is 10,225 gallons per minute (“gpm”). In Fiscal Year 2014, 8,037 acre-feet was delivered to District customers from groundwater wells.

The District is currently involved with the development of a sustainable groundwater management plan in partnership with the San Bernardino Valley Municipal Water District, the City of Redlands, the SGPWA, South Mesa Mutual Water Company, Western Heights Mutual Water Company and the City of Yucaipa. With ample storage capacity, ability to recharge the basin by spreading surface waters and flexibility in managing groundwater levels without subsidence problems, the Yucaipa Basin could be conjunctively managed to meet normal annual demands and to meet water resource needs in the event of a drought and curtailment or loss of inconsistent surface water supplies, resulting in a highly reliable water supply. The current goal is to identify additional locations to construct stormwater capture facilities for passive and active

groundwater recharge and to secure agreements with the other water purveyors to eliminate the overdraft of the two aforementioned subbasins in the Yucaipa Basin area. See the caption “—Upper Santa Ana Watershed Integrated Regional Water Management Plan” below.

Surface Water. In 1996, the District reconstructed the Oak Glen Plant to treat surface water collected in the Oak Glen watershed. The design capacity of the Oak Glen Plant is 550 gpm. Treated flows are typically limited by seasonal surface water availability that has reached flows as low as 250 gpm. The Oak Glen Plant receives water primarily from the Birch Creek intake, Oak Creek intake, and Adams Tunnel (Well 25). Minimum water may also flow in the raw water pipeline from Worthington Tunnel and Clark Tunnel. Back Creek is also a source but has not been used since 1992 and is listed as a standby source. These sources are both minor and relatively unreliable due to their greater availability only in wet periods. In Fiscal Year 2014, approximately 249 acre-feet of surface water treated at the Oak Glen Plant was delivered to District customers.

The existing infiltration system tributary to the Oak Glen Plant was acquired by the District from the previous Yucaipa-Redlands Water Company. Exact age, condition and location of the tunnels are not known. The tunnels are located approximately 30 to 50 feet underground, with many portions structurally failed or unstable.

The District has access to additional surface water through connections to surface water sources from the Santa Ana River and Mill Creek pursuant an exchange program under the Santa Ana River - Mill Creek Cooperative Water Agreement entered into on May 3, 1976 (the “Exchange Agreement”). See the caption “—State Water Project.”

Yucaipa Valley Regional Water Filtration Facility. In 2007, the District completed construction of the Yucaipa Filtration Facility. The cost of the Filtration Facility was financed in part by proceeds of the 2004 Certificates. The Yucaipa Filtration Facility has the capacity to treat approximately 13,422 acre-feet of water per year. State Water Project water purchased from SBVMWD and SGPWA are the primary sources of water treated at the Yucaipa Filtration Facility and delivered to District customers. See “—State Water Project” below. In Fiscal Year 2014, approximately 5,453 acre-feet of State Water Project water treated at the Yucaipa Filtration Facility was delivered to District customers for potable and non-potable use.

In addition to the recycled water produced at the Treatment Plant (see the caption “YUCAIPA VALLEY WATER DISTRICT — Wastewater System and Recycled Water System” above), recycled water is produced at the Yucaipa Filtration Facility for delivery through the District’s Recycled Water System to District customers. Revenues from the sale of recycled water are not available to pay debt service on the 2015 Bonds and operation and maintenance costs of the Recycled Water System do not constitute Operation and Maintenance Costs of the Water System.

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

The District currently purchases State Water Project water through SBVMWD and SGPWA. SBVMWD encompasses much of the District and holds an entitlement to State Water Project water in the amount of 102,600 acre-feet annually. SGPWA serves the remainder of the District through its State Water Project entitlement of 17,300 acre-feet per year. Such State Water Project water is provided either directly or by exchange through the East Branch extension pipeline and is used for groundwater recharge, non-potable use and potable use after such water is treated at the Yucaipa Filtration Facility.

Through the Exchange Agreement, the District is permitted to exchange its right to State Water Project water from SBVMWD for Mill Creek water when available. Mill Creek water can be delivered by gravity to the Wilson Creek spreading grounds or to the Yucaipa Filtration Facility. The Mill Creek water source is highly variable, however, depending upon local hydrology. Flows in Mill Creek can range from 10,000-120,000 acre-feet per year with the bulk of high water flows in the winter months.

In addition to the Mill Creek supplies, the District can receive certain local surface water from certain Santa Ana River water right holders under the Exchange Agreement in exchange for District State Water Project water connected to the State Water Project East Branch extension pipeline.

The State Water Project is the subject of many studies and much discussion concerning its water supply delivery reliability. Primarily, the Bay Delta Conservation Plan ("BDCP") and the Delta Habitat Conservation and Conveyance Program ("DHCCP") are collaborative efforts between water agencies, environmental organizations and State and federal agencies to develop a comprehensive conservation plan for the Delta. The BDCP and the DHCCP are intended to be comprehensive solutions to protect fish species and create a sustainable water delivery system. There can be no assurance that the BDCP or the DHCCP program will be undertaken.

The DWR faces various challenges in the continued supply of State Project Water to the District. A description of these challenges as well as a variety of other operating information with respect to DWR is included in certain disclosure documents prepared by DWR. DWR has entered into certain continuing disclosure agreements pursuant to which DWR is contractually obligated for the benefit of owners of certain of their outstanding obligations, to file certain annual reports, notices of certain material events as defined under Rule 15c2-12 of the Exchange Act ("Rule 15c2-12") and annual audited financial statements. DWR HAS NOT ENTERED INTO A CONTRACTUAL COMMITMENT WITH THE DISTRICT, THE TRUSTEE OR THE OWNERS OF THE CERTIFICATES TO PROVIDE STATE WATER PROJECT INFORMATION TO THE DISTRICT OR THE OWNERS OF THE 2015 BONDS.

NONE OF DWR, SBVMWD AND SGPWA HAVE REVIEWED THIS OFFICIAL STATEMENT AND NONE HAVE MADE REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED OR INCORPORATED HEREIN, INCLUDING INFORMATION WITH REGARD TO DWR, THE STATE WATER PROJECT, SGPWA AND SBVMWD. NONE OF DWR, SBVMWD AND SGPWA ARE CONTRACTUALLY OBLIGATED, AND NONE HAVE UNDERTAKEN, TO UPDATE SUCH STATE WATER PROJECT INFORMATION FOR THE BENEFIT OF THE DISTRICT OR THE OWNERS OF THE 2015 BONDS UNDER RULE 15c2-12.

Upper Santa Ana Watershed Integrated Regional Water Management Plan

In December 2007, fourteen agencies, including the District, adopted the Upper Santa Ana Watershed Integrated Regional Water Management Plan (the "IRWMP"). The IRWMP is a comprehensive water resources plan which identifies various management strategies to help ensure a reliable water supply for the San Bernardino, Yucaipa, Big Bear Valleys, and the San Gorgonio Pass area. One of the management strategies in the IRWMP was to increase the yield of the San Bernardino Basin Area. Conjunctive use is the coordinated management of surface and groundwater supplies to best utilize local and imported supplies to enhance water reliability in an economic and environmentally responsible manner. This can be accomplished by actively managing aquifer systems to meet water demands during dry and wet years. Under a conjunctive use scenario, water is stored underground by recharge for future use.

Conjunctive use has been implemented by the District in the Yucaipa Basin area. In light of the uncertainty of State Water Project deliveries, the District will be working closely with other water purveyors and the SBVMWD to develop the contractual and physical systems necessary to use the Yucaipa Basin conjunctively to enhance water supply reliability for the region.

2014 California Drought and Response

State Drought. Hydrological conditions in California can vary widely from year to year. In 2013, much of California experienced one of the driest years on record and such dry conditions continued through January 2014. Due to these record-dry conditions, Governor Edmund G. Brown proclaimed a drought emergency on January 17, 2014.

Among the responses listed in Governor Brown’s drought proclamation, State agencies will implement water use reduction plans for all State facilities and a water conservation publicity campaign with a goal of reducing water use statewide by 20 percent. Additionally, DWR is directed to take necessary actions to protect water quality and supply in the Delta, including the installation of temporary barriers or temporary water supply connections, while minimizing impacts to aquatic species.

District Drought Response Actions and Impact. On August 20, 2008, the Board of Directors adopted *A Strategic Plan for a Sustainable Future - The Integration and Preservation of Resources* (the “Strategic Plan”). The purpose of the strategic plan is to establish the policies and guidelines necessary to protect and preserve the natural resources within the District and to maximize the use of limited natural resources for the long-term economic growth and expansion of the local economy.

Based on the Strategic Plan, the District utilizes the Yucaipa Filtration Facility to reduce the dependency on local groundwater basins when supplemental water is available from SBVMWD and SGPWA. Since 2003, the District has ordered 74,529 acre-feet of supplemental water supplies for direct delivery to the Yucaipa Filtration Facility and for groundwater recharge. The active use of supplemental State Water Project water has eliminated the groundwater overdraft issues in the majority of the sub-basins in the Yucaipa Basin area. The table below shows the amounts of State Water Project water that the District has ordered for groundwater recharge and for the Yucaipa Filtration Facility.

Year	<i>State Water Project Water Ordered for the Yucaipa Filtration Facility (Acre-Feet)</i>	<i>State Water Project Water Ordered for Groundwater Recharge (Acre-Feet)</i>
2003	1,200	1,800
2004	1,200	--
2005	2,140	--
2006	2,000	--
2007	4,100	--
2008	6,643	--
2009	7,000	2,000
2010	1,800	6,414
2011	6,971	2,633
2012	5,000	3,000
2013	6,000	--
2014	3,000	--
2015	7,000	4,628
Total	54,054	20,475

Through the foregoing active water management policies, the District projects that it will be able to meet existing demands for imported water in Fiscal Years 2015 and 2016 even if dry conditions continue.

Historic and Projected Water Supply

The District meets its water supply demand primarily through pumping water from the Yucaipa Basin, the Beaumont Basin, surface water supplies from the Oak Glen Plant and purchasing supplemental water from the State Water Project through the SBVMWD and SGPWA for potable and non-potable use and for recharge of the Yucaipa Basin. These water supplies are expected to meet all future water demands through 2035.

Historic Water Connections

The following table shows the growth in the number of water connections, excluding recycled water connections, to the Water System for the five most recent Fiscal Years.

Table 1

**Yucaipa Valley Water District
Historic Water Connections**

<i>Fiscal Year Ending June 30</i>	<i>Connections</i>	<i>Increase</i>
2010	11,996	1.42%
2011	[12,124]	1.07
2012	12,209	0.70
2013	12,265	0.46
2014	12,326	0.40

Source: The District.

The following table presents the number of connections for each customer type for the five most recent Fiscal Years.

Table 2

**Yucaipa Valley Water District
Historic Water Connections Per Customer Type**

<i>Customer Type</i>	<i>Connections for Fiscal Years Ending June 30</i>				
	<i>2014</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>
Single Family	11,123	11,064	11,047	11,044	10,968
Multiple Units	514	520	520	518	518
Commercial	282	279	276	253	216
Institutional	60	59	59	60	60
Industrial	13	15	15	15	15
Irrigation	180	173	116	116	116
Fire Detectors	138	129	94	95	93
Construction	16	26	9	14	10
Total	12,326	12,265	12,136	12,115	11,996

Source: The District.

Historic Water Deliveries

The following table presents a summary of historic water deliveries, excluding recycled water deliveries, for the Water System in acre-feet per year for the five most recent Fiscal Years.

Table 3
Yucaipa Valley Water District
Historic Water Deliveries In Acre-Feet Per Year

<i>Fiscal Year Ending June 30</i>	<i>Total</i>	<i>Increase/Decrease</i>
2010	[11,969]	N/A
2011	11,217	(6.28)%
2012	12,095	7.83
2013	12,167	0.60
2014	12,469	2.48

⁽¹⁾ The reduction in water deliveries in Fiscal Year 2011 reflects a wet hydrological year due to increased rainfall in late 2010.
 Source: The District.

Historic water deliveries reflect connections to the Water System as well as water demand, which can be affected by weather conditions and other factors. See the caption “—Historic Water Connections” above.

Historic Water Sales Revenues

The following table shows annual water sales revenues from water sales, excluding recycled water sales, for the five most recent Fiscal Years.

Table 4
Yucaipa Valley Water District
Historic Water Sales Revenues

<i>Fiscal Year Ending June 30</i>	<i>Sales Revenues</i>	<i>Increase/(Decrease)</i>
2010	\$9,144,778	N/A
2011	8,786,848	(3.92)%
2012	9,498,351	8.10
2013	9,826,926	3.46
2014	10,268,030	4.45

Source: The District.

Largest Customers

The following table sets forth the largest customers of the Water System as of June 30, 2014 as determined by annual payments.

Table 5

**Yucaipa Valley Water District
Largest Water Customers**

<u>Customer</u>	<u>Annual Payments</u>
Lakeview Mobile Home Park	\$227,026.53
El Dorado Palms Mobile Home Park	149,540.45
Wildwood Mobile Home Park	140,330.76
Executive Mobile Home Park	115,624.13
Crestview Mobile Home Park	97,008.06
Knollwood Mobile Estates	92,623.82
Northview Mobile Home Estates	88,657.45
Coach of San Diego, Inc.	86,715.62
Hitching Post Mobile Home Park	86,140.86
Big Oak Gardens	84,500.24
Total	\$1,168,167.92

Source: The District.

These largest customers accounted for approximately 11.38% of water sales from the Water System and approximately 8.66% of total District Water System Revenues in the Fiscal Year ending June 30, 2014.

Water System Rates and Charges

The District water rates are comprised of a monthly minimum charge and a unit charge based on the amount of water used. The District also charges for disconnections and reconnections to the Water System, and for construction meter rentals.

The District most recently increased rates for its water service in August 2011 in accordance with Resolution No. 18-2011 adopted by the Board of Directors. Resolution No. 18-2011 included a scheduled increase in [the fixed water service charge per Equivalent Dwelling Unit] effective on September 1, 2011; July 1, 2012; July 1, 2013; and July 1, 2014. In adopting the rate increases in August 2011, the District complied with all substantive requirements under law. See the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES."

[The District does not currently have any additional scheduled rate increases for its water service.]

For information with respect to certain constitutional provisions which may affect the ability of the District to increase rates and charges above levels approved in August 2011, see the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES." The Board of Directors may reduce such rates in the future, subject to the rate covenant described under the caption "SECURITY FOR THE 2015 BONDS—Rate Covenant."

Monthly Minimum Charge. The District monthly minimum charge is paid by all customer classes and, with the exception of multiple unit customers, is based on meter size. The monthly minimum charge is as follows:

Table 6
Yucaipa Valley Water Monthly Minimum Charge
Fiscal Year 2015

<u>Meter Size (in inches)</u>	<u>Monthly Service Minimum Charge</u>
5/8" x 3/4"	\$14.00
1"	23.38
1-1/2"	46.62
2"	74.62
3"	140.00
4"	233.38
6"	466.62
8"	746.62

Source: The District.

Unit Charge. The District unit charge is based on the number of thousand gallons ("kgal") used and calculated at the rate shown on the following schedule.

<u>Quantity (kgal)</u>	<u>Cost/kgal</u>
1 to 15	\$1.429
16 to 60	1.919
61 to 100	2.099
101 or More	2.429

Water Service Charges. The table below sets forth a comparison of the average monthly water charges of the District for a single-family residential user to those of nearby water purveyors as of July 2014:

Table 7

**Yucaipa Valley Water District
Rate Comparison⁽¹⁾**

SINGLE FAMILY RESIDENTIAL

<u>Community</u>	<u>Monthly Service Charge⁽¹⁾</u>	<u>Monthly Commodity Charge⁽²⁾</u>	<u>Total Monthly Charge⁽³⁾</u>
Eastern Municipal Water District	\$12.91	\$61.14	\$74.05
East Valley Water District – WBR	27.10	43.99	71.09
East Valley Water District	13.71	40.71	54.42
City of Redlands	18.74	31.17	49.91
City of Riverside	18.00	31.74	49.74
City of Colton	16.70	37.03	53.73
West Valley Water District	22.21	51.20	73.41
Yucaipa Valley Water District	10.00	34.36	44.36
Western Municipal Water District	28.08	50.90	78.98
Cucamonga Valley Water District	14.19	44.75	58.94

⁽¹⁾ As of July 2014.

Source:

Developer Fees. The District charges developers fees to cover the cost of improvements to the Water System necessary to provide water service to new development within the District’s service area. The District charges developer fees per Equivalent Dwelling Unit for new development. [An Equivalent Dwelling Unit is equal to _____.] The District increases its development fee rates from time to time based on system-wide improvements necessary to support new development within its service area. The current fee schedule for new development was adopted in May 2007 and included annual rate increases each year between 2007 and 2012, inclusive. The developer fees for a typical single family residence are \$13,478 per Equivalent Dwelling Unit based on the fee components shown in the table below. [The District does not currently have any scheduled increases to its developer fee rates.]

<u>Drinking Water Facilities Capacity Charge Component</u>	<u>Rates Effective January 1, 2012 per Equivalent Dwelling Unit</u>
Yucaipa Valley Regional Water Filtration Facility	
Debt Service for Phase I Construction	\$3,279
Land, Design, Engineering Fees for Phase II and III	532
Non-Potable Water System	823
Booster Pumping Plants	885
Pipeline Facilities	4,407
Water Storage Reservoirs	3,552
Total	\$13,478

Developer fees are a highly variable revenue source for the District as they are based on the level of development activity during each Fiscal Year. The following table shows the developer fees collected for connection to the Water System for the five most recent Fiscal Years and the number of Equivalent Dwelling Units of new development in such Fiscal Years. In certain instances, a developer will undertake to construct the improvements necessary to connect its development to the Water System and dedicate such improvements

to the District. The value of facilities constructed by developers and dedicated to the District are not included in the amounts below.

Table 8

**Yucaipa Valley Water District
Historic Developer Fees**

<i><u>Fiscal Year Ending June 30</u></i>	<i><u>Number of Equivalent Dwelling Units</u></i>	<i><u>Developer Fees</u></i>	<i><u>Increase/(Decrease)</u></i>
2010	17.66	\$222,991	N/A
2011	86.00	1,069,916	379.00%
2012	21.87	204,717	(80.86)
2013	57.13	438,727	114.31
2014	132.70	450,194	2.61

Source: The District.

The table below sets forth a comparison of the developer fees of the District per Equivalent Dwelling Unit to those of nearby water purveyors for Fiscal Year 2015:

Table 9

**Yucaipa Valley Water District
Developer Fee Comparison
Fiscal Year 2015**

SINGLE FAMILY RESIDENTIAL

<i><u>Community</u></i>	<i><u>Developer Fee Amount per Equivalent Dwelling Unit</u></i>
Eastern Municipal Water District	
Fontana Water Company	
Cucamonga County Water District	
West San Bernardino County Water District	
Yucaipa Valley Water District	
Beaumont-Cherry Valley Water District	
San Bernardino Municipal Water District	
Coachella Valley Water District	

Source:

Collection Procedures

The District is on a monthly billing cycle for water service. Payment is due by the 27th day after the billing date and is considered delinquent if not paid by that date. If payment is not received, a delinquency message appears on the next monthly water bill. After 28 days, delinquent customers are billed a 10% late fee and have two weeks to bring the delinquent account current. Currently, delinquent payments account for approximately 1% of total Water System Revenues. Service for accounts not paid in full within 48 days of the billing date will be discontinued until full payment is made, including late penalties and a \$75.00 disconnection and reconnection fee.

The District actively pursues delinquent accounts, and in most cases is able to collect delinquent amounts through a combination of discontinuing services, sending delinquent accounts to a collection agency, placing a lien on the applicable property, and/or pursuing the claims other legal actions, such as small claims court. In the event that the District is unable to collect delinquent amounts, the Board of Directors is requested to identify and quantify such uncollectible amounts for the preparation of the District’s audited financial statements. The following table illustrates the total uncollectible amounts for the five most recent fiscal years as a percentage of total Water System and Wastewater System revenues for each Fiscal Year.

Table 10

**Yucaipa Valley Water District
Identification of Uncollectible Amounts - Water Fund and Wastewater Fund**

<i><u>Fiscal Year</u></i> <i><u>Ending</u></i> <i><u>June 30</u></i>	<i><u>Declaration of Uncollectible</u></i> <i><u>Amounts as a Percentage of Total</u></i> <i><u>Water Fund and</u></i> <i><u>Wastewater Fund Revenues</u></i>
2008	0.27%
2009	0.24
2010	0.23
2011	0.23
2012	0.16

Source: The District.

1% Property Tax Revenues

Each County levies a 1% property tax on behalf of all taxing agencies in each County, including the District. The taxes collected are allocated to taxing agencies within each County, including the District, on the basis of a formula established by State law enacted in 1979. Under this formula, each County and all other taxing entities receive a base year allocation plus an allocation on the basis of “situs” growth in assessed value (new construction, change of ownership and inflation) prorated among the jurisdictions, which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas, which were developed to permit the levying of taxes for less than countywide or less than citywide special districts.

For Fiscal Year 2014, the allocation received by the District of the 1% property tax was \$2,629,054 of which \$2,489,554 was allocated to the Water System. For Fiscal Year 2013, the allocation received by the District of the 1% property tax was \$2,522,239 of which \$2,382,739 was allocated to the Water System. Property taxes as a percentage of the total revenues of the District averaged approximately 10% over the last five years.

From time to time legislation has been considered as part of the State budget to shift Property Tax Revenues from special districts to school districts or other governmental entities. While legislation enacted in connection with the 1992-93 State budget shifted approximately 35% of many special districts’ shares of the countywide one percent *ad valorem* tax, the share of the countywide one percent *ad valorem* tax allowable to multi-county special districts, such as the District, was exempted. The 2004-05 State budget reallocated additional portions of the special districts’ shares of the countywide one percent *ad valorem* tax, shifting a portion of the property tax revenues collected by the County from special districts to school districts. As a result of the 2004-05 State budget, the District lost approximately \$2,169,128 of Property Tax Revenues, cumulatively, over Fiscal Years 2005 and 2006. Pursuant to the 2004-05 State budget, such property tax revenues reverted to the District in Fiscal Year 2007.

On November 2, 2004, State voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State’s authority over major local government revenue sources. Under Proposition 1A, the State may not, among other things: (i) shift property taxes from local governments to schools or community colleges; or (ii) change how one percent *ad valorem* property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature. Beginning in State fiscal year 2009-10, the State may shift to schools and community colleges a limited amount of local government property tax revenues if certain conditions are met, including: (a) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State; and (b) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years and no additional shifts may occur until the State repays the shifted revenues. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

On July 27, 2009, the Governor of the State signed a revised fiscal year 2009-10 State budget which included a shift of approximately 8% of the one percent *ad valorem* property tax revenues from certain local agencies, including the District, to school districts and other governmental agencies. The District participated in the State of California Proposition 1A Receivables Program to securitize its receivable from the State, and as a result received the funds shifted in the amount of \$212,312, without interest, in two installment payments in 2010 from the California Statewide Communities Development Authority.

There can be no assurance that the property tax revenues that the District currently expects to receive will not be temporarily shifted from the District pursuant to Proposition 1A in future years, or reduced pursuant to State legislation enacted in the future. If the property tax formula is changed in a State fiscal year or permanently changed in the future, it could have a material adverse effect on the receipt of property tax revenues by the District.

The District currently allocates property tax revenues among the Water System, Wastewater System and Recycled Water System based on a year to year basis. The District allocated Property Tax Revenues for Fiscal Year 2014 in the following manner:

Table 11
Yucaipa Valley Water District
1% Property Tax Revenue Allocations
Fiscal Year Ended June 30, 2014

<i>District Division</i>	<i>Allocation of Total Property Tax Revenues</i>	<i>Percentage of Allocation</i>
Water System	\$2,489,554	95.0%
Wastewater System	121,500	4.6
Recycled Water System	18,000	0.5

For the projected allocation of property tax revenues for the Water System see the table under the caption “FINANCIAL INFORMATION OF THE DISTRICT—Projected Operating Results and Debt Service Coverage.”

Assessed Valuations, Tax Collections and Tax Delinquencies

The following tables show the secured assessed valuation within the District in each County and the amount received by the District of the 1% property tax during the five most recent Fiscal Years. As a result of the implementation of the tax distribution system commonly referred to as the “Teeter Plan” by the County of San Bernardino and the County of Riverside and the participation by the District beginning in July 1984, the

District receives 100% of its share of the 1% property tax levies without regard to delinquencies. There can be no assurance that the Teeter Plan or the participation of the District therein will be continued indefinitely.

Table 12

**San Bernardino County Portion of District
Secured Assessed Valuation and District Allocation
County Fiscal Years Ending June 30, 2010 Through June 30, 2014**

<i><u>Fiscal Year</u></i>	<i><u>Total Secured Assessed Valuation</u></i>	<i><u>District Allocations in Corresponding Fiscal Year</u></i>
2010	\$ 5,870,761,241	\$ 2,220,322
2011	5,540,136,660	2,107,646
2012	5,569,649,234	2,118,577
2013	5,626,030,791	2,124,209
2014	5,731,974,947	2,153,239

Source: San Bernardino County Auditor-Controller for Total Secured Assessed Valuation; Yucaipa Valley Water District for District Allocations.

The District allocation of 1% property tax revenues in the County of San Bernardino for Fiscal Year 2014 as reported by the County of San Bernardino is \$2,153,239, a 1.4% increase over the prior year.

Table 13

**Riverside County Portion of District
Secured Assessed Valuation and District Allocation
County Fiscal Years Ending June 30, 2010 Through June 30, 2014**

<i><u>Fiscal Year</u></i>	<i><u>Total Secured Assessed Valuation</u></i>	<i><u>District Allocations in Corresponding Fiscal Year</u></i>
2010	\$ 999,040,405	\$ 135,522
2011	939,028,837	127,170
2012	753,105,905	125,668
2013	756,403,097	128,063
2014	775,119,465	135,624

Source: Riverside County Auditor-Controller for Total Secured Assessed Valuation; Yucaipa Valley Water District for District Allocations.

The District allocation of 1% property tax revenues in the County of Riverside for Fiscal Year 2014 as reported by the County of Riverside is \$135,624, a 5.9% increase over the prior year.

Future Water System Improvements

The District projects capital improvements to the Water System for existing users of approximately \$15,000,000 over the next five years. The remaining capital improvements will be financed by a combination of grants, loans and Water System Revenues. The District projects capital improvements to the Water System to accommodate future growth of approximately \$25,000,000 over the next five years.

The District expects that such capital improvements to accommodate new growth will be funded by the financing of developer impact fees and assessments levied on parcels within the District through the California Statewide Communities Development Authority’s Statewide Community Infrastructure Program (the “SCIP”). The SCIP provides local agencies, such as the District, and qualifying property owners with access to financing for development fees payable by such property owners. Debt service on obligations issued through SCIP to finance development fees is payable from assessments levied in the jurisdictions in which the financed development fees are owed.

Projected Water Connections

The following table shows the increase in the number of water connections to the Water System projected by the District for the current and next four fiscal years.

Table 14

**Yucaipa Valley Water District
Projected Water Connections**

<i><u>Fiscal Year</u></i> <i><u>Ending June 30</u></i>	<i><u>Connections</u></i>	<i><u>Increase</u></i>
2015	12,471	N/A
2016	12,636	1.3%
2017	12,826	1.5
2018	13,036	1.6
2019	13,266	1.8

Source: The District.

The number of connections to the Water System will be affected by development activity within the District served by the Water System.

Projected Water Deliveries

The District currently estimates that water deliveries for the current and next four fiscal years will be as follows.

Table 15
Yucaipa Valley Water District
Projected Water Deliveries in Acre-Feet Per Year

<i>Fiscal Year Ending</i> <u>June 30</u>	<u>Total</u>	<u>Increase</u>
2015	12,656	N/A
2016	12,846	1.5%
2017	13,039	1.5
2018	13,234	1.5
2019	13,433	1.5

Source: The District.

Water deliveries indicated are potential demands based on historic use and may vary from year to year based on weather conditions, conservation, and economic factors.

Projected Developer Fees

The following table projects annual developer fees for the current and next four fiscal years. The projected developer fees are based on projected development activity within the District’s service area and building activity information provided by the cities of Calimesa and Yucaipa. The District increases its development fee rates from time to time based on system-wide improvements necessary to support new development within its service area. [The District does not currently have any scheduled increases to its developer fee rates. See the caption “— Water System Rates and Charges – Developer Fees” above.]

Table 16
Yucaipa Valley Water District
Projected Developer Fees

<i>Fiscal Year Ending</i> <u>June 30</u>	<u>Developer Fees</u>	<u>Increase</u>
2015	\$1,954,310	N/A
2016	2,223,870	13.8%
2017	2,560,820	15.2
2018	2,830,380	10.5
2019	3,099,940	9.5

Source: The District.

Projected Water Sales Revenues

The following table projects annual water sales revenues of the Water System, which projections are based on the increases in projected water deliveries described under “THE WATER SYSTEM OF THE DISTRICT — Projected Water Deliveries.” The District is currently considering water rate increases of approximately 1% in each of the next five Fiscal Years [based on the implementation of an electrical energy

surcharge pass through charge based on actual charges incurred by Southern California Edison. In addition, the District already has a pass through rate structure for any increases in the cost of State Water Project water from SBVMWD and SGPWA.]

Table 17

**Yucaipa Valley Water District
Projected Water Sales Revenues**

<i>Fiscal Year Ending June 30</i>	<i>Water Sales Revenues</i>	<i>Increase</i>
2016	\$6,375,000	2.0%
2017	6,502,500	2.0
2018	6,632,550	2.0
2019	6,765,201	2.0
2020	6,900,505	2.0

Source: The District.

FINANCIAL INFORMATION OF THE DISTRICT

Financial Statements

A copy of the most recent audited financial statements of the District prepared by Vavrinek, Trine, Day & Co., LLP, (the "Auditor") are included as Appendix A hereto (the "Financial Statements"). The Auditor's letter concludes that the audited financial statements present fairly, in all material respects, the financial position of the Water, Sewer, and Recycled Water Enterprise Funds of the District, as of June 30, 2014, and the respective changes in financial position, and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

The summary operating results contained under the caption Historic Operating Results and Debt Service Coverage" are derived from these financial statements (excluding certain non-cash items and after certain other adjustments) and are qualified in their entirety by reference to such statements, including the notes thereto.

The District accounts for moneys received and expenses paid in accordance with generally accepted accounting principles applicable to governmental agencies such as the District ("GAAP"). In certain cases GAAP requires or permits moneys collected in one Fiscal Year to be recognized as revenue in a subsequent Fiscal Year and requires or permits expenses paid or incurred in one Fiscal Year to be recognized in a subsequent Fiscal Year. See "APPENDIX A — YUCAIPA VALLEY WATER DISTRICT FINANCIAL STATEMENTS." Except as otherwise expressly noted herein, all financial information derived from the District's audited financial statement reflect the application of GAAP.

Historic Operating Results

The following table is a summary of operating results of the Water System of the District, for the last five fiscal years. These results have been derived from the Financial Statements of the District but exclude certain receipts which are not included as Water System Revenues under the Indenture and certain non-cash items and include certain other adjustments. See under the caption "YUCAIPA VALLEY WATER DISTRICT — Outstanding District Obligations."

Table 18

**Yucaipa Valley Water District
Water System
Historic Operating Results
Fiscal Year Ended June 30**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Revenues					
1% Property Tax Revenues ⁽¹⁾	\$ 2,575,342	\$ 2,159,843	\$ 1,970,404	\$ 2,382,739	\$ 2,489,554
Water sales ⁽²⁾	9,144,778	8,786,848	9,498,351	9,826,926	10,268,030
Interest income ⁽³⁾	7,292	4,775	8,766	7,050	9,025
Developer impact fees ⁽⁴⁾	222,991	1,069,916	204,717	397,226	450,194
Other revenue and income ⁽⁵⁾	<u>797,406</u>	<u>929,720</u>	<u>772,118</u>	<u>243,673</u>	<u>273,067</u>
Total Revenues	\$ 12,747,809	\$ 12,951,102	\$ 12,454,356	\$ 12,857,614	\$ 13,489,870
Operation and Maintenance Costs⁽⁶⁾					
Salaries & Employee Benefits	\$2,997,400	\$3,210,093	\$3,315,815	\$3,549,651	\$3,604,060
Electrical Power	1,522,017	1,465,920	1,345,028	1,420,061	1,687,906
Water Purchases	722,373	805,035	933,923	1,043,894	741,329
Administration Costs ⁽⁷⁾	1,359,986	1,466,104	1,484,369	1,620,916	1,680,117
Crystal Creek Water Treatment	666,964	549,985	664,912	570,097	639,177
Professional Services ⁽⁸⁾	<u>458,293</u>	<u>396,821</u>	<u>404,826</u>	<u>457,677</u>	<u>456,596</u>
Total Operations and Maintenance Costs	\$ 7,727,033	\$ 7,893,958	\$ 8,148,873	\$ 8,662,296	\$ 8,809,185
Net Revenues	\$ 5,020,776	\$ 5,057,144	\$ 4,305,483	\$ 4,195,318	\$ 4,680,685
2004 Installment Payments ⁽⁹⁾	\$ 2,931,706	\$ 2,931,219	\$ 2,932,375	\$ 2,931,025	\$ 2,931,994
Debt Service Coverage	1.71	1.73	1.47	1.43	1.60
Transfer to Recycled Water Revenue Fund ⁽¹⁰⁾	--	--	--	--	\$ 1,543,174
Remaining Net Revenues	\$ 2,089,070	\$ 2,125,925	\$ 1,373,108	\$ 1,264,293	\$ 205,517

⁽¹⁾ Portion of 1% Property Tax Revenues allocated to Water System.
⁽²⁾ Excludes Recycled Water System revenues.
⁽³⁾ Represents the share allocated to the Water System. Excludes unrealized gains and losses on investments.
⁽⁴⁾ Includes development impact fees allocated to the Water System but excludes the value of physical facilities dedicated to the District by developers. See the caption "THE WATER SYSTEM OF THE DISTRICT – Water System Rates and Charges."
⁽⁵⁾ Includes transfers for interfund services provided, grants and other income. Interfund services includes reimbursement amounts transferred from the sewer enterprise fund for administration accounting and general services, which amounts are included as an administrative services expense in the sewer enterprise fund. [Also includes w/s direct allocation in budget.]
⁽⁶⁾ Excludes depreciation/amortization and loss on disposal of assets.
⁽⁷⁾ Includes expenses relating to administrative services, operating supplies and maintenance and repairs.
⁽⁸⁾ Includes expenses relating to insurance, professional services and other expenses.
⁽⁹⁾ After the refunding contemplated herein, there will not be any 2004 Certificates outstanding. See the caption "REFUNDING PLAN."
⁽¹⁰⁾ In Fiscal Year 2014, the District transferred \$1,543,174 [from Net Revenues after the payment of the 2004 Installment Payment] to the recycled water enterprise fund. See "– Management Discussion of Fiscal Year 2014 Historic Operating Results" below.
 Source: The District.

Management Discussion of Fiscal Year 2014 Historic Operating Results.

In Fiscal Year 2014, the District transferred \$1,543,174 from the Water System Revenue Fund to the Recycled Water System to fund certain Recycled Water System capital improvements. The Board determined, pursuant to a nexus study conducted in connection with the District's facility capacity charges, that certain revenues previously allocated to the Water System are allocable to the Recycled Water System. [Such transfer was made from Net Revenues after the payment of the 2004 Installment Payment.]

Projected Operating Results and Debt Service Coverage

The estimated projected operating results and debt service coverage for the Water System of the District for the Fiscal Years ending June 30, 2015 through June 30, 2019 are set forth below, reflecting certain significant assumptions concerning future events and circumstances. The financial forecast represents the District's estimate of projected financial results based on the assumptions set forth in the footnotes to the chart set forth below. Such assumptions are material in the development of the District's financial projections, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material.

Table 19

**Yucaipa Valley Water District
Water System
Projected Operating Results and Debt Service Coverage
Fiscal Year Ending June 30**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Revenues					
1% Property Tax Revenue ⁽¹⁾	\$ 2,540,000	\$ 2,590,000	\$ 2,640,000	\$ 2,690,000	\$ 2,740,000
Water Sales ⁽²⁾	10,470,000	10,680,000	10,890,000	11,110,000	11,330,000
Interest Income ⁽³⁾	9,200	9,400	9,600	9,800	10,000
Developer Impact Fees ⁽⁴⁾	1,954,310	2,223,870	2,560,820	2,830,380	3,099,940
Other Revenue and Income ⁽⁵⁾	<u>278,528</u>	<u>284,099</u>	<u>289,781</u>	<u>295,577</u>	<u>301,488</u>
Total Revenues	\$ 15,252,038	\$ 15,787,369	\$ 16,390,201	\$ 16,935,757	\$ 17,481,428
Operation and Maintenance Costs					
Salaries & Employee Benefits ⁽⁶⁾	\$3,750,000	\$3,900,000	\$4,050,000	\$4,220,000	\$4,390,000
Electrical Power ⁽⁷⁾	1,770,000	1,860,000	1,950,000	12,050,000	2,150,000
Water Purchases ⁽⁸⁾	1,050,000	1,070,000	1,090,000	1,110,000	1,130,000
Administration Costs ⁽⁹⁾	1,670,000	1,700,000	1,730,000	1,760,000	1,790,000
Crystal Creek Water Treatment ⁽¹⁰⁾	651,000	664,000	677,000	690,000	704,000
Professional Services ⁽¹¹⁾	<u>490,000</u>	<u>495,000</u>	<u>505,000</u>	<u>515,000</u>	<u>525,000</u>
Total Operations and Maintenance Costs	\$ 9,381,000	\$ 9,689,000	\$ 10,002,000	\$ 10,345,000	\$ 10,689,000
Net Revenues	\$ 5,871,038	\$ 6,098,369	\$ 6,388,201	\$ 6,590,757	\$ 6,792,428
Debt Service					
2004 Installment Payments ⁽¹²⁾	\$ 2,931,425	--	--	--	--
2015 Bonds ⁽¹³⁾	--	\$ 2,600,000	\$ 2,600,000	\$ 2,600,000	\$ 2,600,000
Debt Service Coverage	2.00	2.35	2.46	2.53	2.61
Remaining Net Revenues	\$ 2,939,613	\$ 1,885,177	\$ 1,556,467	\$ 1,376,933	\$ 211,664

⁽¹⁾ Projected to increase approximately 2% each year between Fiscal Years 2015 through 2019. Reflects Property Tax Revenues described under the caption "THE WATER SYSTEM OF THE DISTRICT — 1% Property Tax Revenues."

⁽²⁾ Water deliveries projected as set forth under the caption "THE WATER SYSTEM OF THE DISTRICT — Projected Water Deliveries" at rates set forth under the caption "THE WATER SYSTEM OF THE DISTRICT — Project Water Sales Revenues." Projected to increase at approximately 2% per annum between Fiscal Years 2015 through 2019.

⁽³⁾ Interest income [on District reserves allocated to the Water System] is projected based on current interest earning rates of approximately ___% per annum.

⁽⁴⁾ Reflects projected developer fees described under the caption "THE WATER SYSTEM OF THE DISTRICT— Projected Developer Fees."

⁽⁵⁾ Includes transfers for interfund services provided and other income. Interfund services includes reimbursement amounts transferred from the sewer enterprise fund for administration accounting and general services, which amounts are included as an administrative services expense in the sewer enterprise fund. Projected to increase at approximately 2% per annum between Fiscal Years 2015 through 2019.

⁽⁶⁾ Projected to increase at approximately 4% per annum.

⁽⁷⁾ Projected to increase at approximately 5% per annum.

⁽⁸⁾ Projected to increase at approximately 2% per annum. [The District's existing rate structure provides for a pass through of the Water Purchase charges incurred from the San Bernardino Valley Municipal Water District and the San Geronio Pass Water Agency.]

(Footnotes continued on following page)

(Continued from previous page)

- (9) Includes expenses relating to administrative services, operating supplies and maintenance and repairs. Projected to increase at approximately 2% per annum.
 - (10) Projected to increase at approximately 2% per annum.
 - (11) Includes expenses relating to insurance, professional services and other expenses. Projected to increase at approximately 2% per annum.
 - (12) After the refunding contemplated herein, there will not be any 2004 Certificates outstanding. See the caption "REFUNDING PLAN."
 - (13) Includes payments of principal of and interest on the 2015 Bonds projected at a true-interest cost of ____% and a principal amount of \$_____. See the caption "YUCAIPA VALLEY WATER DISTRICT — Outstanding District Obligations."
- Source: The District.

LITIGATION

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the District, threatened against the District affecting the existence of the District or the titles of its directors or officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the 2015 Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the validity or enforceability of the 2015 Bonds, the Indenture or any action of the District contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the District or its authority with respect to the 2015 Bonds or any action of the District contemplated by any of said documents, nor to the knowledge of the District, is there any basis therefor.

There exist lawsuits and claims against the District which are incidental to the ordinary course of business of the operation of the District. In the view of the District's general counsel, there is no such litigation present or pending, which will individually or in the aggregate materially impair the District's ability to pay the principal of and interest on the 2015 Bonds.

CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES

Article XIII B

The State Constitution limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and population. The "base year" for establishing such appropriation limit is the 1978-79 fiscal year and the limit is to be adjusted annually to reflect changes in population and consumer prices. Adjustments in the appropriations limit of an entity may also be made if: (i) the financial responsibility for a service is transferred to another public entity or to a private entity; (ii) the financial source for the provision of services is transferred from taxes to other revenues; or (iii) the voters of the entity approve a change in the limit for a period of time not to exceed four years.

Appropriations subject to Article XIII B generally include the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions and refunds of taxes. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to an entity of government from: (a) regulatory licenses, user charges, and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation); and (b) the investment of tax revenues. Article XIII B includes a requirement that if an entity's revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Certain expenditures are excluded from the appropriations limit including payments of indebtedness existing or legally authorized as of January 1, 1979, or of bonded indebtedness thereafter approved by the

voters and payments required to comply with court or federal mandates which without discretion require an expenditure for additional services or which unavoidably make the providing of existing services more costly.

The District is of the opinion that the rates imposed by the District do not exceed the costs that the District reasonably bears in providing water service. The District will covenant in the Indenture that, to the fullest extent permitted by law, it will prescribe rates and charges that it reasonably expects to be sufficient to provide Net Revenues for payment of principal of and interest on the 2015 Bonds in each year.

Proposition 218

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

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

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

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

Based upon the California Court of Appeal decision in *Howard Jarvis Taxpayers Association v. City of Los Angeles*, 85 Cal. App. 4th 79 (2000), which was denied review by the State Supreme Court, it was generally believed that Article XIII D did not apply to charges for water services that are “primarily based on the amount consumed” (i.e., metered water rates), which had been held to be commodity charges related to consumption of the service, not property ownership. The State Supreme Court ruled in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal.4th 205 (2006) (the “Bighorn Case”), however, that fees for ongoing water service through an existing connection were properly-related fees and charges. The State Supreme Court specifically disapproved the holding in *Howard Jarvis Taxpayers Association v. City of Los Angeles* that metered water rates are not subject to Proposition 218.

The District has complied with the notice, hearing and protest procedures in Article XIII D with respect to its Water System rates, including those approved in August 2011. See the caption "WATER SYSTEM—Water System Rates and Charges."

Article XIII C. Article XIII C provides that the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments. Article XIII C does not define the terms "local tax," "assessment," "fee" or "charge," so it was unclear whether the definitions set forth in Article XIII D referred to above are applicable to Article XIII C. Moreover, the provisions of Article XIII C are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. On July 24, 2006, the Supreme Court held in the *Bighorn* Case that the provisions of Article XIII C included rates and fees charged for domestic water use. In the decision, the Court noted that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations. The District does not believe that Article XIII C grants to the voters within the District the power to repeal or reduce the water charges in a manner which would be inconsistent with the contractual obligations of the District. However, there can be no assurance of the availability of particular remedies adequate to protect the beneficial owners of the 2015 Bonds. Remedies available to beneficial owners of the 2015 Bonds in the event of a default by the District are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time-consuming to obtain.

In addition to the specific limitations on remedies contained in the applicable documents themselves, the rights and obligations with respect to the 2015 Bonds and the Indenture are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State. The various opinions of counsel to be delivered with respect to such documents, including the opinion of Bond Counsel (the form of which is attached as Appendix C), will be similarly qualified.

The District believes that its current water rates and other property-related charges comply with the requirements of Proposition 218 and expects that any increases in current rates and charges or the adoption of any new future water rates and other property-related charges will be subject to compliance with Proposition 218's procedural and substantive requirements to the extent applicable thereto.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or

reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. The District does not believe that the enactment of Proposition 26 affects its ability to charge for its water service.

Future Initiatives

Articles XIII B, XIII C and XIII D were adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiatives could be proposed and adopted affecting the District's revenues or ability to increase revenues.

APPROVAL OF LEGAL PROCEEDINGS

The valid, legal and binding nature of the 2015 Bonds is subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, acting as Bond Counsel. The form of such legal opinion is attached hereto as Appendix C, and such legal opinion will be attached to each 2015 Bond. Bond Counsel expresses no opinion as to the accuracy, completeness or fairness of this Official Statement or other offering materials relating to the 2015 Bonds and expressly disclaims any duty to advise the Owners of the 2015 Bonds as to matters related to this Official Statement.

Certain legal matters will be passed upon for the District by Aklufi & Wysocki, Riverside, California, General Counsel to the District, for the underwriter by their counsel, Katten Muchin Rosenman LLP, New York, New York ("Underwriter's Counsel") and for the Trustee by its counsel. Payment of the fees of Bond Counsel and Underwriter's Counsel is contingent upon the issuance of the 2015 Bonds.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the 2015 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the 2015 Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the 2015 Bonds may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations.

Bond Counsel's opinion as to the exclusion from gross income of interest on the 2015 Bonds is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the 2015 Bonds to assure that interest on the 2015 Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the 2015 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2015 Bonds. The District has covenanted to comply with all such requirements.

The difference between the issue price of a 2015 Bond (the first price at which a substantial amount of the 2015 Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the 2015 Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a 2015 Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a 2015 Bond Owner will increase the 2015 Bond Owner's basis in the applicable 2015 Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the 2015 Bond Owner is excluded from gross income of such 2015 Bond Owner for

federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the 2015 Bond Owner is exempt from State of California personal income tax.

The amount by which a 2015 Bond Owner's original basis for determining loss on sale or exchange in the applicable 2015 Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the 2015 Bond Owner's basis in the applicable 2015 Bond (and the amount of tax-exempt interest received with respect to the 2015 Bonds), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a 2015 Bond Owner realizing a taxable gain when a 2015 Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2015 Bond to the Owner. Purchasers of the 2015 Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax exempt bond issues, including both random and targeted audits. It is possible that the 2015 Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2015 Bonds might be affected as a result of such an audit of the 2015 Bonds (or by an audit of similar municipal obligations). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the 2015 Bonds to the extent that it adversely affects the exclusion from gross income of interest on the 2015 Bonds or their market value.

It is possible that subsequent to the issuance of the 2015 Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the 2015 Bonds or the market value of the 2015 Bonds. Recently, proposed legislative changes have been introduced in Congress, which, if enacted, could result in additional federal income or state tax being imposed on owners of tax-exempt state or local obligations, such as the 2015 Bonds. The introduction or enactment of any of such changes could adversely affect the market value or liquidity of the 2015 Bonds. No assurance can be given that subsequent to the issuance of the 2015 Bonds such changes (or other changes) will not be introduced or enacted or interpretations will not occur. Before purchasing any of the 2015 Bonds, all potential purchasers should consult their tax advisors regarding possible statutory changes or judicial or regulatory changes or interpretations, and their collateral tax consequences relating to the 2015 Bonds.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the 2015 Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest for federal income tax purposes with respect to any 2015 Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Bond Counsel has rendered an opinion that interest on the 2015 Bonds is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the 2015 Bonds and the accrual or receipt of interest on the 2015 Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the 2015 Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the 2015 Bonds.

A complete copy of the proposed opinion of Bond Counsel is set forth in Appendix C—"FORM OF OPINION OF BOND COUNSEL."

FINANCIAL ADVISOR

The District has retained Fieldman, Rolapp & Associates, Irvine, California, as financial advisor (the "Financial Advisor") in connection with the issuance of the 2015 Bonds. The Financial Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The fees being paid to the Financial Advisor are contingent upon the issuance of the 2015 Bonds.

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

RATINGS

The District expects that S&P will assign the 2015 Bonds the rating of "___" and that Fitch will assign the 2015 Bonds the rating of "___." There is no assurance that any credit rating given to the 2015 Bonds will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by S&P or Fitch, respectively, if, in the judgment of S&P or Fitch, as applicable, circumstances so warrant. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2015 Bonds. Such ratings reflect only the views of S&P and Fitch, respectively, and an explanation of the significance of such ratings may be obtained from S&P and Fitch.

The District has covenanted in a Continuing Disclosure Certificate to file on EMMA, notices of any ratings changes on the 2015 Bonds. See the caption "CONTINUING DISCLOSURE" below and Appendix E—"FORM OF CONTINUING DISCLOSURE CERTIFICATE." Notwithstanding such covenant, information relating to ratings changes on the 2015 Bonds may be publicly available from the rating agencies prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change on EMMA. Purchasers of the 2015 Bonds are directed to the ratings agencies and their respective websites and official media outlets for the most current ratings changes with respect to the 2015 Bonds after the initial issuance of the 2015 Bonds.

UNDERWRITING

The 2015 Bonds will be purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Underwriter") pursuant to a Purchase Contract, dated _____, 2015 (the "Purchase Contract"), by and between the District and the Underwriter. Under the Purchase Contract, the Underwriter has agreed to purchase all, but not less than all, of the 2015 Bonds for an aggregate purchase price of \$ _____ (representing the principal amount of the 2015 Bonds, less an Underwriter's discount of \$ _____, plus/less a net original issue premium/discount of \$ _____). The Purchase Contract provides that the Underwriter will purchase all of the 2015 Bonds if any are purchased, the obligation to make such a purchase being subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel and certain other conditions.

The initial public offering prices stated on the inside front cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the 2015 Bonds to certain dealers (including dealers depositing 2015 Bonds into investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering prices.

CONTINUING DISCLOSURE UNDERTAKING

The District has covenanted in a Continuing Disclosure Certificate dated the date of execution and delivery of the 2015 Bonds (the "Continuing Disclosure Certificate") to provide annually certain financial information and operating data relating to the District by not later than 270 days following the end of its Fiscal Year (commencing with Fiscal Year 2015) including the audited Financial Statements of the District for each such Fiscal Year (together, the "Annual Report"), and to provide notices of the occurrence of certain other enumerated events.

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

In the past five years, the District has been subject to a continuing disclosure certificate previously entered into with respect to the 2004 Certificates (the "Prior Continuing Disclosure Undertaking"). Pursuant to the Prior Continuing Disclosure Undertaking, the District agreed to file its audited financial reports, certain operating data relevant to the 2004 Certificates, notices of certain enumerated events and notices of the occurrence of certain other enumerated events, if material.

[In the last five years, on one instance the District filed an Annual Report four days after the date required under the Prior Continuing Disclosure Undertaking. In the last five years, ratings changes with respect to the 2004 Certificates occurred as a result of changes in the ratings of the bond insurer insuring the 2004 Certificates, and certain ratings on the 2004 Certificates were withdrawn. The District did not timely file notices of the foregoing ratings changes and withdrawals with EMMA. The current ratings with respect to the 2004 Certificates, which reflect the ratings changes and withdrawal described above, however, were filed with EMMA at the time the District filed its Fiscal Year 2013 annual report for the 2004 Certificates. Other than such ratings change notices described in this paragraph, the District is not aware of any events in the last five years which may have required the filing of significant event notices under the Prior Continuing Disclosure Undertaking that were not filed.

Based on the annual reports filed in accordance with the Prior Continuing Disclosure Undertaking and the filings described above, the District believes that it is currently in compliance in all material respects with the Prior Continuing Disclosure Undertaking.]

In order to ensure compliance by the District with its continuing disclosure undertakings in the future, the Board of Directors approved disclosure procedures on _____, 2014 (the "Disclosure Procedures"). Pursuant to the Disclosure Procedures, the District Controller is required to take steps to ensure that continuing disclosure filings are prepared and filed in a timely manner. A copy of the Disclosure Procedures has been provided to the Underwriter and is available from the Controller of the District at 12770 Second Street, Yucaipa, California Telephone: (909) 797-5117.

MISCELLANEOUS

Insofar as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of such statements made will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the Owners of the 2015 Bonds.

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

YUCAIPA VALLEY WATER DISTRICT

By: _____
President of the Board of Directors

APPENDIX A
YUCAIPA VALLEY WATER DISTRICT FINANCIAL STATEMENTS

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APPENDIX B

DEFINITIONS AND SUMMARY OF THE INDENTURE

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

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

Upon issuance of the 2015 Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:

_____, 2015

Yucaipa Valley Water District
12770 Second Street
Yucaipa, CA 92399

Re: Yucaipa Valley Water District Water System Refunding Revenue Bonds, Series 2015A

Members of the Board of Directors:

We have examined a certified copy of the record of the proceedings of the Yucaipa Valley Water District (the "District") relative to the issuance of the \$ _____ Yucaipa Valley Water District Water Refunding Revenue Bonds, Series 2015A (the "2015 Bonds"), dated the date hereof, and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the District, the initial purchaser of the 2015 Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The 2015 Bonds are being issued pursuant to an Indenture of Trust, dated as of January 1, 2015 (the "Indenture"), by and between the District and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The 2015 Bonds mature on the dates and in the amounts referenced in the Indenture. The 2015 Bonds are dated their date of delivery and bear interest at the rates per annum referenced in the Indenture. The 2015 Bonds are registered in the form set forth in the Indenture.

Based on our examination as Bond Counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. The proceedings of the District show lawful authority for the issuance and sale of the 2015 Bonds under the laws of the State of California now in force, and the Indenture has been duly authorized, executed and delivered by the District, and, assuming due authorization, execution and delivery by the Trustee, as appropriate, the 2015 Bonds and the Indenture are valid and binding obligations of the District enforceable against the District in accordance with their terms.

2. The obligation of the District to make the payments of principal of and interest on the 2015 Bonds from Net Revenues (as defined in the Indenture) is an enforceable obligation of the District and does not constitute an indebtedness of the District in contravention of any constitutional or statutory debt limit or restriction.

3. Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the 2015 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. It should be noted that, with respect to corporations, such interest may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations.

4. Interest (and original issue discount) on the 2015 Bonds is exempt from State of California personal income tax.

5. The amount by which a 2015 Bond Owner's original basis for determining loss on sale or exchange in the applicable 2015 Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable bond premium reduces the 2015 Bond Owner's basis in the applicable 2015 Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of 2015 Bond premium may result in a 2015 Bond Owner realizing a taxable gain when a 2015 Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2015 Bond to the Owner. Purchasers of the 2015 Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

6. The difference between the issue price of a 2015 Bond (the first price at which a substantial amount of the 2015 Bonds of a maturity are to be sold to the public) and the stated redemption price at maturity with respect to such 2015 Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a 2015 Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a 2015 Bond Owner will increase the 2015 Bond Owner's basis in the applicable 2015 Bond. Original issue discount that accrues for the 2015 Bond Owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals or corporations (as described in paragraph 3 above) and is exempt from State of California personal income tax.

The opinions expressed herein as to the exclusion from gross income of interest on the 2015 Bonds are based upon certain representations of fact and certifications made by the District and are subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2015 Bonds to assure that such interest on the 2015 Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the 2015 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2015 Bonds. The District has covenanted to comply with all such requirements.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the 2015 Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest on the 2015 Bonds for federal income tax purposes with respect to any 2015 Bond if any such action is taken or omitted based upon the opinion or advice of counsel other than ourselves. Other than expressly stated herein, we express no other opinion regarding tax consequences with respect to the 2015 Bonds.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Indenture and the 2015 Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

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

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the 2015 Bonds or other offering material relating to the 2015 Bonds and expressly disclaim any duty to advise the owners of the 2015 Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

APPENDIX D**INFORMATION CONCERNING DTC**

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the 2015 Bonds, payment of principal, premium, if any, accreted value, if any, and interest on the 2015 Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the 2015 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2015 Bonds. The 2015 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2015 Bond will be issued for each annual maturity of the 2015 Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

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

Purchases of 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2015 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2015 Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2015 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bonds representing their ownership interests in 2015 Bonds, except in the event that use of the book-entry system for the 2015 Bonds is discontinued.

To facilitate subsequent transfers, all 2015 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2015 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2015 Bonds; DTC's records reflect only the identity of the Direct Participants to whose

accounts such 2015 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2015 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2015 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2015 Bonds documents. For example, Beneficial Owners of 2015 Bonds may wish to ascertain that the nominee holding the 2015 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2015 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2015 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2015 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2015 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A 2015 Bond Owner shall give notice to elect to have its 2015 Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such 2015 Bond by causing the Direct Participant to transfer the Participant's interest in the 2015 Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of 2015 Bond in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2015 Bond are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2015 Bond to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the 2015 Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, 2015 Bonds will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE 2015 Bonds, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE 2015 Bonds CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

Upon issuance of the 2015 Bonds, the District proposes to enter into a Continuing Disclosure Certificate in substantially the following form:

*Stradling Yocca Carlson & Rauth
Draft of 12/17/14*

ESCROW AGREEMENT (2004 CERTIFICATES)

THIS ESCROW AGREEMENT (2004 CERTIFICATES), dated as of January 1, 2015 (the "Agreement"), by and between the Yucaipa Valley Water District (the "District") and Wells Fargo Bank, National Association, Los Angeles, California, as escrow agent (the "Escrow Agent"), and the 2004 Trustee (as defined below) is entered into in accordance with Resolution No. ___ of the District adopted on _____, 2014 and a Trust Agreement, dated as of June 1, 2004 (the "2004 Trust Agreement"), by and among the Yucaipa Valley Water District Financing Corporation (the "Corporation"), Wells Fargo Bank, National Association (the "2004 Trustee") and the District, to refund all of the outstanding Yucaipa Valley Water District Water System Revenue Certificates of Participation, Series 2004A (the "2004 Certificates").

WITNESSETH:

WHEREAS, the District previously authorized the execution and delivery of the 2004 Certificates pursuant to the 2004 Trust Agreement;

WHEREAS, the District has determined that a portion of the proceeds of the \$ _____ aggregate principal amount of the Yucaipa Valley Water District Water System Refunding Revenue Bonds, Series 2015A (the "2015 Bonds") issued pursuant to an Indenture of Trust, dated as of January 1, 2015, by and between the District and Wells Fargo Bank, National Association, as trustee (the "Trustee"), together with certain other money deposited by the District, will be used to provide the funds to pay, with respect to the 2004 Certificates, the regularly scheduled payment of interest on [March 1], 2015 and to pay on [March 1], 2015 the principal maturing on and after September 1, 2015, without premium (the "Prepayment Price"); and

WHEREAS, by irrevocably depositing with the Escrow Agent moneys (as permitted by, in the manner prescribed by, and all in accordance with the 2004 Trust Agreement), which moneys will be used to purchase securities satisfying the criteria set forth in Section 10.1 of the 2004 Trust Agreement as described on Schedule A hereto (the "Federal Securities"), provided the principal of and the interest on the Federal Securities when paid will provide money, which moneys, together with the moneys deposited with the Escrow Agent at the same time pursuant to this Agreement, will be fully sufficient to pay and discharge the 2004 Certificates;

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, the District and the Escrow Agent agree as follows:

SECTION 1. Deposit of Moneys. The District hereby instructs the Escrow Agent to deposit (i) \$ _____ received from the Trustee from a portion of the net proceeds of the sale of the 2015 Bonds and (ii) \$ _____ transferred by the 2004 Trustee from the funds and accounts held with respect to the 2004 Certificates, into the Escrow Fund established hereunder. The Escrow Agent shall hold all such amounts in irrevocable escrow separate and apart from other funds of the District and the Escrow Agent in a fund hereby created and established to be known as the "2004 Certificates Escrow Fund" (the "Escrow Fund") and to be applied solely as provided in this Agreement. The District hereby instructs the Escrow Agent to apply \$ _____ of the moneys set forth above to purchase the Federal Securities listed in Schedule A hereto, and to hold \$ _____ uninvested as cash.

SECTION 2. Investment of Moneys. The Escrow Agent acknowledges receipt of the moneys described in Section 1 and agrees immediately to invest such moneys in the Federal Securities listed on Schedule A hereto and to deposit such Federal Securities in the Escrow Fund. The Escrow Agent shall be entitled to rely upon the conclusion of [] (the "Verification Agent"), that the Federal Securities listed on Schedule A hereto mature and bear interest payable in such amounts and at such times as, together with cash on deposit in the Escrow Fund, will be sufficient to pay when due, with respect to the 2004 Certificates, the regularly scheduled payment of interest on [March 1], 2015 and to pay on [March 1], 2015, the Prepayment Price.

SECTION 3. Investment of Any Remaining Moneys. At the written direction of the District, the Escrow Agent shall reinvest any other amount of principal and interest, or any portion thereof, received from the Federal Securities prior to the date on which such payment is required for the purposes set forth herein, in noncallable Federal Securities maturing not later than the date on which such payment or portion thereof is required for the purposes set forth in Section 5, at the written direction of the District, as verified in a report prepared by an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of obligations of political subdivisions to the effect that the reinvestment described in said report will not adversely affect the sufficiency of the amounts of securities, investments and money in the Escrow Fund to pay when due, with respect to the 2004 Certificates, the regularly scheduled payment of interest on [March 1], 2015 and to pay on [March 1], 2015, the Prepayment Price, and provided that the District has obtained and delivered to the Escrow Agent an unqualified opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, that such reinvestment will not adversely affect the exclusion from gross income for federal income tax purposes of the interest portion of the Installment Payments (as such term is defined in the 2004 Trust Agreement) or interest on the 2015 Bonds. Any interest income resulting from investment or reinvestment of moneys pursuant to this Section 3 which are not required for the purposes set forth in Section 5, as verified in the letter of the Verification Agent originally obtained by the District with respect to the refunding of the 2004 Certificates or in any other report prepared by an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of tax-exempt obligations of political subdivisions, shall be paid to the District promptly upon the receipt of such interest income by the Escrow Agent. The determination of the District as to whether an accountant qualifies under this Escrow Agreement shall be conclusive.

SECTION 4. Substitution of Securities. Upon the written request of the District, and subject to the conditions and limitations herein set forth and applicable governmental rules and regulations, the Escrow Agent shall sell, redeem or otherwise dispose of the Federal Securities, provided that there are substituted therefor from the proceeds of the Federal Securities other Federal Securities, but only after the District has obtained and delivered to the Escrow Agent: (i) an unqualified opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, to the effect that the substitution of securities is permitted under the legal documents in effect with respect to the 2004 Certificates and that such reinvestment will not adversely affect the exclusion from gross income for federal income tax purposes of the interest portion of the Installment Payments or interest with respect to the 2015 Bonds; and (ii) a report by a firm of independent certified public accountants to the effect that the reinvestment described in said report will not adversely affect the sufficiency of the amounts of securities, investments and money in the Escrow Fund to pay when due, with respect to the 2004 Certificates, the regularly scheduled payment of interest on [March 1], 2015 and to pay on [March 1], 2015, the Prepayment Price. The Escrow Agent shall not be liable or responsible for any loss resulting from any reinvestment made pursuant to this Agreement and in full compliance with the provisions hereof.

SECTION 5. Payment of 2004 Certificates.

(a) Payment. From the maturing principal of the Federal Securities and the investment income and other earnings thereon and other moneys on deposit in the Escrow Fund, the Escrow Agent shall apply the amounts on deposit in the Escrow Fund to pay when due, (i) with respect to the 2004 Certificates, the regularly scheduled payment of interest on [March 1], 2015 and to pay on [March 1], 2015, the Prepayment Price.

(b) Irrevocable Instructions to Provide Notice. The forms of the notices required to be mailed pursuant to Sections 4.3 and 10.1 of the 2004 Trust Agreement are substantially in the forms attached hereto as Exhibits A and B. The District hereby irrevocably instructs the Escrow Agent to mail a notice of prepayment and a notice of defeasance of the 2004 Certificates in accordance with Sections 4.3 and 10.1, respectively, of the 2004 Trust Agreement, as required to provide for the prepayment of the 2004 Certificates in accordance with this Section 5.

(c) Unclaimed Moneys. Any moneys which remain unclaimed for 30 days after [March 1], 2015 shall be repaid by the Escrow Agent to the District.

(d) Priority of Payments. The owners of the 2004 Certificates shall have a first and exclusive lien on all moneys and securities in the Escrow Fund until such moneys and such securities are used and applied as provided in this Agreement.

(e) Termination of Obligation. As provided in the 2004 Trust Agreement, upon deposit of moneys with the Escrow Agent in the Escrow Fund as set forth in Section 1 hereof and the purchase of the various Federal Securities as provided in Section 2 hereof, the owners of the 2004 Certificates shall cease to be entitled to the pledge of and lien on the Installment Payments as provided in the 2004 Trust Agreement, and all agreements and covenants of the Corporation, the District and the Trustee under the 2004 Trust Agreement shall cease, terminate and become void, except as set forth in the 2004 Trust Agreement. As provided in Section 9.1 of the Installment Purchase Agreement, dated as of June 1, 2004 (the "2004 Installment Purchase Agreement"), by and between the District and the Corporation, the right, title and interest of the Trustee, as assignee of the Corporation and the obligations of the District under the 2004 Installment Purchase Agreement shall cease, terminate, become void and be completely discharged and satisfied (except for the rights of the 2004 Trustee and the obligation of the District to have the Federal Securities and moneys on deposit in the Escrow Fund applied to Installment Payments).

SECTION 6. Application of Certain Terms of the 2004 Trust Agreement. All of the terms of the 2004 Trust Agreement relating to the making of payments of principal and interest with respect to the 2004 Certificates and relating to the exchange or transfer of the 2004 Certificates are incorporated in this Agreement as if set forth in full herein. The procedures set forth in Section 8.3 of the 2004 Trust Agreement relating to the resignation and removal and merger of the 2004 Trustee under the 2004 Trust Agreement are also incorporated in this Agreement as if set forth in full herein and shall be the procedures to be followed with respect to any resignation or removal of the Escrow Agent hereunder.

SECTION 7. Performance of Duties. The Escrow Agent agrees to perform only the duties set forth herein and shall have no responsibility to take any action or omit to take any action not set forth herein.

SECTION 8. Escrow Agent's Authority to Make Investments. Except as provided in Section 2, 3, 4, and 5 hereof, the Escrow Agent shall have no power or duty to invest any funds held under this Agreement or to sell, transfer or otherwise dispose of the moneys or Federal Securities held hereunder.

SECTION 9. Indemnity. The District hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Agent and its respective successors, assigns, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Agent at any time (whether or not also indemnified against the same by the District or any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Agreement, the establishment hereunder of the Escrow Fund, the acceptance of the funds and securities deposited therein, the retention of the proceeds thereof and any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this Agreement; provided, however, that the District shall not be required to indemnify the Escrow Agent against the Escrow Agent's own negligence or willful misconduct or the negligence or willful misconduct of the Escrow Agent's respective employees or the willful breach by the Escrow Agent of the terms of this Agreement. In no event shall the District or the Escrow Agent be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this Section. The indemnities contained in this Section shall survive the termination of this Agreement and the resignation or removal of the Escrow Agent.

SECTION 10. Responsibilities of Escrow Agent. The Escrow Agent and its agents and servants shall not be held to any personal liability whatsoever, in tort, contract, or otherwise, in connection with the execution and delivery of this Agreement, the establishment of the Escrow Fund, the acceptance of the moneys or securities deposited therein, the retention of the Federal Securities or the proceeds thereof, the sufficiency of the Federal Securities to pay the 2004 Certificates or any payment, transfer or other application of moneys or obligations by the Escrow Agent in accordance with the provisions of this Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Agent made in good faith in the conduct of its duties. The recitals of fact contained in the "Whereas" clauses herein shall be taken as the statements of the District, and the Escrow Agent assumes no responsibility for the correctness thereof. The Escrow Agent makes no representation as to the sufficiency of the proceeds to accomplish the refunding of the 2004 Certificates or to the validity of this Agreement as to the District and, except as otherwise provided herein, the Escrow Agent shall incur no liability in respect thereof. The Escrow Agent shall not be liable in connection with the performance of its duties under this Agreement except for its own negligence, willful misconduct or default, and the duties and obligations of the Escrow Agent shall be determined by the express provisions of this Agreement. The Escrow Agent may consult with counsel, who may or may not be counsel to the District, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an officer of the District.

No provision of this Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers.

If the Escrow Agent learns that the Department of the Treasury or the Bureau of Public Debt will not, for any reason, accept a subscription of Securities that is to be submitted pursuant to this Agreement, the Escrow Agent shall promptly request alternative written investment instructions from the District with respect to escrowed funds which were to be invested in securities. The Escrow Agent shall follow such instructions and, upon the maturity of any such alternative investment, the Escrow Agent shall hold funds uninvested and without liability for interest until receipt of further written instructions from the District. In the absence of investment instructions from the District, the Escrow Agent shall not be responsible for the investment of such funds or interest thereon. The Escrow Agent may conclusively rely upon the District's selection of an alternative investment as a determination of the alternative investment's legality and suitability and shall not be liable for any losses related to the alternative investments or for compliance with any yield restriction applicable thereto.

The Escrow Agent shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Agreement and delivered using Electronic Means ("Electronic Means" shall mean the following communications methods: S.W.I.F.T., e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Escrow Agent, or another method or system specified by the Escrow Agent as available for use in connection with its services hereunder); provided, however, that the District shall provide to the Escrow Agent an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the District whenever a person is to be added or deleted from the listing. If the District elects to give the Escrow Agent Instructions using Electronic Means and the Escrow Agent in its discretion elects to act upon such Instructions, the Escrow Agent's understanding of such Instructions shall be deemed controlling. The District understands and agrees that the Escrow Agent cannot determine the identity of the actual sender of such Instructions and that the Escrow Agent shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Escrow Agent have been sent by such Authorized Officer. The District shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Escrow Agent and that the District and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the District. The Escrow Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Agent's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The District agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Escrow Agent, including without limitation the risk of the Escrow Agent acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Escrow Agent and that there may be more secure methods of transmitting Instructions than the method(s) selected by the District; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Escrow Agent immediately upon learning of any compromise or unauthorized use of the security procedures.

Any company into which the Escrow Agent may be merged or 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 the Escrow Agent may sell or transfer all or substantially all of its corporate trust business shall be the successor to the Escrow Agent without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

SECTION 11. Amendments. This Agreement is made for the benefit of the District and the owners from time to time of the 2004 Certificates and it shall not be repealed, revoked, altered or amended without the written consent of all such owners, the Escrow Agent and the District; provided, however, that the District and the Escrow Agent may, without the consent of, or notice to, such owners, amend this Agreement or enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such owners and as shall not be inconsistent with the terms and provisions of this Agreement, Division 12 of the Water Code of the State of California, or the 2004 Trust Agreement, for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Agreement; (ii) to grant to, or confer upon, the Escrow Agent for the benefit of the owners of the 2004 Certificates, any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such owners or the Escrow Agent; and (iii) to include under this Agreement additional funds. The Escrow Agent shall be entitled to rely conclusively upon an unqualified opinion of Stradling Yocca Carlson & Rauth, A Professional Corporation, with respect to compliance with this Section, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the owners of the various 2004 Certificates or that any instrument executed hereunder complies with the conditions and provisions of this Section.

SECTION 12. Term. This Agreement shall commence upon its execution and delivery and shall terminate on the later to occur of either: (i) the date upon which the 2004 Certificates have been paid in accordance with this Agreement; or (ii) the date upon which no unclaimed moneys remain on deposit with the Escrow Agent pursuant to Section 5(c) of this Agreement.

SECTION 13. Compensation. The Escrow Agent shall receive its reasonable fees and expenses as previously agreed to by the Escrow Agent and the District and any other reasonable fees and expenses of the Escrow Agent approved by the District; provided, however, that under no circumstances shall the Escrow Agent be entitled to any lien or assert any lien whatsoever on any moneys or obligations in the Escrow Fund for the payment of fees and expenses for services rendered or expenses incurred by the Escrow Agent under this Agreement.

SECTION 14. Severability. If any one or more of the covenants or agreements provided in this Agreement on the part of the District or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void and shall be deemed separate from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

SECTION 15. Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as an original but all of which shall constitute and be but one and the same instrument.

SECTION 16. Governing Law. THIS AGREEMENT SHALL BE CONSTRUED UNDER THE LAWS OF THE STATE OF CALIFORNIA.

SECTION 17. Insufficient Funds. If at any time the Escrow Agent has actual knowledge that the moneys and investments in the Escrow Fund, including the anticipated proceeds of and earnings thereon, will not be sufficient to make all payments required by this Agreement, the Escrow Agent shall notify the District in writing, of the amount thereof and the reason therefor to the extent known to it. The Escrow Agent shall have no responsibility regarding any such deficiency.

SECTION 18. Notice to District, Escrow Agent. Any notice to or demand upon the Escrow Agent may be served or presented, and such demand may be made, at the principal corporate trust office of the Escrow Agent at 707 Wilshire Blvd., 17th Floor, Los Angeles, California 90017, Attention: Corporate Trust Department. Any notice to or demand upon the District shall be deemed to have been sufficiently given or served for all purposes by being mailed by registered or certified mail, and deposited, postage prepaid, in a post office letter box, addressed to the District at P.O. Box 730, Yucaipa, California 92399, Attention: General Manager (or such other address as may have been filed in writing by the District with the Escrow Agent).

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers and attested as of the date first above written.

YUCAIPA VALLEY WATER DISTRICT

By: _____
President of the Board of Directors

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Escrow Agent

By: _____
Authorized Officer

SCHEDULE A

Federal Securities

<i>Security</i>	<i>Maturity</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Price</i>
		\$	%	\$

Schedule A-1

EXHIBIT A

NOTICE OF PREPAYMENT

YUCAIPA VALLEY WATER DISTRICT
WATER SYSTEM REVENUE CERTIFICATES OF PARTICIPATION
SERIES 2004A

BASE CUSIP NO. 98839Y

NOTICE IS HEREBY GIVEN to the owners of the above-captioned Water System Revenue Certificates of Participation, Series 2004A (the “2004 Certificates”) of the Yucaipa Valley Water District (the “District”) pursuant to the Trust Agreement, dated as of June 1, 2004 (the “2004 Trust Agreement”), by and among the District, the Yucaipa Valley Water District Financing Corporation and Wells Fargo Bank, National Association., as trustee (the “2004 Trustee”), that the 2004 Certificates in the following principal amounts have been called for prepayment on [March 1], 2015 (the “Prepayment Date”).

<i>CUSIP</i>	<i>Certificate Payment Date (September 1)</i>	<i>Rate</i>	<i>Amount</i>	<i>Price</i>
AL0	2015	5.00%	\$ 1,080,000	100%
AM8	2016	5.00	1,140,000	100
AN6	2017	5.25	1,200,000	100
AP1	2018	5.25	1,265,000	100
AQ9	2019	5.25	1,330,000	100
AR7	2020	5.25	1,400,000	100
AS5	2021	5.25	1,480,000	100
AT3	2022	5.375	1,560,000	100
AU0	2023	5.25	1,645,000	100
AV8	2024	5.25	1,730,000	100
AW6	2029	5.00	10,100,000	100
AX4	2034	5.00	12,965,000	100

The 2004 Certificates will be payable on the Prepayment Date at a prepayment price of 100% of the principal amount plus accrued interest to such date (the “Prepayment Price”). Subject to prior rescission as referenced below, the Prepayment Price of the 2004 Certificates will become due and payable on the Prepayment Date. Interest with respect to the 2004 Certificates will cease to accrue on and after the Prepayment Date, and the 2004 Certificates will be surrendered to the 2004 Trustee.

All 2004 Certificates are required to be surrendered to the principal corporate office of the 2004 Trustee, on the Prepayment Date at the following location. If the 2004 Certificates are mailed, the use of registered, insured mail is recommended:

By Hand: **By Registered or Certified** **By Air Courier:**
Mail:

Exhibit A-1

If the Owner of any 2004 Certificate subject to optional prepayment fails to deliver such 2004 Certificate to the 2004 Trustee on the Prepayment Date, such 2004 Certificate shall nevertheless be deemed prepaid on the Prepayment Date and the Owner of such 2004 Certificate shall have no rights in respect thereof except to receive payment of the Prepayment Price from funds held by the 2004 Trustee for such payment.

A form W-9 must be submitted with the 2004 Certificates. Failure to provide a completed form W-9 will result in 31% backup withholding pursuant to the Interest and Dividend Tax Compliance Act of 1983. Under the Jobs and Growth Tax Relief Reconciliation Act of 2003, 28% will be withheld if the tax identification number is not properly certified.

WELLS FARGO BANK NATIONAL
ASSOCIATION., as Trustee

DATED this ___ day of _____, 2015.

Exhibit A-2

EXHIBIT B**NOTICE OF DEFEASANCE**YUCAIPA VALLEY WATER DISTRICT
WATER SYSTEM REVENUE CERTIFICATES OF SERIES 2004A

BASE CUSIP NO. 98869Y

NOTICE IS HEREBY GIVEN to the owners of the above-captioned Water System Revenue Certificates of Participation, Series 2004A (the "2004 Certificates") of the Yucaipa Valley Water District (the "District"), that the District has deposited with Wells Fargo Bank, National Association as trustee (the "2004 Trustee") under the Trust Agreement, dated as of June 1, 2004 (the "2004 Trust Agreement"), by and among the District, the Yucaipa Valley Water District Financing Corporation and the 2004 Trustee, cash and United States of America government securities sufficient to pay, with respect to the 2004 Certificates, the regularly scheduled payment of interest on [March 1], 2015 and to pay on [March 1], 2015 the principal maturing on September 1, 2015 through September 1, 2034, without premium.

The 2004 Certificates to be defeased are as follows:

<i>CUSIP</i>	<i>Certificate Payment Date (September 1)</i>	<i>Rate</i>	<i>Amount</i>	<i>Price</i>
AL0	2015	5.00%	\$ 1,080,000	100%
AM8	2016	5.00	1,140,000	100
AN6	2017	5.25	1,200,000	100
AP1	2018	5.25	1,265,000	100
AQ9	2019	5.25	1,330,000	100
AR7	2020	5.25	1,400,000	100
AS5	2021	5.25	1,480,000	100
AT3	2022	5.375	1,560,000	100
AU0	2023	5.25	1,645,000	100
AV8	2024	5.25	1,730,000	100
AW6	2029	5.00	10,100,000	100
AX4	2034	5.00	12,965,000	100

In accordance with the 2004 Trust Agreement, the 2004 Certificates are deemed to have been paid in accordance with Section 10.1 thereof and the obligations of the District and the Corporation under the 2004 Trust Agreement and the Installment Purchase Agreement, dated as of June 1, 2004, by and between the District and the Corporation, with respect to the 2004 Certificates have thereupon ceased, terminated and become void and are discharged and satisfied.

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Trustee

DATED this ___ day of ___, 2015.

Exhibit B-1

*Stradling Yocca Carlson & Rauth
Draft of 12/17/14*

INDENTURE OF TRUST

Dated as of January 1, 2015

By and between

**WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Trustee**

and the

YUCAIPA VALLEY WATER DISTRICT

Relating to

**§ _____
YUCAIPA VALLEY WATER DISTRICT
WATER SYSTEM REFUNDING REVENUE BONDS,
SERIES 2015A**

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INDENTURE OF TRUST

THIS INDENTURE OF TRUST, made and entered into and dated as of January 1, 2015 (the "Indenture"), by and between YUCAIPA VALLEY WATER DISTRICT, a county water district duly organized and existing under and by virtue of the laws of the State of California (the "District"), and WELLS FARGO BANK, NATIONAL ASSOCIATION., a national banking association duly organized and existing under the laws of the United States of America, as trustee hereunder (the "Trustee");

WITNESSETH:

WHEREAS, the District has determined that it is in the best interest of the public to refund the outstanding Yucaipa Valley Water District Water System Revenue Certificates of Participation, Series 2004A (the "Refunded Obligations"); and

WHEREAS, the District is authorized by Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, including but not limited to Section 53583, to issue bonds for the purpose of refunding any evidences of indebtedness of the District; and

WHEREAS, in order to provide for the authentication and delivery of refunding revenue bonds (the "2015 Bonds"), to establish and declare the terms and conditions upon which such 2015 Bonds are to be issued and secured and to secure the payment of the principal thereof and interest and premium, if any, thereon, the District has authorized the execution and delivery of the Indenture; and

WHEREAS, the District has determined that all acts and proceedings required by law necessary to make the 2015 Bonds, when executed by the District, authenticated and delivered by the Trustee, and duly issued, the valid, binding and legal special obligations of the District, and to constitute the Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of the Indenture have been in all respects duly authorized;

NOW, THEREFORE, THE INDENTURE WITNESSETH:

GRANTING CLAUSES

The District, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the mutual covenants herein contained and of the purchase and acceptance of the 2015 Bonds by the Owners thereof, and for other valuable considerations, the receipt of which is hereby acknowledged, in order to secure the payment of the principal of and the interest and premium (if any) on all 2015 Bonds at any time issued and Outstanding under the Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, does hereby assign and pledge unto, and grant a security interest in, the following (the "Trust Estate") to the Trustee, and its successors in trust and assigns forever, for the securing of the performance of the obligations of the District to the 2015 Bond Owners hereinafter set forth:

GRANTING CLAUSE FIRST

All right, title and interest of the District in and to the Water System Revenues (as defined herein), including, but without limiting the generality of the foregoing, the present and continuing right to make claim for, collect, receive and receipt for any Water System Revenues payable to or receivable by the District under the Constitution of the State, the Water Code and the Government Code of the State of California and the Indenture and any other applicable laws of the State or otherwise, to bring actions and proceedings thereunder for the enforcement thereof, and to do any and all things which the District is or may become entitled to do thereunder, subject to the terms hereof.

GRANTING CLAUSE SECOND

All moneys and securities held in funds and accounts of the Indenture, except amounts held in the Rebate Fund, and all other rights of every name and nature from time to time herein or hereafter by delivery or by writing of any kind pledged, assigned or transferred as and for additional security hereunder to the Trustee by the District or by anyone on its behalf, or with its written consent, and to hold and apply the same, subject to the terms hereof.

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its respective successors in trust and assigns forever for the benefit of the Owners and such pledge shall constitute a lien on and security interest in such Trust Estate;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all present and future Owners of the 2015 Bonds issued under and secured by the Indenture without privilege, priority or distinction as to the lien or otherwise of any of the 2015 Bonds over any of the other 2015 Bonds;

PROVIDED, HOWEVER, that if the District, its successors or assigns shall well and truly pay, or cause to be paid, the principal of and interest and any redemption premium on the 2015 Bonds due or to become due thereon, at the times and in the manner provided in the 2015 Bonds according to the true intent and meaning thereof, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of the Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to Trustee all sums of money due or to become due in accordance with the terms and provisions hereof, then upon such final payments or deposits as herein provided, the Indenture and the rights hereby granted shall cease, terminate and be void; otherwise the Indenture shall remain in full force and effect.

THE INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all 2015 Bonds issued and secured hereunder are to be issued, authenticated and delivered, and all sold property, rights and interests, including, without limitation, the Water System Revenues, hereby assigned and pledged, are to be dealt with and disposed of, under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes hereinafter expressed, and the District has agreed and covenanted and does hereby covenant and agree with the Trustee, for the benefit of the respective Owners from time to time of the 2015 Bonds, as follows:

ARTICLE I

DEFINITIONS; CONTENT OF CERTIFICATES AND
OPINIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.01 shall, for all purposes of the Indenture and of any indenture supplemental hereto and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined.

Accountant's Report. The term "Accountant's Report" means a report signed by an Independent Certified Public Accountant.

Authorized Representative. The term "Authorized Representative" means, with respect to the District, its President, Vice President, Secretary, General Manager, Deputy General Managers, Chief Financial Officer or any other person designated as an Authorized Representative of the District by a Certificate of the District signed by its President, Vice President, Secretary, General Manager, Deputy General Managers or Chief Financial Officer and filed with the Trustee.

Bond Counsel. The term "Bond Counsel" means Stradling Yocca Carlson & Rauth, a Professional Corporation, or another firm of nationally recognized attorneys experienced in the issuance of obligations the interest on which is excludable from gross income under Section 103 of the Code.

Bond Year. The term "Bond Year" will have the meaning set forth in the Tax Certificate.

Bonds. The term "Bonds" means all revenue bonds or notes of the District authorized, executed, issued and delivered by the District, the payments of which are payable from Net Water System Revenues on a parity with the 2015 Bonds and which are secured by a pledge of and lien on Water System Revenues as described in Section 5.01 hereof.

Business Day. The term "Business Day" means: (i) a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the State, or in any other state in which the Office of the Trustee is located, are closed; or (ii) a day on which the New York Stock Exchange is not closed.

Certificate; Direction; Request; Requisition. The terms "Certificate," "Direction," "Request," and "Requisition" of the District mean a written certificate, direction, request or requisition signed in the name of the District by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by Section 1.02, each such instrument shall include the statements provided for in Section 1.02.

Closing Date. The term "Closing Date" means the date on which the 2015 Bonds are delivered to the original purchaser thereof.

Code. The term "Code" means the Internal Revenue Code of 1986, as amended.

Continuing Disclosure Certificate. The term "Continuing Disclosure Certificate" means the Continuing Disclosure Certificate, dated the Closing Date, by the District, as originally executed and as it may be from time to time amended or supplemented in accordance with its terms.

Contracts. The term “Contracts” means and is limited to all contracts of the District previously or hereafter authorized and executed by the District which are on a parity with the 2015 Bonds and which are secured by a pledge and lien on the Water System Revenues as described in Section 5.01 hereof, but excluding any contracts entered into for operation and maintenance of the Water System.

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

Costs of Issuance. The term “Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the District and related to the authorization, issuance, sale and delivery of the 2015 Bonds, including but not limited to costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Trustee and counsel to the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, Rating Agency fees, title insurance premiums, letter of credit fees and bond insurance premiums (if any), fees and charges for preparation, execution and safekeeping of the 2015 Bonds and any other cost, charge or fee in connection with the original issuance of the 2015 Bonds.

Costs of Issuance Fund. The term “Costs of Issuance Fund” means the fund by that name established pursuant to Section 3.03.

Debt Service. The term “Debt Service” means, for any period of calculation, the sum of:

- (1) the interest payable during such period on all outstanding Bonds, assuming that all outstanding serial Bonds are retired as scheduled and that all outstanding term Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is capitalized);
- (2) those portions of the principal amount of all outstanding serial Bonds maturing in such period;
- (3) those portions of the principal amount of all outstanding term Bonds required to be prepaid or paid in such period; and
- (4) those portions of the Contracts required to be made during such period (except to the extent the interest evidenced and represented thereby is capitalized);

but less the earnings to be derived from the investment of moneys on deposit in debt service reserve funds established for Bonds or Contracts;

provided that, as to any such Bonds or Contracts bearing or comprising interest at other than a fixed rate, the rate of interest used to calculate Debt Service shall, for all purposes, be assumed to bear interest at a fixed rate equal to the higher of:

- (i) the then current variable interest rate borne by such Bonds or Contracts plus 1%, and
- (ii) if such Bonds or Contracts have been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of

calculation, or if such Bonds or Contracts have not been outstanding for the twelve prior months, the average rate borne by reference to an index comparable to that to be utilized in determining the interest rate for the Bonds to be issued or the Contracts to be executed;

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

provided further that, as to any such Bonds or Contracts or portions thereof bearing no interest but which are sold at a discount and which discount accretes with respect to such Bonds or Contracts or portions thereof, such accreted discount shall be treated as interest in the calculation of Debt Service; and

provided further that if the Bonds or Contracts constitute paired obligations, the interest rate on such Bonds or Contracts shall be the resulting linked rate or the effective fixed interest rate to be paid by the District with respect to such paired obligations; and

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

Defeasance Securities. The term “Defeasance Securities” means: (1) cash, (2) non-callable direct obligations of the United States of America (“Treasuries”), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) subject to the prior written consent of the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy), pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively, and (5) subject to the prior written consent of the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy), securities eligible for “AAA” defeasance under then existing criteria of S&P.

Depository; DTC. The term “Depository” or “DTC” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York in its capacity as Securities Depository for the 2015 Bonds.

District. The term “District” means Yucaipa Valley Water District, a county water district duly organized and existing under and by virtue of the laws of the State.

Event of Default. The term “Event of Default” means any of the events specified in Section 7.01.

Federal Securities. The term “Federal Securities” means any direct, noncallable general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), or noncallable obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by the United States of America.

Fiscal Year. The term “Fiscal Year” means the twelve month period beginning on July 1 of each year and ending on June 30 of the following year, both dates inclusive, or any other twelve month period hereafter selected and designated as the official fiscal year period of the District.

Indenture. The term “Indenture” means the Indenture of Trust, dated as of January 1, 2015, by and between the District and the Trustee, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

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

Independent Financial Consultant. The term “Independent Financial Consultant” means a financial consultant or firm of such consultants appointed by the District, which may, for purposes of the certification described in the definition of “Paired Obligations” be an interest rate swap adviser, and who, or each of whom: (1) is in fact independent and not under domination of the District; (2) does not have any substantial interest, direct or indirect, with the District; and (3) is not connected with the District as an officer or employee thereof, but who may be regularly retained to make reports thereto.

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

Insurance Policy. The term “Insurance Policy” means the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the 2015 Bonds when due.

Insurer. The term “Insurer” means _____, a _____, or any successor thereto or assignee thereof.

Interest Account. The term “Interest Account” means the account by that name in the Payment Fund established pursuant to Section 5.02.

Interest Payment Date. The term “Interest Payment Date” means September 1, 2015 and each March 1 and September 1 of each year thereafter.

Investment Agreement. The term “Investment Agreement” means an investment agreement supported by appropriate opinions of counsel; provided the provider thereof or the guarantor thereof is rated by at least two Rating Agencies, at the time of issuance, at least “AA”, “Aa” or “AA” (S&P, Moody’s or Fitch, respectively).

Letter of Representations. The term “Letter of Representations” means the letter of the District and the Trustee delivered to and accepted by the Depository on or prior to delivery of the 2015 Bonds as book entry bonds setting forth the basis on which the Depository serves as depository for such book entry bonds, as originally executed or as it may be supplemented or revised or replaced by a letter from the District and the Trustee delivered to and accepted by the Depository.

Moody’s. The term “Moody’s” means Moody’s Investors Service, Inc., or any successor thereto.]

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

Net Water System Revenues. The term “Net Water System Revenues” means for any Fiscal Year, the Water System Revenues for such Fiscal Year less the Operation and Maintenance Costs of the Water System for such Fiscal Year.

Nominee. The term “Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.08 hereof.

Office of the Trustee. The term “Office of the Trustee” means the principal corporate trust office of the Trustee in Los Angeles, California, provided that for purposes of payment, redemption, exchange, transfer, surrender and cancellation of 2015 Bonds, such term means the office of the Trustee at which it conducts its corporate agency business, or such other office as the Trustee may from time to time designate in writing to the District and the Owners.

Operation and Maintenance Costs of the Water System. The term “Operation and Maintenance Costs of the Water System” means (i) costs spent or incurred for maintenance and operation of the Water System calculated in accordance with generally accepted accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, and including administrative costs of the District that are charged directly or apportioned to the Water System, including but not limited to salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys, consultants or engineers and insurance premiums, and including all other reasonable and necessary costs of the District or charges (other than Debt Service) required to be paid by it to comply with the terms of this Indenture or any other Contract or of any resolution or indenture authorizing the issuance of any Bonds or of such Bonds, and (ii) all costs of water purchased or otherwise acquired for delivery by the Water System (including any interim or renewed arrangement therefor), including payments under agreements or other arrangements pursuant to which the District has agreed to treat costs thereunder as operating and maintenance costs, whether such arrangements are take-or-pay arrangements or otherwise, but excluding in all cases (Y) depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature and (Z) any amounts transferred to the Rate Stabilization Fund.

Opinion of Counsel. The term “Opinion of Counsel” means a written opinion of counsel (including but not limited to counsel to the District) selected by the District. If and to the extent

required by the provisions of Section 1.02, each Opinion of Counsel shall include the statements provided for in Section 1.02.

Outstanding. The term “Outstanding,” when used as of any particular time with reference to 2015 Bonds, means (subject to the provisions of Section 11.09) all 2015 Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except: (i) 2015 Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (ii) 2015 Bonds with respect to which all liability of the District shall have been discharged in accordance with Section 10.02, including 2015 Bonds (or portions thereof) described in Section 11.09; and (iii) 2015 Bonds for the transfer or exchange of or in lieu of or in substitution for which other 2015 Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

Owner; 2015 Bond Owner. The term “Owner” or “2015 Bond Owner,” whenever used herein with respect to a 2015 Bond, means the person in whose name the ownership of such 2015 Bond is registered on the Registration Books.

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

Participants. The term “Participants” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds book entry certificates as Securities Depository.

Payment Fund. The term “Payment Fund” means the fund by that name established pursuant to Section 5.02.

Permitted Investments. The term “Permitted Investments” means any of the following obligations if and to the extent that they are permissible investments of funds of the District (provided that the Trustee shall be entitled to rely upon any investment directions from the District as conclusive certification to the Trustee that the investments described therein are permissible investment of funds of the District):

(a) Direct obligations of the United States (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States.

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States (stripped securities are only permitted if they have been stripped by the agency itself):

1. U.S. Export-Import Bank (“Eximbank”)
 - Direct obligations or fully guaranteed certificates of beneficial ownership

2. Farmers Home Administration (“FmHA”)
 - Certificates of beneficial ownership
3. Federal Financing Bank
4. Federal Housing Administration Debentures (“FHA”)
5. General Services Administration
 - Participation certificates
6. Government National Mortgage Association (“GNMA”)
 - GNMA - guaranteed mortgage-backed bonds
 - GNMA - guaranteed pass-through obligations (not acceptable for certain cash-flow sensitive issues)
7. United States Maritime Administration
 - Guaranteed Title XI financing
8. United States Department of Housing and Urban Development (“HUD”)
 - Project Notes
 - Local Authority Bonds
 - New Communities Debentures
 - United States government guaranteed debentures
 - United States Public Housing Notes and Bonds
 - United States government guaranteed public housing notes and bonds

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit United States government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

1. Federal Home Loan Bank System
 - Senior debt obligations
2. Federal Home Loan Mortgage Corporation (“FHLMC”)
 - Participation Certificates
 - Senior debt obligations
3. Federal National Mortgage Association (“FNMA”)
 - Mortgage-backed securities and senior debt obligations
4. Student Loan Marketing Association (“SLMA”)
 - Senior debt obligations
5. Resolution Funding Corporation obligations
6. Farm Credit System
 - Consolidated system-wide bonds and notes

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of “AAAm-G,” “AAA-m” or “AA-m” and if rated by Moody’s rated “Aaa,” “Aa1” or “Aa2,” including such funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services or for which the Trustee or an affiliate of the Trustee serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to this Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee.

(e) Certificates of deposit secured at all times by collateral described in clauses (a) and/or (b) above. Such certificates must be issued by commercial banks (including affiliates of the Trustee), savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.

(f) Certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by FDIC, or secured at all times by collateral described in clauses (a) and/or (b) above.

(g) Investment Agreements, including guaranteed investment contracts, forward purchase agreements and reserve fund put agreements.

(h) Commercial paper rated, at the time of purchase, “Prime-1” by Moody’s and “A-1” or better by S&P.

(i) Bonds or notes issued by any state or municipality which are rated by Moody’s and S&P in one of the two highest Rating Categories assigned by such agencies.

(j) Federal funds or bankers acceptances with a maximum term of one year of any bank (including those of the Trustee and its affiliates) which has an unsecured, uninsured and unguaranteed obligation rating of “Prime-1” or “A3” or better by Moody’s and “A-1” or “A” or better by S&P.

(k) Repurchase agreements for 30 days or less must follow the following criteria. Repurchase agreements which provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date; and:

1. Repurchase agreements must be between the municipal entity and a dealer bank or securities firm;

A. Primary dealers on the Federal Reserve reporting dealer list which are rated “A” or better by S&P and Moody’s; or

B. Banks rated “A” or above by S&P and Moody’s.

2. The written repurchase agreements contract must include the following:

A. Securities which are acceptable for transfer are:

(1) Direct United States governments, or

(2) Federal agencies backed by the full faith and credit of the United States government (and FNMA & FHLMC)

B. The term of a repurchase agreement may be up to 30 days

C. The collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).

D. Valuation of Collateral

(1) The securities must be valued weekly, marked to market at current market price plus accrued interest.

(2) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

(3) A legal opinion must be delivered to the municipal entity to the effect that the repurchase agreement meets guidelines under state law for legal investment of public funds.

(l) The California Asset Management Program.

(m) Any state administered pooled investment fund in which the District is statutorily permitted or required to invest will be deemed a permitted investment, including, but not limited to the Local Agency Investment Fund in the treasury of the State.

Principal Account. The term "Principal Account" means the account by that name in the Payment Fund established pursuant to Section 5.02.

Rate Stabilization Fund. The term "Rate Stabilization Fund" means the District account designated by the District as account number 02-10314, together with other accounts created in the future and designated by action of the Board of Directors as a part of the Rate Stabilization Fund continued pursuant to Section 5.06.

Rating. The term "Rating" means any currently effective rating on the 2015 Bonds issued by a Rating Agency.

Rating Agencies. The term “Rating Agencies” means S&P [and Moody’s] if such rating agencies are then rating the 2015 Bonds.

Rebate Fund. The term “Rebate Fund” means the fund by that name established for the 2015 Bonds pursuant to Section 5.09.

Record Date. The term “Record Date” means, with respect to any Interest Payment Date, the fifteenth (15th) day of the calendar month preceding such Interest Payment Date, whether or not such day is a Business Day.

Recycled Water System. The term “Recycled Water System” means all properties and assets, real and personal, tangible and intangible, of the District now or hereafter existing, used or pertaining to the acquisition, treatment, transmission, distribution and sale of recycled water, including all additions, extensions, expansions, improvements and betterments thereto; provided, however, that to the extent the District is not the sole owner of an asset or property or to the extent that an asset or property is used in part for the above described water purposes, only the District’s ownership interest in such asset or property or only the part of the asset or property so used for water purposes shall be considered to be part of the Recycled Water System.

Redemption Date. The term “Redemption Date” means the date fixed for an optional redemption prior to maturity of the 2015 Bonds.

Redemption Fund. The term “Redemption Fund” means the fund by that name established pursuant to Section 5.05.

Redemption Price. The term “Redemption Price” means, with respect to any 2015 Bond (or portion thereof), the principal amount of such 2015 Bond (or portion) plus the interest accrued to the applicable Redemption Date and the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such 2015 Bond and the Indenture.

Registration Books. The term “Registration Books” means the records maintained by the Trustee for the registration of ownership and registration of transfer of the 2015 Bonds pursuant to Section 2.05.

Responsible Officer of the Trustee. The term “Responsible Officer of the Trustee” means any officer within the corporate trust division (or any successor group or department of the Trustee) including any vice president, assistant vice president, assistant secretary or any other officer or assistant officer of the Trustee customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, with responsibility for the administration of the Indenture.

S&P. The term “S&P” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, or any successor thereto.

Securities Depositories. The term “Securities Depositories” means The Depository Trust Company; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the District may designate in a Written Request of the District deliver to the Trustee.

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

Supplemental Indenture. The term “Supplemental Indenture” means any indenture hereafter duly authorized and entered into between the District and the Trustee, supplementing, modifying or amending the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

Tax Certificate. The term “Tax Certificate” means the Tax Certificate dated the Closing Date, concerning certain matters pertaining to the use and investment of proceeds of the 2015 Bonds, issued by the District on the date of issuance of the 2015 Bonds, including any and all exhibits attached thereto.

Trustee. The term “Trustee” means Wells Fargo Bank, National Association., a national banking association duly organized and existing under the laws of the United States of America, or its successor as Trustee hereunder as provided in Section 8.01.

2004 Certificates. The term “2004 Certificates” has the meaning assigned thereto in the WHEREAS clauses to this Indenture.

2004 Certificates Escrow Agreement. The term “2004 Certificates Escrow Agreement” means the 2004 Certificates Escrow Agreement, dated as of January 1, 2015, by and between the District and the 2004 Escrow Agent, as originally executed or as it may from time to time be amended or supplemented in accordance with its terms.

2004 Escrow Agent. The term “2004 Escrow Agent” means Wells Fargo Bank, National Association, as escrow agent pursuant to the terms of the 2004 Certificates Escrow Agreement, or its successor thereunder.

2004 Installment Purchase Contract. The term “2004 Installment Purchase Contract” means the Installment Purchase Contract, dated as of June 1, 2004, by and between the District and the Corporation, as originally executed and as it may from time to time be amended or supplemented in accordance therewith.

2004 Trust Agreement. The term “2004 Trust Agreement” means the Trust Agreement, dated as of June 1, 2004, by and among the District, the Corporation, and The Bank of New York Mellon Trust Company, N.A., as trustee thereunder.

2015 Bonds. The term “2015 Bonds” means the Yucaipa Valley Water District Water System Refunding Revenue Bonds, Series 2015A issued hereunder.

Valuation Date. “Valuation Date” means the fifth Business Day preceding the date of redemption.

Value. The term “Value,” which shall be determined as of the date of calculation, means that the value of any investments shall be calculated as follows:

(a) For the purpose of determining the amount of any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include, but are not limited to, pricing services provided by Financial Times Interactive Data Corporation, Bank of America Merrill Lynch, and Morgan Stanley Smith Barney.

(b) As to certificates of deposit and bankers' acceptances: the face amount thereof, plus accrued interest.

(c) As to any investment not specified above: market value, or, if the market value is not ascertainable by the District or the Trustee, at cost.

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

Water System. The term "Water System" means all properties and assets, real and personal, tangible and intangible, of the District now or hereafter existing, used or pertaining to the acquisition, treatment, transmission, distribution and sale of water, including all additions, extensions, expansions, improvements and betterments thereto but excluding the Recycled Water System; provided, however, that to the extent the District is not the sole owner of an asset or property or to the extent that an asset or property is used in part for the above described water purposes, only the District's ownership interest in such asset or property or only the part of the asset or property so used for water purposes shall be considered to be part of the Water System.

Water System Revenue Fund. The term "Water System Revenue Fund" means those District accounts designated by the District as account numbers 02-11001; 02-11019; 02-11020; 02-10401; and 0-10403 (excluding account numbers 02-10215; 02-10216; 02-10217; 02-10310; 02-10311; 02-10313; 02-10315; 02-10316; 02-10400; 02-10410; 02-10411; 02-10412; and 02-10413), together with other accounts created in the future and designated by action of the Board of Directors as a part of the Water System Revenue Fund established pursuant to Section 5.01(b).

Water System Revenues. The term "Water System Revenues" means all income, rents, rates, fees, charges and other moneys derived from or attributable the ownership or operation of the Water System calculated in accordance with generally accepted accounting principles, including, without limiting the generality of the foregoing,

- (1) all proceeds of the Riverside County and the San Bernardino County 1% ad valorem property tax received by the District; plus
- (2) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the District from the sale, furnishing and supplying of water, or other services, facilities and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Water System; plus
- (3) the development impact fees or similar charges related to the Water System; plus
- (4) the earnings on and income derived from the investment of the amounts described in clauses (1) through (3) hereof, and from investment of amounts in the Water System Revenue Fund; plus
- (5) the earnings on and income derived from investment of the District reserves allocated to the Water System; plus
- (6) notwithstanding the application of generally accepted accounting principles, all amounts transferred from the Rate Stabilization Fund to the Water System Revenue Fund during any Fiscal Year in accordance with Section 5.06 hereof;

but excluding in all cases (i) any amounts transferred from the Water System Revenue Fund to the Rate Stabilization Fund during any Fiscal Year in accordance with Section 5.01(b)(iii) hereof, (ii) customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District, and (iii) any proceeds of taxes restricted by law to be used by the District to pay obligations of the District other than Bonds or Contracts.

Written Consent of the District; Written Order of the District; Written Request of the District; Written Requisition of the District. The terms “Written Consent of the District,” “Written Order of the District,” “Written Request of the District,” and “Written Requisition of the District” mean, respectively, a written consent, order, request or requisition signed by or on behalf of the District by the President of its Board of Directors or its General Manager or by the Secretary of its Board of Directors or by any two persons (whether or not officers of the Board of Directors of the District) who are specifically authorized by resolution of the District to sign or execute such a document on its behalf.

Section 1.02. Content of Certificates and Opinions. Every certificate or opinion provided for in the Indenture except the certificate of destruction provided for in Section 11.05 hereof, with respect to compliance with any provision hereof shall include: (1) a statement that the person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (3) a statement that, in the opinion of such person he has made or caused to be made such examination or investigation as is necessary to enable him to express an informed opinion with respect to the subject matter referred to in the instrument to which his signature is affixed; (4) a statement of the assumptions upon which such certificate or opinion is based, and that such assumptions are reasonable; and (5) a statement as to whether, in the opinion of such person, such provision has been complied with.

Section 1.03. Interpretation.

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of the Indenture; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to the Indenture as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

THE 2015 BONDS

Section 2.01. Authorization of 2015 Bonds. The District hereby authorizes the issuance hereunder from time to time of the 2015 Bonds, which shall constitute special obligations of the

District, for the purpose of refunding the outstanding 2004 Certificates. The 2015 Bonds are hereby designated the “Yucaipa Valley Water District Water System Refunding Revenue Bonds, Series 2015A” in the aggregate principal amount of \$_____. The Indenture constitutes a continuing agreement with the Owners from time to time of the 2015 Bonds to secure the full payment of the principal of and interest and premium (if any) on all the 2015 Bonds, subject to the covenants, provisions and conditions herein contained.

Section 2.02. **Terms of the 2015 Bonds.** The 2015 Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof.

(a) The 2015 Bonds shall mature on September 1 in each of the years and in the amounts set forth below and shall bear interest on each Interest Payment Date at the rates set forth below:

<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>
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Interest on the 2015 Bonds shall be payable on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee sent by first class mail on the applicable Interest Payment Date to the Owner at the address of such Owner as it appears on the Registration Books (except that in the case of an Owner of one million dollars (\$1,000,000) or more in principal amount, such payment may, at such Owner’s option, be made by wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such Owner prior to the Record Date). Principal of and premium (if any) on any 2015 Bond shall be paid by check of the Trustee upon presentation and surrender thereof at maturity or upon the prior redemption thereof, at the Office of the Trustee. Both the principal of and interest and premium (if any) on the 2015 Bonds shall be payable in lawful money of the United States of America.

Each 2015 Bond shall be dated the date of initial delivery, and shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless: (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (b) unless it is authenticated on or before August 15,

2015, in which event it shall bear interest from the date of initial delivery; provided, however, that if, as of the date of authentication of any 2015 Bond, interest thereon is in default, such 2015 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Interest on the 2015 Bonds shall be calculated on the basis of a 360 day year composed of twelve 30 day months.

Section 2.03. Transfer of 2015 Bonds. Any 2015 Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such 2015 Bond at the Office of the Trustee for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. The Trustee shall not be required to register the transfer of any 2015 Bond during the period in which the Trustee is selecting 2015 Bonds for redemption and any 2015 Bond that has been selected for redemption.

Whenever any 2015 Bond or 2015 Bonds shall be surrendered for transfer, the District shall execute and the Trustee shall authenticate and shall deliver a new 2015 Bond or 2015 Bonds of authorized denomination or denominations for a like series and aggregate principal amount of the same maturity. The Trustee shall require the 2015 Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. Following any transfer of 2015 Bonds, the Trustee will cancel and destroy the 2015 Bonds it has received.

Section 2.04. Exchange of 2015 Bonds. 2015 Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of other authorized denominations of the same series and maturity. The Trustee shall not be required to exchange any 2015 Bond during the period in which the Trustee is selecting 2015 Bonds for redemption and any 2015 Bond that has been selected for redemption. The Trustee shall require the 2015 Bond Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange. Following any exchange of 2015 Bonds, the Trustee will cancel and destroy the 2015 Bonds it has received.

Section 2.05. Registration Books. The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the 2015 Bonds, which shall upon reasonable notice and at reasonable times be open to inspection during regular business hours by the District and the Owners; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the 2015 Bonds as hereinbefore provided.

The person in whose name any 2015 Bond shall be registered shall be deemed the Owner thereof for all purposes hereof, and payment of or on account of the interest on and principal and Redemption Price of by such 2015 Bonds shall be made only to or upon the order in writing of such registered Owner, which payments shall be valid and effectual to satisfy and discharge liability upon such 2015 Bond to the extent of the sum or sums so paid.

Section 2.06. Form and Execution of 2015 Bonds. The 2015 Bonds shall be in substantially the form set forth in Exhibit A hereto. The 2015 Bonds shall be executed in the name and on behalf of the District with the manual or facsimile signature of its President. The 2015 Bonds may carry a seal, and such seal may be in the form of a facsimile of the District's seal and may be reproduced, imprinted or impressed on the 2015 Bonds. The 2015 Bonds shall then be delivered to

the Trustee for authentication by it. In case any of the officers who shall have signed or attested any of the 2015 Bonds shall cease to be such officer or officers of the District before the 2015 Bonds so signed or attested shall have been authenticated or delivered by the Trustee, or issued by the District, such 2015 Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the District as though those who signed and attested the same had continued to be such officers of the District, and also any 2015 Bonds may be signed and attested on behalf of the District by such persons as at the actual date of execution of such 2015 Bonds shall be the proper officers of the District although at the nominal date of such 2015 Bonds any such person shall not have been such officer of the District.

Only such of the 2015 Bonds as shall bear thereon a certificate of authentication substantially in the form set forth in Exhibit A hereto, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of the Indenture, and such certificate of or on behalf of the Trustee shall be conclusive evidence that the 2015 Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of the Indenture.

Section 2.07. 2015 Bonds Mutilated, Lost, Destroyed or Stolen. If any 2015 Bond shall become mutilated, the District, at the expense of the Owner of said 2015 Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new 2015 Bond of like tenor, series and authorized denomination in exchange and substitution for the 2015 Bonds so mutilated, but only upon surrender to the Trustee of the 2015 Bond so mutilated. Every mutilated 2015 Bond so surrendered to the Trustee shall be canceled by it. If any 2015 Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the District, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new 2015 Bond of like tenor, series and authorized denomination in lieu of and in substitution for the 2015 Bond so lost, destroyed or stolen (or if any such 2015 Bond shall have matured or shall be about to mature, instead of issuing a substitute 2015 Bond, the Trustee may pay the same without surrender thereof). The District may require payment by the Owner of a sum not exceeding the actual cost of preparing each new 2015 Bond issued under this Section and of the expenses which may be incurred by the District and the Trustee in connection therewith. Any 2015 Bond issued under the provisions of this Section in lieu of any 2015 Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the District whether or not the 2015 Bond so alleged to be lost, destroyed, or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of the Indenture with all other 2015 Bonds secured by the Indenture. Notwithstanding any other provision of this Section, in lieu of delivering a new 2015 Bond for a 2015 Bond which has been mutilated, lost, destroyed or stolen and which has matured or has been selected for redemption, the Trustee may make payment of such 2015 Bond upon receipt of indemnity satisfactory to the Trustee.

Section 2.08. Book Entry System.

(a) Election of Book Entry System. Prior to the issuance of the 2015 Bonds, the District may provide that such 2015 Bonds shall be initially issued as book entry 2015 Bonds. If the District shall elect to deliver any 2015 Bonds in book entry form, then the District shall cause the delivery of a separate single fully registered bond (which may be typewritten) for each maturity date of such 2015 Bonds in an authorized denomination corresponding to that total principal amount of the 2015 Bonds designated to mature on such date. Upon initial issuance, the ownership of each such 2015 Bond shall be registered in the 2015 Bond Registration Books in the name of the Nominee, as

nominee of the Depository, and ownership of the 2015 Bonds, or any portion thereof may not thereafter be transferred except as provided in Section 2.08(e).

With respect to book entry 2015 Bonds, the District and the Trustee shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in such book entry 2015 Bonds. Without limiting the immediately preceding sentence, the District and the Trustee shall have no responsibility or obligation with respect to: (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in book entry 2015 Bonds; (ii) the delivery to any Participant or any other person, other than an Owner as shown in the 2015 Bond Registration Books, of any notice with respect to book entry 2015 Bonds, including any notice of redemption; (iii) the selection by the Depository and its Participants of the beneficial interests in book entry 2015 Bonds to be redeemed in the event the District redeems the 2015 Bonds in part; or (iv) the payment by the Depository or any Participant or any other person, of any amount of principal of, premium, if any, or interest on book entry 2015 Bonds. The District and the Trustee may treat and consider the person in whose name each book entry 2015 Bond is registered in the 2015 Bond Registration Books as the absolute Owner of such book entry 2015 Bond for the purpose of payment of principal of, premium and interest on such 2015 Bond, for the purpose of giving notices of redemption and other matters with respect to such 2015 Bond, for the purpose of registering transfers with respect to such 2015 Bond, and for all other purposes whatsoever. The Trustee shall pay all principal of, premium, if any, and interest on the 2015 Bonds only to or upon the order of the respective Owner, as shown in the 2015 Bond Registration Books, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of principal of, premium, if any, and interest on the 2015 Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the 2015 Bond Registration Books, shall receive a 2015 Bond evidencing the obligation to make payments of principal of, premium, if any, and interest on the 2015 Bonds. Upon delivery by the Depository to the District and the Trustee of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in the Indenture shall refer to such nominee of the Depository.

(b) Delivery of Letter of Representations. In order to qualify the book entry 2015 Bonds for the Depository's book entry system, the District and the Trustee shall execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the District or the Trustee any obligation whatsoever with respect to persons having interests in such book entry 2015 Bonds other than the Owners, as shown on the 2015 Bond Registration Books. By executing a Letter of Representations, the Trustee shall agree to take all action necessary at all times so that the Trustee will be in compliance with all representations of the Trustee in such Letter of Representations. In addition to the execution and delivery of a Letter of Representations, the District and the Trustee shall take such other actions, not inconsistent with the Indenture, as are reasonably necessary to qualify book entry 2015 Bonds for the Depository's book entry program.

(c) Selection of Depository. In the event that: (i) the Depository determines not to continue to act as Securities Depository for book entry 2015 Bonds; or (ii) the District determines that continuation of the book entry system is not in the best interest of the beneficial owners of the 2015 Bonds or the District, then the District will discontinue the book entry system with the Depository. If the District determines to replace the Depository with another qualified Securities Depository, the District shall prepare or direct the preparation of a new single, separate, fully

registered 2015 Bond for each of the maturity dates of such book entry 2015 Bonds, registered in the name of such successor or substitute qualified Securities Depository or its Nominee as provided in subsection (e) hereof. If the District fails to identify another qualified Securities Depository to replace the Depository, then the 2015 Bonds shall no longer be restricted to being registered in such 2015 Bond Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging such 2015 Bonds shall designate, in accordance with the provisions of Sections 2.03 and 2.04 hereof.

(d) Payments To Depository. Notwithstanding any other provision of the Indenture to the contrary, so long as all Outstanding 2015 Bonds are held in book entry form and registered in the name of the Nominee, all payments of principal of, redemption premium, if any, and interest on such 2015 Bond and all notices with respect to such 2015 Bond shall be made and given, respectively to the Nominee, as provided in the Letter of Representations or as otherwise instructed by the Depository and agreed to by the Trustee notwithstanding any inconsistent provisions herein.

(e) Transfer of 2015 Bonds to Substitute Depository.

(i) The 2015 Bonds shall be initially issued as provided in Section 2.01 hereof. Registered ownership of such 2015 Bonds, or any portions thereof, may not thereafter be transferred except:

(A) to any successor of DTC or its nominee, or of any substitute depository designated pursuant to clause (B) of subsection (i) of this Section 2.08(e) (“Substitute Depository”); provided that any successor of DTC or Substitute Depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(B) to any Substitute Depository, upon: (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository; or (2) a determination by the District that DTC (or its successor) is no longer able to carry out its functions as depository; provided that any such Substitute Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(C) to any person as provided below, upon: (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository; or (2) a determination by the District that DTC or its successor (or Substitute Depository or its successor) is no longer able to carry out its functions as depository.

(ii) In the case of any transfer pursuant to clause (A) or clause (B) of subsection (i) of this Section 2.08(e), upon receipt of all Outstanding 2015 Bonds by the Trustee, together with a Written Request of the District to the Trustee designating the Substitute Depository, a single new 2015 Bond, which the District shall prepare or cause to be prepared, shall be issued for each maturity of 2015 Bonds then Outstanding, registered in the name of such successor or such Substitute Depository or their Nominees, as the case may be, all as specified in such Written Request of the District. In the case of any transfer pursuant to clause (C) of subsection (i) of this Section 2.08(e), upon receipt of all Outstanding 2015 Bonds by the Trustee, together with a Written Request of the District to the Trustee, new 2015 Bonds, which the District shall prepare or cause to be prepared, shall be issued in such denominations and registered in the names of such persons as are requested in such Written Request of the District, subject to the limitations of Section 2.01 hereof,

provided that the Trustee shall not be required to deliver such new 2015 Bonds within a period of less than sixty (60) days from the date of receipt of such Written Request from the District.

(iii) In the case of a partial redemption or an advance refunding of any 2015 Bonds evidencing a portion of the principal maturing in a particular year, DTC or its successor (or any Substitute Depository or its successor) shall make an appropriate notation on such 2015 Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Trustee, all in accordance with the Letter of Representations. The Trustee shall not be liable for such Depository's failure to make such notations or errors in making such notations and the records of the Trustee as to the Outstanding principal amount of such 2015 Bonds shall be controlling.

(iv) The District and the Trustee shall be entitled to treat the person in whose name any 2015 Bond is registered as the Owner thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the District; and the District and the Trustee shall have no responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the 2015 Bonds. Neither the District nor the Trustee shall have any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including DTC or its successor (or Substitute Depository or its successor), except to the Owner of any 2015 Bonds, and the Trustee may rely conclusively on its records as to the identity of the Owners of the 2015 Bonds.

ARTICLE III

ISSUANCE OF 2015 BONDS; APPLICATION OF PROCEEDS

Section 3.01. Issuance of the 2015 Bonds. At any time after the execution of the Indenture, the District may execute and the Trustee shall authenticate and, upon Written Request of the District, deliver the 2015 Bonds in the aggregate principal amount of \$ _____.

Section 3.02. Application of Proceeds of the 2015 Bonds and Certain Other Moneys. The proceeds received from the sale of the 2015 Bonds (other than \$ _____ paid by the initial purchasers of the 2015 Bonds directly to the Bond Insurer) shall be deposited with the Trustee, who shall transfer: (a) \$ _____ from the proceeds of the 2015 Bonds to the 2004 Escrow Agent for deposit in the 2004 Certificates Escrow Fund (as such term is defined in the 2004 Certificates Escrow Agreement) and (b) deposit the amount of \$ _____ from the proceeds of the 2015 Bonds in the Costs of Issuance Fund. The Trustee may establish temporary funds or accounts in its records to record and facilitate such deposits and transfer.

Section 3.03. Establishment and Application of Costs of Issuance Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund." The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance upon submission of Requisitions of the District stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred, that such payment is proper charge against said fund and that payment for such charge has not previously been made. Each such Requisition of the District shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. On the six month anniversary of the issuance of the 2015 Bonds, or upon the earlier Written Request of the District, all amounts remaining in the Costs of Issuance Fund shall be transferred by the Trustee to the Interest

Account and the Costs of Issuance Fund shall be closed. Investment earnings on amounts on deposit in the Costs of Issuance Fund shall be retained in the Cost of Issuance Fund.

Section 3.04. Validity of 2015 Bonds. The validity of the authorization and issuance of the 2015 Bonds is not dependent on and shall not be affected in any way by any proceedings taken by the District or the Trustee with respect to any other agreement. The recital contained in the 2015 Bonds that the same are issued pursuant to the Constitution and laws of the State shall be conclusive evidence of the validity and of compliance with the provisions of law in their issuance.

ARTICLE IV

REDEMPTION OF 2015 BONDS

Section 4.01. Terms of Redemption.

(a) The 2015 Bonds shall be subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity and within maturities as directed by the District in a Written Request provided to the Trustee at least 60 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of \$5,000 from Net Proceeds, upon the terms and conditions of, and as provided for in, Sections 6.06 and 6.12, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

(b) The 2015 Bonds with stated maturities on or after September 1, 20__ shall be subject to redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity as directed by the District in a Written Request provided to the Trustee at least 60 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of \$5,000, on or after September 1, 20__ at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium

(c) The 2015 Bonds with stated maturities on September 1, 20__ are subject to mandatory sinking fund redemption in part (by lot), on each September 1 on and after September 1, 20__ in integral multiples of \$5,000 at a Redemption Price of the principal amount thereof plus accrued interest evidenced thereby to the date fixed for redemption, without premium, in accordance with the following schedule:

<i>Redemption Date</i> <i>(September 1)</i>	<i>Principal</i> <i>Amount</i>
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* Final Maturity.

In the event of a redemption pursuant to Section 4.01(a) and (b) above the District shall provide the Trustee with a revised sinking fund schedule giving effect to the redemption so completed.

Section 4.02. Selection of 2015 Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the 2015 Bonds, the Trustee shall select the 2015 Bonds for redemption as a whole or in part on any date as directed by the District and approved in writing by the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy), and by lot within each maturity in integral multiples of \$5,000 in accordance with Section 4.01 hereof. The Trustee will promptly notify the District in writing of the numbers of the 2015 Bonds or portions thereof so selected for redemption.

Section 4.03. Notice of Redemption. Notice of redemption (other than mandatory sinking fund redemption) shall be mailed by first class mail at least twenty (20) days but not more than sixty (60) days before any Redemption Date, to the respective Owners of any 2015 Bonds designated for redemption at their addresses appearing on the Registration Books, to the Securities Depositories and the Information Services; provided that, in the case of notice of optional redemption not related to an advance or current refunding, such notice may be given only if sufficient funds have been deposited with the Trustee to pay the applicable Redemption Price of the 2015 Bonds to be redeemed, provided that such notice may be cancelled by the District upon Written Request delivered to the Trustee not less than five (5) days prior to such Redemption Date. Each notice of redemption shall state the date of notice, the Redemption Date, the place or places of redemption, the Redemption Price, will designate the maturities, CUSIP numbers, if any, and, if less than all 2015 Bonds of any such maturity are to be redeemed, the serial numbers of the 2015 Bonds of such maturity to be redeemed by giving the individual number of each 2015 Bond or by stating that all 2015 Bonds between two stated numbers, both inclusive, have been called for redemption and, in the case of 2015 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the Redemption Date there will become due and payable on each of said 2015 Bonds or parts thereof designated for redemption the Redemption Price thereof or of said specified portion of the principal thereof in the case of a 2015 Bond to be redeemed in part only, together with interest accrued thereon to the Redemption Date, and that (provided that moneys for redemption have been deposited with the Trustee) from and after such Redemption Date interest thereon shall cease to accrue, and shall require that such 2015 Bonds be then surrendered to the Trustee. Neither the failure to receive such notice nor any defect in the notice or the mailing thereof will affect the validity of the redemption of any 2015 Bond. Notice of redemption of 2015 Bonds shall be given by the Trustee at the expense of the District.

With respect to any notice of optional redemption of 2015 Bonds, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such 2015 Bonds to be redeemed and that, if such moneys shall not have been so received, said notice shall be of no force and effect and the Trustee shall not be required to redeem such 2015 Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made, and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Section 4.04. Partial Redemption of 2015 Bonds. Upon surrender of any 2015 Bond redeemed in part only, the District shall execute and the Trustee shall authenticate and deliver to the

Owner thereof, at the expense of the District, a new 2015 Bond or 2015 Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the 2015 Bonds surrendered and of the same series, interest rate and maturity.

Section 4.05. Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price of, together with interest accrued to the date fixed for redemption on, the 2015 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the Redemption Date designated in such notice, the 2015 Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the 2015 Bonds so called for redemption shall cease to accrue, said 2015 Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Owners of said 2015 Bonds shall have no rights in respect thereof except to receive payment of the Redemption Price thereof. The Trustee shall, upon surrender for payment of any of the 2015 Bonds to be redeemed on their Redemption Dates, pay such 2015 Bonds at the Redemption Price.

All 2015 Bonds redeemed pursuant to the provisions of this Article shall be canceled upon surrender thereof.

ARTICLE V

WATER SYSTEM REVENUES, FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

Section 5.01. Pledge and Assignment; Revenue Funds.

(a) All of the Water System Revenues, all amounts held in the Water System Revenue Fund described in subsection (b) below, the Rate Stabilization Fund described in Section 5.06 below and any other amounts (including proceeds of the sale of the 2015 Bonds) held in any fund or account established pursuant to the Indenture (except the Rebate Fund) are hereby irrevocably pledged to secure the payment of the principal of and interest, and the premium, if any, on the 2015 Bonds in accordance with their terms and the provisions of the Indenture, subject however to the pledge thereon securing Bonds and Contracts, and the Water System Revenues shall not be used for any other purpose while the 2015 Bonds remain Outstanding; provided that out of the Water System Revenues and amounts on deposit in the Rate Stabilization Fund there may be apportioned such sums for such purposes as are expressly permitted herein. Said pledge, together with the pledge created for the benefit of other Bonds and Contracts, shall constitute a first lien on and security interest on Water System Revenues and, subject to application of Water System Revenues and all amounts on deposit in the Water System Revenue Fund and the Rate Stabilization Fund as permitted herein, the Water System Revenue Fund, the Rate Stabilization Fund and other funds and accounts created hereunder for the payment of the principal of and interest, and the premium, if any, on the 2015 Bonds in accordance with the terms hereof, and shall attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act and shall be valid and binding against all parties having claims of any kind in tort, contract or otherwise against the District, irrespective of whether such parties have notice hereof.

(b) In order to carry out and effectuate the pledge and lien contained herein, the District agrees and covenants to receive all Water System Revenues in trust hereunder and the Water

System Revenues shall be deposited when and as received in a special fund designated as the "Water System Revenue Fund". The District agrees and covenants to maintain the Water System Revenue Fund and to hold the Water System Revenue Fund separate and apart from other funds so long as the 2015 Bonds remain unpaid. Moneys in the Water System Revenue Fund shall be held in trust by the District and shall be applied, used and withdrawn by the District for the purposes set forth in this Section.

(c) The District shall, from the moneys in the Water System Revenue Fund, pay all Water System Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Water System Operation and Maintenance Costs, the payment of which is not then immediately required) as such Water System Operation and Maintenance Costs become due and payable.

(d) All remaining moneys in the Water System Revenue Fund shall be applied by the District at the following times for the transfer to the following respective special funds in the following order of priority; and all moneys in each of such funds shall be held in trust and shall be applied, used and withdrawn only for the purposes set forth in this Section:

(i) Interest and Principal Payments. Not later than six (6) Business Days prior to each Interest Payment Date, the District shall, from the moneys in the Water System Revenue Fund, transfer to the Trustee for deposit in the Payment Fund the amount, if any, necessary for the payments of interest and principal, including mandatory sinking fund installments, if any, on the 2015 Bonds due and payable on such Interest Payment Date. The District shall also, from the moneys in the Water System Revenue Fund, transfer to the applicable trustee for deposit in the respective payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Debt Service in accordance with the provisions of any Bond or Contract.

(ii) Reserve Funds. Not later than six (6) Business Days prior to each Interest Payment Date, the District shall, from the remaining moneys in the Water System Revenue Fund, thereafter, without preference or priority and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the applicable trustee for such other reserve funds and/or accounts, if any, as may have been established in connection with Bonds or Contracts, that sum, if any, necessary to restore such funds or accounts to an amount equal to the reserve requirement with respect thereto.

(iii) Policy Costs and Insurer Reimbursement Amounts. The District shall, from the remaining moneys in the Water System Revenue Fund, pay Policy Costs or Insurer Reimbursement Amounts to the Insurer (as such terms are defined herein), to the extent such amounts are due and payable.

(iv) Surplus. Moneys on deposit in the Water System Revenue Fund on any date when the District reasonably expects such moneys will not be needed for the payment of Water System Operation and Maintenance Costs, or for any of the purposes described in clauses (e)(i), (e)(ii) or (e)(iii) may be expended by the District on payments of principal of and interest on notes, bonds, contracts or other obligations payable from Water System Net Revenues subordinate to the payments described in clauses (e)(i), (e)(ii) and (e)(iii) above or for any other purpose permitted by law, including, but not limited to the deposit of amounts in the Rate Stabilization Fund in accordance with Section 5.06.

(e) All moneys held by the District in the Water System Revenue Fund shall be invested in Permitted Investments and the investment earnings thereon shall remain on deposit therein.

Section 5.02. Application of Payment Fund. There is hereby established with the Trustee the Payment Fund, which the Trustee covenants to maintain and hold in trust separate and apart from other funds held by it so long as any principal of and interest on the 2015 Bonds remain unpaid. Except as directed herein, all payments of interest and principal on the 2015 Bonds transferred by the District from the Water System Revenue Fund to the Payment Fund pursuant to Section 5.01(b) shall be promptly deposited by the Trustee upon receipt thereof into the Payment Fund; except that all moneys received by the Trustee and required hereunder to be deposited in the Redemption Fund shall be promptly deposited therein. All payments of interest and principal on the 2015 Bonds deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. The Trustee shall also establish and hold an Interest Account and a Principal Account within the Payment Fund.

The Trustee shall transfer from the Payment Fund and deposit into the following respective accounts the following amounts in the following order of priority and at the following times, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Water System Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) Not later than the Business Day preceding each Interest Payment Date, the Trustee shall deposit in the Interest Account that sum, if any, required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such Interest Payment Date on all 2015 Bonds then Outstanding. No deposit need be made into the Interest Account so long as there shall be in such fund moneys sufficient to pay the interest becoming due and payable on such Interest Payment Date on all 2015 Bonds then Outstanding.

(b) Not later than the Business Day preceding each date on which the principal of the 2015 Bonds shall become due and payable hereunder, the Trustee shall deposit in the Principal Account that sum, if any, required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the 2015 Bonds coming due and payable on such date or subject to mandatory sinking fund redemption on such date. No deposit need be made into the Principal Account so long as there shall be in such fund moneys sufficient to pay the principal becoming due and payable on such date on all 2015 Bonds then Outstanding.

Section 5.03. Application of Interest Account. All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the 2015 Bonds as it shall become due and payable (including accrued interest on any 2015 Bonds purchased or accelerated prior to maturity pursuant to the Indenture).

Section 5.04. Application of Principal Account. All amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal amount of the 2015 Bonds at maturity, mandatory sinking fund redemption, purchase or acceleration; provided, however, that at any time prior to selection for redemption of any such 2015 Bonds, upon written direction of the District, the Trustee shall apply such amounts to the purchase of 2015 Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued

interest, which is payable from the Interest Account) as shall be directed pursuant to a Written Request of the District, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the 2015 Bonds.

Section 5.05. Application of Redemption Fund. There is hereby established with the Trustee a special fund designated as the "Redemption Fund." All amounts in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the Redemption Price of the 2015 Bonds to be redeemed on any Redemption Date pursuant to Section 4.01; provided, however, that at any time prior to selection for redemption of any such 2015 Bonds, upon written direction of the District, the Trustee shall apply such amounts to the purchase of 2015 Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed pursuant to a Written Request of the District, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the 2015 Bonds.

Section 5.06. Rate Stabilization Fund. There is hereby continued a special fund designated as the "Rate Stabilization Fund" to be held by the District in trust hereunder, which fund the District agrees and covenants to maintain and to hold separate and apart from other funds so long as any 2015 Bonds remain unpaid. On the date of execution of the Indenture, the District has on deposit \$[500,209.14] in the Rate Stabilization Fund. Money transferred by the District from the Water System Revenue Fund to the Rate Stabilization Fund in accordance with Section 5.01(e)(iv) shall be held in the Rate Stabilization Fund and applied in accordance with the Indenture.

The District may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Water System Revenue Fund for application in accordance with Section 5.01 hereof or, in the event that all or a portion of the 2015 Bonds are discharged in accordance with Article X hereof, transfer all or any portion of such amounts for application in accordance with said Article X. Amounts transferred from the Rate Stabilization Fund to the Water System Revenue Fund pursuant to this Section 5.06 during or within 270 days after a Fiscal Year, may be taken into account as Water System Revenues for purposes of the calculations in Sections 5.11 and 6.12(a) in such Fiscal Year.

Section 5.07. [RESERVED]

Section 5.08. Investments. All moneys in any of the funds or accounts established with the District or the Trustee pursuant to the Indenture shall be invested by the District or the Trustee, as the case may be, solely in Permitted Investments, which will, as nearly as practicable, mature on or before the dates when such moneys are anticipated to be needed for disbursement. Any investments by the Trustee shall be directed by the District pursuant to a Written Request of the District filed with the Trustee at least two (2) Business Days in advance of the making of such investments (which directions shall be promptly confirmed to the Trustee in writing). In the absence of any such directions from the District, the Trustee shall invest any such moneys in Permitted Investments described in clause (d) of the definition thereof; provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a written direction from the District specifying a specific money market fund and, if no such written direction from the District is so received, the Trustee shall hold such moneys uninvested. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the Interest Account unless otherwise provided in the Indenture, except that the investment earnings on the Rate Stabilization Fund shall be transferred to the Water System Revenue Fund upon receipt thereof as directed by the District. For purposes of acquiring any investments hereunder, the Trustee may commingle funds (other than the Rebate Fund) held by it hereunder. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made pursuant to this Section 5.08.

The District acknowledges that to the extent that regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The Trustee shall furnish the District periodic cash transaction statements which include detail for all investment transactions effected by the Trustee and brokers selected by the District. Upon the District's election, such statements will be delivered via the Trustee's online service and upon electing such service; paper statements will be provided only upon request. The District further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

The Trustee may make any investments hereunder through its own bond or investment department or trust investment department, or those of its parent or an affiliate. The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder. The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee under the Indenture.

The District shall invest, or cause to be invested, all moneys in any fund or accounts established with the Trustee as provided in the Tax Certificate.

For investment purposes, the Trustee may commingle the funds and accounts established hereunder, but shall account for each separately. In making any valuations of investments hereunder, the Trustee may utilize and rely on computerized securities pricing services that may be available to the Trustee, including those available through the Trustee accounting system.

Section 5.09. Rebate Fund.

(a) Establishment. The Trustee shall establish a fund for the 2015 Bonds designated the "Rebate Fund." Except as may otherwise be approved by an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the 2015 Bonds will not be adversely affected, the District shall cause to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to this Section and the Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust for payment to the United States Treasury. All amounts on deposit in the Rebate Fund for the 2015 Bonds shall be governed by this Section and the Tax Certificate, unless and to the extent that the District delivers to the Trustee an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the 2015 Bonds will not be adversely affected if such requirements are not satisfied. Notwithstanding anything to the contrary contained herein or in the Tax Certificate, the Trustee: (i) shall be deemed conclusively to have complied with the provisions hereof and thereof if it follows all Requests of the District; and (ii) shall have no liability or responsibility to enforce

compliance by the District with the terms of this Section and the Tax Certificate; and (iii) may rely conclusively on the District's calculations and determinations and certifications relating to rebate matters; and (iv) shall have no responsibility to independently make any calculations or determinations or to review the District's calculations or determinations thereunder.

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

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

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

(A) Not later than 60 days after the end of: (X) the fifth Bond Year; and (Y) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year; and

(B) Not later than 60 days after the payment of all the 2015 Bonds, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code and Section 1.148-3 of the Treasury Regulations.

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

(b) Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund after redemption and payment of the 2015 Bonds and the payments described in subsection (a) above being made may be withdrawn by the District and utilized in any manner by the District.

(c) Survival of Defeasance. Notwithstanding anything in this Section to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance or payment in full of the 2015 Bonds.

Section 5.10. Application of Funds and Accounts When No 2015 Bonds are Outstanding. On the date on which all 2015 Bonds shall be retired hereunder or provision made therefor pursuant to Article X and after payment of all amounts due the Trustee hereunder, all moneys then on deposit in any of the funds or accounts (other than the Rebate Fund) established with the Trustee pursuant to the Indenture shall be withdrawn by the Trustee and paid to the District for use by the District at any time for any purpose permitted by law.

Section 5.11. Additional Contracts and Bonds. The District may at any time execute any Contract or issue any Bonds, as the case may be, in accordance herewith; provided:

(a) The Net Revenues for the most recent audited Fiscal Year preceding the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, as evidenced by both a calculation prepared by the District and a special report prepared by an Independent Certified Public Accountant or an Independent Financial Consultant on such calculation on file with the District, shall have produced a sum equal to at least one hundred ten percent (110%) of the Debt Service for such Fiscal Year; and

(b) The Net Revenues for the most recent audited Fiscal Year preceding the date of the execution of such Contract or the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds, as the case may be, including adjustments to give effect as of the first day of such Fiscal Year (i) to increases or decreases in rates and charges for the Water Service approved and in effect as of the date of calculation, as evidenced by a calculation prepared by the District and (ii) to each new connection to the Water System that, during all or any part of such Fiscal Year, was not in existence and that would have been derived from such connection if it had been made prior to the beginning of such Fiscal Year, shall have produced a sum equal to at least one hundred ten percent (110%) of the Debt Service for such Fiscal Year plus the Debt Service which would have accrued on any Contracts executed or Bonds issued since the end of such Fiscal Year assuming such Contracts had been executed or Bonds had been issued at the beginning of such Fiscal Year, plus the Debt Service which would have accrued had such Contract been executed or Bonds been issued at the beginning of such Fiscal Year; and

(c) The estimated Net Revenues for the then current Fiscal Year and for each Fiscal Year thereafter to and including the first complete Fiscal Year after the latest date of operation of any uncompleted Parity Project, as evidenced by a certificate of the General Manager of the District on file with the District, including (after giving effect to the completion of all such uncompleted Parity Projects) an allowance for estimated Net Revenues for each of such Fiscal Years arising from any increase in the income, rents, fees, rates and charges estimated to be fixed, prescribed or received for the Water Service and which are economically feasible and reasonably considered necessary based on projected operations for such period, as evidenced by a certificate of the General Manager on file with the District, shall produce a sum equal to at least one hundred ten

percent (110%) of the estimated Debt Service for each of such Fiscal Years, after giving effect to the execution of all Contracts and the issuance of all Bonds estimated to be required to be executed or issued to pay the costs of completing all uncompleted Parity Projects within such Fiscal Years, assuming that all such Contracts and Bonds have maturities, interest rates and proportionate principal repayment provisions similar to the Contract last executed or then being executed or the Bonds last issued or then being issued for the purpose of acquiring and constructing any of such uncompleted Parity Projects; and

Notwithstanding the foregoing, Bonds or Contracts may be issued or incurred to refund outstanding Bonds or Contracts if, after giving effect to the application of the proceeds thereof, total Debt Service will not be increased in any Fiscal Year in which Bonds or Contracts (outstanding on the date of issuance or incurrence of such refunding Bonds or Contracts, but excluding such refunding Bonds or Contracts) not being refunded are outstanding in an amount in excess of 10%.

Notwithstanding satisfaction of the other conditions to the execution of any Contract or the issuance of Bonds set forth in this Section 5.11, no such execution or issuance may occur if an Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) exists unless such Event of Default shall be cured upon such execution or issuance.

Nothing in this Section 5.11 shall prohibit the District from issuing or entering into notes, bonds, contracts or other obligations payable from Net Water System Revenues subordinate to Bonds or Contracts.

For purposes of this Section 5.11, any Policy Costs due and owing shall be treated as Operations and Maintenance Costs of the Water System.

Section 5.12. Claims Upon the Insurance Policy and Payments by and to the Insurer. [TO COME FROM INSURER]

Section 5.13. Payments by the Insurer as a Result of Nonpayment. The Insurer shall be entitled to pay principal or interest on the 2015 Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the District (as such terms are defined in the Insurance Policy) and any amounts due on the 2015 Bonds as a result of acceleration of the maturity thereof in accordance with this Indenture, whether or not the Insurer has received a Notice of Nonpayment (as such terms are defined in the Insurance Policy) or a claim upon the Insurance Policy.

ARTICLE VI

PARTICULAR COVENANTS

Section 6.01. Compliance with Indenture. The Trustee will not authenticate or deliver any 2015 Bond in any manner other than in accordance with the provisions of this Indenture, and the District will not suffer or permit any default by it to occur under this Indenture, but will faithfully observe and perform all the covenants, conditions and requirements hereof.

Section 6.02. Budgets. On or prior to the fifteenth day of each Fiscal Year, the District shall certify to the Trustee that the amounts budgeted for payment of principal and interest on the 2015 Bonds are fully adequate for the payment of all principal and interest on the 2015 Bonds for such Fiscal Year. If the amounts so budgeted are not adequate for the payment of all principal and

interest on the 2015 Bonds, the District will take such action as may be necessary to cause such annual budget to be amended, corrected or augmented so as to include therein the amounts required to be raised by the District in the then ensuing Fiscal Year for the payment of all principal and interest on the 2015 Bonds and will notify the Trustee of the proceedings then taken or proposed to be taken by the District.

Section 6.03. Payment of Taxes and Compliance with Governmental Regulations. The District will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Water System or any part thereof or upon the Water System Revenues when the same shall become due. The District will duly observe and comply with all valid regulations and requirements of any governmental authority relative to the operation of the Water System or any part thereof, but the District shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

Section 6.04. Observance of Laws and Regulations. To the extent necessary to assure its performance hereunder, the District will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States of America, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the District, including its right to exist and carry on its business, to the end that such contracts, rights and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Section 6.05. Eminent Domain Proceeds. If all or any part of the Water System shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied as follows:

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

(b) If the foregoing conditions are not met, then such Net Proceeds shall be applied by the District in part to the redemption of the 2015 Bonds as provided in Article IV and in part to such other fund or account as may be appropriate and used for the retirement of Bonds and Contracts in the same proportion which the aggregate unpaid principal balance of principal and Interest due on the 2015 Bonds then bears to the aggregate unpaid principal amount of such Bonds and Contracts.

Section 6.06. Against Sale or Other Disposition of Property. The District will not enter into any agreement or lease which impairs the operation of the Water System or any part thereof necessary to secure adequate Water System Revenues for the payment of the principal and interest due on the 2015 Bonds, or which would otherwise impair the operation of the Water System. Any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the Water System, or any material or equipment which has become worn out, may be sold if such sale will not impair the ability of the District to pay the principal and interest on the 2015 Bonds when due and if the proceeds of such sale are deposited in the Water System Revenue Fund as directed by the District.

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

Section 6.07. Against Competitive Facilities. To the extent permitted by law, the District covenants that it will not acquire, construct, maintain or operate and will not, to the extent permitted by law and within the scope of its powers, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the District any water system competitive with the Water System; provided however, that for purposes of this covenant, the Recycled Water System shall not be considered to be competitive with the Water System.

Section 6.08. Maintenance and Operation of the Water System. The District will maintain and preserve the Water System in good repair and working order at all times and will operate the Water System in an efficient and economical manner and will pay all Operation and Maintenance Costs as they become due and payable.

Section 6.09. Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Water System Revenues or the funds or accounts created hereunder or on any funds in the hands of the District pledged to pay the principal and interest on the 2015 Bonds or to the Owners prior or superior to the lien of the 2015 Bonds or which might impair the security of the principal and interest due on the 2015 Bonds.

Section 6.10. Compliance with Contracts. The District will neither take nor omit to take any action under any contract if the effect of such act or failure to act would in any manner impair or adversely affect the ability of the District to pay the principal and interest on the 2015 Bonds when due; and the District will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all other contracts affecting or involving the Water System, to the extent that the District is a party thereto. Notwithstanding the foregoing, nothing in this Section 6.10 shall require the District to comply with, keep, observe or perform any such agreement, condition, covenant or term, express or implied, contained in any such contracts if the District is contesting in good faith the interpretation, validity or enforceability of such agreement, condition, covenant or term, express or implied, unless required by the terms of a final order of a court of competent jurisdiction from which no opportunity for further appeal exists.

Section 6.11. Insurance.

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

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

If such Net Proceeds exceed the costs of such reconstruction, repair or replacement portion of the Water System and/or the cost of the construction of additions, betterments, extensions or improvements to the Water System then the excess Net Proceeds shall be applied in part to the prepayment of principal and interest on the 2015 Bonds as provided in Article X and in part to such other fund or account as may be appropriate and used for the retirement of Bonds and Contracts in the same proportion which the aggregate unpaid principal balance of the 2015 Bonds then bears to the aggregate unpaid principal amount of such Bonds and Contracts. If such Net Proceeds are sufficient to enable the District to retire the entire obligation evidenced hereby prior to the final due date of the principal and interest on the 2015 Bonds as well as the entire obligations evidenced by Bonds and Contracts then remaining unpaid prior to their final respective due dates, the District may elect not to reconstruct, repair or replace the damaged or destroyed portion of the Water System and/or not to construct other additions, betterments, extensions or improvements to the Water System; and thereupon such Net Proceeds shall be applied to the prepayment of principal and interest on the 2015 Bonds as provided in Article X and to the retirement of such Bonds and Contracts.

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

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

Section 6.12. Amount of Rates and Charges.

(a) To the fullest extent permitted by law, the District shall fix and prescribe, at the commencement of each Fiscal Year, rates and charges for the Water Service provided by the Water System which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Water System Revenues equal to one hundred ten percent (110%) of Debt Service payable

in such Fiscal Year; provided, however, that for purposes of this Section 6.12, Water System Revenues in such Fiscal Year shall not include any amount transferred from the Rate Stabilization Fund to the Water System Revenue Fund in excess of ten percent (10%) of Debt Service payable in such Fiscal Year.

(b) The District may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Water System Revenues, from such reduced rates and charges are reasonably expected to be sufficient to meet the requirements of this section.

(c) So long as the District has complied with its obligations set forth in clause (a) and (b) above, the failure of Net Water System Revenues to equal one hundred ten percent (110%) of Debt Service at the end of a Fiscal Year shall not constitute a default or an Event of Default hereunder.

(d) For purposes of this Section 6.12, any Policy Costs due and owing shall be treated as Operations and Maintenance Costs of the Water System.

Section 6.13. Collection of Rates and Charges. The District will have in effect at all times by-laws, rules and regulations requiring each customer to pay the rates and charges applicable to the Water Service and providing for the billing thereof and for a due date and a delinquency date for each bill.

Section 6.14. Enforcement of Contracts. The District will not voluntarily consent to or permit any rescission of, nor will it consent to any amendment to or otherwise take any action under or in connection with any contracts previously or hereafter entered into if such rescission or amendment would in any manner impair or adversely affect the ability of the District to pay principal and interest on the 2015 Bonds.

Section 6.15. Continuing Disclosure. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Indenture, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Section. For purposes of this Section, "Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2015 Bond (including persons holding 2015 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2015 Bond for federal income tax purposes.

Section 6.16. Punctual Payment. The District shall cause the Trustee to pay the principal and interest to become due in respect of all of the 2015 Bonds, in strict conformity with the terms of the 2015 Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Water System Revenues and other assets pledged for such payment as provided in the Indenture.

Section 6.17. Extension of Payment of 2015 Bonds. The District shall not directly or indirectly extend or assent to the extension of the maturity of any of the 2015 Bonds or the time of payment of any claims for interest by the purchase of such 2015 Bonds or by any other arrangement, and in case the maturity of any of the 2015 Bonds or the time of payment of any such claims for

interest shall be extended, such 2015 Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the 2015 Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended.

Section 6.18. Against Encumbrances. The District will not make any pledge of or place any lien on Water System Revenues or the moneys in the Water System Revenue Fund or the Rate Stabilization Fund except as provided herein. The District may at any time, or from time to time, execute Contracts or issue Bonds as permitted in Section 5.11 hereof and, in addition, incur notes, bonds, contracts or other obligations for any lawful purpose which are payable from Net Water System Revenues and secured by a pledge of lien on Water System Revenues or any moneys in the Water System Revenue Fund and the Rate Stabilization Fund as may from time to time be deposited therein, provided that such pledge and lien shall be subordinate in all respects to the pledge of and lien thereon provided herein to secure the 2015 Bonds and other Bonds and Contracts.

Section 6.19. Power to Issue 2015 Bonds and Make Pledge and Assignment. The District is duly authorized pursuant to law to issue the 2015 Bonds and to enter into the Indenture and to pledge and assign the Water System Revenues and other assets purported to be pledged and assigned under the Indenture in the manner and to the extent provided in the Indenture. The 2015 Bonds and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the District in accordance with their terms, and the District and the Trustee shall at all times, subject to the provisions of Article VIII and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Water System Revenues and other assets and all the rights of the 2015 Bond Owners under the Indenture against all claims and demands of all persons whomsoever.

Section 6.20. Accounting Records and Financial Statements.

(a) The District will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the District, which records shall be available for inspection by the Trustee at reasonable hours and under reasonable conditions.

(b) The District will prepare and file with the Trustee annually within two hundred seventy (270) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2015) financial statements of the District for the preceding Fiscal Year prepared in accordance with generally accepted accounting principles, together with an Accountant's Report thereon.

Section 6.21. Tax Covenants. Notwithstanding any other provision of the Indenture, and except as may otherwise be approved by an opinion of Bond Counsel that the exclusion from gross income of the portion of interest on the 2015 Bonds will not be adversely affected for federal income tax purposes, the District covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income with respect to the 2015 Bonds and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The District will take no action or refrain from taking any action or make any use of the proceeds of the 2015 Bonds or of any other moneys or property which would cause the 2015 Bonds to be "private activity bonds" within the meaning of Section 141 of the Code;

(b) Arbitrage. The District will make no use of the proceeds of the 2015 Bonds or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action which will cause the 2015 Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code;

(c) Federal Guarantee. The District will make no use of the proceeds of the 2015 Bonds or take or omit to take any action that would cause the 2015 Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code;

(d) Information Reporting. The District will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code necessary to preserve the exclusion of interest on the 2015 Bonds pursuant to Section 103(a) of the Code;

(e) Hedge Bonds. The District will make no use of the proceeds of the 2015 Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the 2015 Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the District takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the 2015 Bonds for federal income tax purposes; and

(f) Miscellaneous. The District will take no action or refrain from taking any action inconsistent with its expectations stated in the Tax Certificate executed by the District in connection with the issuance of the 2015 Bonds and will comply with the covenants and requirements stated therein and incorporated by reference herein.

This Section and the covenants set forth herein shall not be applicable to, and nothing contained herein shall be deemed to prevent the District from issuing Bonds or Contracts the interest with respect to which has been determined by Bond Counsel to be subject to federal income taxation.

Section 6.22. Waiver of Laws. The District shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in the Indenture or in the 2015 Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the District to the extent permitted by law.

Section 6.23. Further Assurances. The District will make, execute and deliver any and all such further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the 2015 Bonds of the rights and benefits provided in the Indenture.

Section 6.24. Prosecution and Defense of Suits. The District shall promptly, upon request of the Trustee or any 2015 Bond Owner, from time to time take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Water System Revenues or any part thereof, whether now existing or hereafter developing, shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and shall indemnify and save the Trustee (including all of its employees, officers and directors) and every 2015 Bond Owner harmless from all loss, cost, damage and expense, including attorneys’ fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

The District shall defend against every suit, action or proceeding at any time brought against the Trustee (including all of its employees, officers and directors) or any 2015 Bond Owner upon any claim by a 2015 Bond Owner or a third party arising out of the receipt, application or disbursement of any of the payments of principal of or interest on the 2015 Bonds or involving the rights of the Trustee or any 2015 Bond Owner under the Indenture; provided that the Trustee or any 2015 Bond Owner at such party's election may appear in and defend any such suit, action or proceeding. The District shall indemnify and hold harmless the Trustee and the 2015 Bond Owners against any and all liability claimed or asserted by any such person, arising out of such receipt, application or disbursement, and shall indemnify and hold harmless the 2015 Bond Owners against any attorneys' fees or other expenses which any of them may incur in connection with any litigation (including pre-litigation activities) to which any of them may become a party by reason of ownership of 2015 Bonds. The District shall promptly reimburse any 2015 Bond Owner in the full amount of any attorneys' fees or other expenses which such Owner may incur in litigation or otherwise in order to enforce such party's rights under the Indenture or the 2015 Bonds, provided that such litigation shall be concluded favorably to such party's contentions therein.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF 2015 BONDS OWNERS

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

(a) Default by the District in the due and punctual payment of the principal of any 2015 Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

(b) Default by the District in the due and punctual payment of the interest on any 2015 Bonds when and as the same shall become due and payable.

(c) Default by the District in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the 2015 Bonds if such default shall have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the District by the Trustee or by the Owners of not less than a majority in aggregate principal amount of 2015 Bonds Outstanding; provided, however, that if in the reasonable opinion of the District the default stated in the notice can be corrected, but not within such thirty (30) day period and corrective action is instituted by the District, with the written approval of the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy), within such thirty (30) day period and diligently pursued in good faith until the default is corrected such default shall not be an Event of Default hereunder.

(d) The District shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the District seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent

jurisdiction shall assume custody or control of the District or of the whole or any substantial part of its property.

(e) Payment of the principal of any Bond or with respect to any Contract is accelerated in accordance with its terms.

Section 7.02. Remedies Upon Event of Default. If any Event of Default specified in Section 7.01(d) or (e) shall occur and be continuing, the Trustee shall, with the written consent of the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy), which consent shall be at the sole discretion of the Insurer, and for any other Event of Default, the Trustee may, with the written consent of the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy), which consent shall be at the sole discretion of the Insurer, in each case, upon notice in writing to the District, declare the principal of all of the 2015 Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the 2015 Bonds contained to the contrary notwithstanding.

Nothing contained herein shall permit or require the Trustee to accelerate payments due under the Indenture if the District is not in default of its obligation hereunder.

Any such declaration is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the District shall deposit with the Trustee a sum sufficient to pay all the principal of and interest on the 2015 Bonds which is overdue, with interest on such overdue principal at the rate borne by the respective 2015 Bonds to the extent permitted by law, and the reasonable charges and expenses of the Trustee, and any and all other Events of Default known to the Trustee, shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case the Trustee shall on behalf of the Owners of all of the 2015 Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

Section 7.03. Application of Water System Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Water System Revenues held or thereafter received by the Trustee, amounts on deposit in the Rate Stabilization Fund, and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture (other than amounts held in the Rebate Fund) shall be applied in the following order:

(i) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the 2015 Bonds and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its accountants and counsel) incurred in and about the performance of its powers and duties under the Indenture;

(ii) To the payment of Operation and Maintenance Costs of the Water System;

(iii) To the payment of the principal of and interest then due on the 2015 Bonds (upon presentation of the 2015 Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid), in accordance with the

provisions of the Indenture, the payment of the principal and interest then due with respect to such Contract in accordance with the provisions thereof and the payment of the principal of and interest then due on such Bonds in accordance with the provisions thereof and of any indenture related thereto, in the following order of priority:

First: To the payment to the persons entitled thereto of all installments of interest then due on the 2015 Bonds, with respect to such Contract or on such Bonds, as applicable, in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of all installments of unpaid principal of any 2015 Bond, with respect to such Contract or on such Bonds, as applicable, which shall have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate of eight percent (8%) per annum, and, if the amount available shall not be sufficient to pay in full all the 2015 Bonds together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference;

Third: To the extent Policy Costs or Insurer Reimbursement Amounts are due and payable to the Insurer, to the payment of such amounts; and

Fourth: If there shall exist any remainder after the foregoing payments, such remainder shall be paid to the District to be expended as described in Section 5.01 (d)(iv) hereof.

Section 7.04. Trustee to Represent 2015 Bond Owners . The Trustee is hereby irrevocably appointed (and the successive respective Owners of the 2015 Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney in fact of the Owners of the 2015 Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the 2015 Bonds or the Indenture and applicable provisions of law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the 2015 Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the 2015 Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the 2015 Bonds or the Indenture or any law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Water System Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the 2015 Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the 2015 Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such 2015 Bonds, subject to the provisions of the Indenture.

Section 7.05. 2015 Bond Owners' Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the 2015 Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conduct in all remedial proceedings taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to 2015 Bond Owners not parties to such direction.

Section 7.06. Suit by Owners. No Owner of any 2015 Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture with respect to such 2015 Bonds, unless: (a) such Owners shall have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of not less than fifty percent (50%) in aggregate principal amount of the 2015 Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have failed to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (e) no direction inconsistent with such written request shall have been given to the Trustee during such sixty (60) day period by the Owners of a majority in aggregate principal amount of the 2015 Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of 2015 Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of 2015 Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of 2015 Bonds, or to enforce any right under the 2015 Bonds, the Indenture, or applicable law with respect to the 2015 Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding 2015 Bonds, subject to the provisions of the Indenture.

Section 7.07. Absolute Obligation of the District. Nothing in this Section 7.07 or in any other provision of the Indenture or in the 2015 Bonds shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the principal of and interest on the 2015 Bonds to the respective Owners of the 2015 Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Water System Revenues, the amounts on deposit in the Rate Stabilization Fund and other assets herein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the 2015 Bonds.

Section 7.08. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Owners of the 2015 Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Section 7.09. No Waiver of Default. No delay or omission of the Trustee or of any Owner of the 2015 Bonds to exercise any right or power arising upon the occurrence of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein.

Section 7.10. Insurer Rights. The Insurer shall be deemed to be the sole holder of the 2015 Bonds insured under the Insurance Policy for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the 2015 Bonds insured by it are entitled to take pursuant to the Indenture pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee. In furtherance thereof and as a term of this Indenture and each 2015 Bond, the Trustee and each Owner of the 2015 Bonds appoint the Insurer as their agent and attorney-in-fact and agree that the Insurer may at any time during the continuation of any proceeding by or against the District under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedeas or performance bond pending any such appeal and (D) the right to vote to accept or reject any plan or adjustment. In addition, the Trustee and each Owner of the 2015 Bonds delegate and assign to the Insurer, to the fullest extent permitted by law, the rights of the Trustee and each Owner of the 2015 Bonds in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding. Remedies granted to the Owner of the 2015 Bonds shall expressly include mandamus.

ARTICLE VIII

THE TRUSTEE

Section 8.01. Duties, Immunities and Liabilities of Trustee.

(a) The Trustee shall, prior to an Event of Default, and after the curing or waiving of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in the Indenture, and no implied covenants or duties shall be read into the Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) The District may remove the Trustee at any time, unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the 2015 Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee and thereupon the District shall promptly appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the District and by giving the 2015 Bond Owners notice of such resignation by mail at the addresses shown on the Registration Books. Upon receiving such notice of resignation, the District shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any 2015 Bond Owner (on behalf of himself and all other 2015 Bond Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the District and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Written Request of the District or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the District shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the District shall mail or cause the successor trustee to mail a notice of the succession of such Trustee to the trusts hereunder to each Rating Agency which is then rating the 2015 Bonds and to the 2015 Bond Owners at the addresses shown on the Registration Books. If the District fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the District.

(e) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a trust company, banking association or bank having the powers of a trust company, having a combined capital and surplus of at least Seventy-Five Million Dollars (\$75,000,000), and subject to supervision or examination for federal or state authority. If such bank, banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such trust company, banking association or bank shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

Section 8.02. Merger or Consolidation. Any trust company, banking association or bank into which the Trustee may be merged or converted or with which it may be consolidated or any trust company, banking association or bank resulting from any merger, conversion or consolidation to which it shall be a party or any trust company, banking association or bank to which the Trustee may

sell or transfer all or substantially all of its corporate trust business, provided such trust company, banking association or bank shall be eligible under subsection (e) of Section 8.01, shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 8.03. Liability of Trustee.

(a) The recitals of facts herein and in the 2015 Bonds shall be taken as statements of the District, and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of the Indenture or the 2015 Bonds, nor shall the Trustee incur any responsibility in respect thereof, other than as expressly stated herein in connection with the respective duties or obligations herein or in the 2015 Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the 2015 Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee may become the Owner of 2015 Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of 2015 Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the 2015 Bonds then Outstanding.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority (or such other percentage provided for herein) in aggregate principal amount of the 2015 Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture.

(d) The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture.

(e) The Trustee shall not be deemed to have knowledge of any default or Event of Default hereunder or any other event which, with the passage of time, the giving of notice, or both, would constitute an Event of Default hereunder unless and until a Responsible Officer of the Trustee shall have actual knowledge of such event or the Trustee shall have been notified in writing, in accordance with Section 11.07, of such event by the District or the Owners of not less than fifty percent (50%) of the 2015 Bonds then Outstanding. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by the District of any of the terms, conditions, covenants or agreements herein of any of the documents executed in connection with the 2015 Bonds, or as to the existence of an Event of Default thereunder or an event which would, with the giving of notice, the passage of time, or both, constitute an Event of Default thereunder. The Trustee shall not be responsible for the validity, effectiveness or priority of any collateral given to or held by it.

(f) No provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties hereunder, or in the exercise of any of its rights or powers.

(g) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of Owners pursuant to the Indenture, unless such Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. No permissive power, right or remedy conferred upon the Trustee hereunder shall be construed to impose a duty to exercise such power, right or remedy and the Trustee shall not be answerable for other than its negligence or willful misconduct.

(h) Whether or not herein expressly so provided, every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article VIII.

(i) The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the 2015 Bonds.

(j) The immunities extended to the Trustee also extend to its directors, officers, employees and agents.

(k) The Trustee may execute any of the trusts or powers of the Indenture and perform any of its duties through attorneys, agents and receivers and shall not be answerable for the conduct of the same if appointed by it with reasonable care.

(l) The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay (“unavoidable delay”) in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, which affect the Trustee’s ability to perform its obligations hereunder, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the Water System Revenues, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

(m) The Trustee shall hold the financial statements in compliance with Section 6.20(b) solely as an accommodation to the Bond Owners and shall have no duty or obligation to review such financial statements.

(n) The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions (“Instructions”) given pursuant to this Indenture and delivered using Electronic Means (“Electronic Means” shall mean the following communications methods: S.W.I.F.T., e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method

or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the District shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions (“Authorized Officers”) and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the District whenever a person is to be added or deleted from the listing. If the District elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee’s understanding of such Instructions shall be deemed controlling. The District understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The District shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the District and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the District. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee’s reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The District agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the District; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

(o) The Trustee shall not be concerned with or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof.

Section 8.04. Right to Rely on Documents. The Trustee shall be protected in acting upon any notice, resolution, requisition, request, consent, order, certificate, report, opinion, notes, direction, facsimile transmission, electronic mail or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the District, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Trustee may treat the Owners of the 2015 Bonds appearing in the Trustee’s Registration Books as the absolute owners of the 2015 Bonds for all purposes and the Trustee shall not be affected by any notice to the contrary.

Whenever in the administration of the trusts imposed upon it by the Indenture the Trustee 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 herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate, Request or Requisition of the District and such Certificate, Request or Requisition shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of the Indenture in reliance

upon such Certificate, Request or Requisition, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

Section 8.05. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of the Indenture shall be retained in its respective possession and shall be subject at all reasonable times to the inspection of the District, and any 2015 Bond Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

Section 8.06. Compensation and Indemnification. The District shall pay to the Trustee from time to time all reasonable compensation for all services rendered under the Indenture, and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Indenture.

The District shall indemnify, defend and hold harmless the Trustee, its officers, employees, directors and agents from and against any loss, costs, claims, liability or expense (including fees and expenses of its attorneys and advisors) without negligence or bad faith on its part, arising out of or in connection with the execution of the Indenture, acceptance or administration of this trust, including costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder. The rights of the Trustee and the indemnification obligations of the District shall survive removal or resignation of the Trustee hereunder or the discharge of the 2015 Bonds and the Indenture.

Section 8.07. Notice to Insurer by Trustee. The Trustee shall notify the Insurer of any failure of the District to provide notices, certificates and other information under the transaction documents of which the Trustee has actual or deemed knowledge pursuant to Section 8.03(e) hereof.

ARTICLE IX

MODIFICATION OR AMENDMENT OF THE INDENTURE

Section 9.01. Amendments Permitted.

(a) The Indenture and the rights and obligations of the District, the Owners of the 2015 Bonds, and the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the District and the Trustee may enter into when the written consent of the Insurer, so long as the Insurer has not defaulted on any obligation under the Insurance Policy, shall have been filed with the Trustee. No such modification or amendment shall: (1) extend the fixed maturity of any 2015 Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the rate of interest or the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each 2015 Bond so affected; or (2) eliminate the aforesaid consent of the Insurer required to affect any such modification or amendment, or permit the creation of any lien on the Water System Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture except as permitted herein, or deprive the Owners of the 2015 Bonds of the lien created by the Indenture on such Water System Revenues and other assets except as

permitted herein, without the consent of the Insurer. It shall not be necessary for the consent of the Insurer to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the District and the Trustee of any Supplemental Indenture pursuant to this subsection (a), the Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Indenture, to each Rating Agency and the Owners of the 2015 Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

(b) The Indenture and the rights and obligations of the District, the Trustee and the Owners of the 2015 Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the District and the Trustee may enter into without the consent of any 2015 Bond Owners, but with the written consent of the Insurer so long as the Insurer has not defaulted on any obligation under the Insurance Policy, if the Trustee shall receive an opinion of Bond Counsel to the effect that the provisions of such Supplemental Indenture shall not materially adversely affect the interests of the Owners of the Outstanding 2015 Bonds, including, without limitation, for any one or more of the following purposes:

(1) to add to the covenants and agreements of the District contained in the Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the 2015 Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the District;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the District may deem necessary or desirable;

(3) to modify, amend or supplement the Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereunder in effect, and to add such other terms conditions and provisions as may be permitted by said act or similar federal statute; and

(4) to modify, amend or supplement the Indenture in such manner as to cause interest on the 2015 Bonds to remain excludable from gross income under the Code.

(c) The Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Indenture authorized by subsections (a) or (b) of this Section which materially adversely affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

(d) Prior to the Trustee entering into any Supplemental Indenture hereunder, there shall be delivered to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of the Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion of interest on the 2015 Bonds from federal income taxation and from state income taxation.

Section 9.02. Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to this Article, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the

District, the Trustee, the Insurer and all Owners of 2015 Bonds Outstanding shall thereafter be determined, exercised and enforced thereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Section 9.03. Endorsement of 2015 Bonds; Preparation of New 2015 Bonds. 2015 Bonds delivered after the execution of any Supplemental Indenture pursuant to this Article may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the District and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any 2015 Bonds Outstanding at the time of such execution and presentation of his or her 2015 Bonds for such purpose at the Office of the Trustee or at such additional offices as the Trustee may select and designate for such purpose, a suitable notation shall be made on such 2015 Bonds. If the Supplemental Indenture shall so provide, new 2015 Bonds so modified as to conform, in the opinion of the District and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the District and authenticated by the Trustee, and upon demand on the Owners of any 2015 Bonds then Outstanding shall be exchanged at the Office of the Trustee, without cost to any 2015 Bond Owner, for 2015 Bonds then Outstanding, upon surrender for cancellation of such 2015 Bonds, in equal aggregate principal amount of the same maturity.

Section 9.04. Amendment of Particular 2015 Bonds. The provisions of this Article shall not prevent any 2015 Bond Owner from accepting any amendment as to the particular 2015 Bonds held by such 2015 Bond Owner.

Section 9.05. Effect of Insurance Policy. In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under the Indenture would adversely affect the security for the 2015 Bonds or the rights of the Owners, the Trustee shall consider the effect of any such amendment, consent, waiver, action or inaction as if there were no Insurance Policy.

ARTICLE X

DEFEASANCE

Section 10.01. Discharge of Indenture. The 2015 Bonds may be paid by the District in any of the following ways, provided that the District also pays or causes to be paid any other sums payable hereunder by the District:

- (a) by paying or causing to be paid the principal of and interest and redemption premiums (if any) on such 2015 Bonds, as and when the same become due and payable;
- (b) by the deposit with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem all 2015 Bonds then Outstanding; or
- (c) by delivering to the Trustee, for cancellation by it, all of the 2015 Bonds then Outstanding.

If the District shall also pay or cause to be paid all other sums payable hereunder by the District, then and in that case, at the election of the District (as evidenced by a Certificate of the District filed with the Trustee, signifying the intention of the District to discharge all such indebtedness and the Indenture), and notwithstanding that any such 2015 Bonds shall not have been surrendered for payment, the Indenture and the pledge of Water System Revenues and other assets made under the Indenture, and all covenants, agreements and other obligations of the District under the Indenture shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon the Written Request of the District, the Trustee shall execute and deliver to the District all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver all moneys or securities or other property held by it pursuant to the Indenture which are not required for the payment or redemption of such 2015 Bonds not theretofore surrendered for such payment or redemption to the District.

This Indenture shall not be discharged until all amounts due or to become due to the Insurer shall have been paid in full in accordance with Section 11.20. The District's obligation to pay such amounts shall expressly survive payment in full of the payments of principal of and interest on the 2015 Bonds.

Section 10.02. Discharge of Liability on 2015 Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding 2015 Bonds (whether upon or prior to the maturity or the Redemption Date of such 2015 Bonds), provided that, if such Outstanding 2015 Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in Article IV or provisions satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the District in respect of such 2015 Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject however, to the provisions of Section 10.04.

The District may at any time surrender to the Trustee for cancellation by it any 2015 Bonds previously issued and delivered, which the District may have acquired in any manner whatsoever, and such 2015 Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Section 10.03. Deposit of Money or Securities with Trustee. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any 2015 Bonds, the money or securities so to be deposited or held shall be invested in Defeasance Securities and shall be held by the Trustee in the funds and accounts established pursuant to the Indenture. Defeasance may be accomplished by depositing with the Trustee:

(a) lawful money of the United States of America in an amount equal to the principal amount of such 2015 Bonds and all unpaid interest thereon to maturity, except that, in the case of 2015 Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in Article IV or provisions satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such 2015 Bonds and all unpaid interest and premium, if any, thereon to the Redemption Date; or

(b) Defeasance Securities the principal of and interest on which when due will, in the written opinion of an Independent Certified Public Accountant or Independent Financial Consultant filed with the District and the Trustee, provide money sufficient to pay the principal of and all unpaid interest to maturity, or to the Redemption Date (with premium, if any), as the case may be, on the 2015 Bonds to be paid or redeemed as directed by the District as such principal, interest and premium, if any, become due, provided that in the case of 2015 Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that: (i) the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Written Request of the District) to apply such money to the payment of such principal, interest and premium, if any, with respect to such 2015 Bonds as directed by the District; (ii) the District shall have delivered to the Trustee an opinion of Bond Counsel addressed to the District and the Trustee to the effect that such 2015 Bonds have been discharged in accordance with the Indenture (which opinion may rely upon and assume the accuracy of the Independent Certified Public Accountant's or Independent Financial Consultant's opinion referred to above); (iii) the District shall have delivered an escrow agreement (which shall be acceptable in form and substance to the Insurer, so long as the Insurer has not defaulted on any obligation under the Insurance Policy); and (iv) the District shall have delivered a certificate of discharge of the Trustee with respect to the 2015 Bonds. The opinion of Bond Counsel and Independent Certified Public Accountant's or Independent Financial Consultant's opinion referred to above shall be acceptable in form and substance, and addressed, to the District, Trustee and Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy). The Insurer shall be provided with final drafts of the above-referenced documentation not less than five Business Days prior to the funding of the escrow.

The 2015 Bonds shall be deemed Outstanding under this Indenture unless and until they are in fact paid and retired or the above criteria are met.

Section 10.04. Payment of 2015 Bonds After Discharge of Indenture. Notwithstanding any provisions of the Indenture, any moneys held by the Trustee in trust for the payment of the principal of, or interest on, any 2015 Bonds and remaining unclaimed for two (2) years after the principal of all of the 2015 Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in the Indenture), if such moneys were so held at such date, or two (2) years after the date of deposit of such moneys if deposited after said date when all of the 2015 Bonds became due and payable, shall be repaid to the District free from the trusts created by the Indenture upon receipt of an indemnification agreement acceptable to the District and the Trustee indemnifying the Trustee with respect to claims of Owners of 2015 Bonds which have not yet been paid, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the District as aforesaid, the Trustee shall at the written direction of the District (at the cost of the District), first mail to the Owners of 2015 Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the 2015 Bonds so payable and not presented and with respect to the provisions relating to the repayment to the District of the moneys held for the payment thereof.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Liability Limited. Notwithstanding anything in the Indenture or the 2015 Bonds, but subject to the priority of payment with respect to Operation and Maintenance Costs, the District shall not be required to advance any moneys derived from any source other than the Water System Revenues, the Water System Revenue Fund, the Rate Stabilization Fund and other moneys pledged under the Indenture for any of the purposes mentioned in the Indenture, whether for the payment of the principal of or interest on the 2015 Bonds or for any other purpose of the Indenture. Nevertheless, the District may, but shall not be required to, advance for any of the purposes hereof any funds of the District which may be made available to it for such purposes.

Section 11.02. Successor Is Deemed Included in All References to Predecessor. Whenever in the Indenture either the District or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in the Indenture contained by or on behalf of the District or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 11.03. Limitation of Rights to Parties and 2015 Bond Owners. Nothing expressed or implied in the Indenture or in the 2015 Bonds is intended or shall be construed to give to any person other than the District, the Trustee and the Owners of the 2015 Bonds, any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the District, the Trustee and the Owners of the 2015 Bonds.

Section 11.04. Waiver of Notice; Requirement of Mailed Notice. Whenever in the Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver. Whenever in the Indenture any notice shall be required to be given by mail, such requirement shall be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first class mail.

Section 11.05. Destruction of 2015 Bonds. Whenever in the Indenture provision is made for the cancellation by the Trustee and the delivery to the District of any 2015 Bonds, the Trustee shall destroy such 2015 Bonds as may be allowed by law, and deliver a certificate of such destruction to the District.

Section 11.06. Severability of Invalid Provisions. If any one or more of the provisions contained in the Indenture or in the 2015 Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in the Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of the Indenture, and the Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The District hereby declares that it would have entered into the Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the 2015 Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of the Indenture may be held illegal, invalid or unenforceable.

Section 11.07. Notices. Any notice to or demand upon the District, the Trustee or the Insurer shall be deemed to have been sufficiently given or served for all purposes by being sent by facsimile or email or by being deposited, first class mail, postage prepaid, in a post office letter box, addressed, as the case may be, to the District at Yucaipa Valley Water District, 12770 Second Street, Yucaipa, California 92399-0730, Attention: General Manager (or such other address as may have been filed in writing by the District with the Trustee), to the Trustee at Wells Fargo Bank, National Association, _____, Los Angeles, California 90071, Attention: _____, Reference: Yucaipa Valley Water District, Series 2015A; Facsimile: _____, or to the Insurer at _____, Attention: _____, Re: Policy No. _____; Telephone: (____) _____; Facsimile: (____) _____. In each case in which a notice or other communication to the Insurer refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of the Insurer's General Counsel and shall be marked to indicate "URGENT MATERIAL ENCLOSED." Notwithstanding the foregoing provisions of this Section 11.07, the Trustee shall not be deemed to have received, and shall not be liable for failing to act upon the contents of, any notice unless and until the Trustee actually receives such notice.

Section 11.08. Evidence of Rights of 2015 Bond Owners. Any request, consent or other instrument required or permitted by the Indenture to be signed and executed by 2015 Bond Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such 2015 Bond Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of 2015 Bonds transferable by delivery, shall be sufficient for any purpose of the Indenture and shall be conclusive in favor of the Trustee and the District if made in the manner provided in this Section.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other 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 2015 Bonds shall be proved by the Registration Books.

Any request, consent, or other instrument or writing of the Owner of any 2015 Bond shall bind every future Owner of the same 2015 Bond and the Owner of every 2015 Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the District in accordance therewith or reliance thereon.

Section 11.09. Disqualified 2015 Bonds. In determining whether the Owners of the requisite aggregate principal amount of 2015 Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, 2015 Bonds which are known by the Trustee to be owned or held by or for the account of the District, or by any other obligor on the 2015 Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the District or any other obligor on the 2015 Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. 2015 Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such 2015 Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or

indirect common control with, the District or any other obligor on the 2015 Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request, the District shall certify to the Trustee those 2015 Bonds that are disqualified pursuant to this Section 11.09 and the Trustee may conclusively rely on such certificate.

Section 11.10. Money Held for Particular 2015 Bonds. The money held by the Trustee for the payment of the interest, principal or premium due on any date with respect to particular 2015 Bonds (or portions of 2015 Bonds in the case of registered 2015 Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the 2015 Bonds entitled thereto, subject, however, to the provisions of Section 10.04 hereof but without any liability for interest thereon.

Section 11.11. Funds and Accounts. Any fund or account required by the Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with corporate trust industry standards to the extent practicable, and with due regard for the requirements of Section 6.21(a) and for the protection of the security of the 2015 Bonds and the rights of every Owner thereof.

Section 11.12. Waiver of Personal Liability. No member, officer, agent, employee, consultant or attorney of the District shall be individually or personally liable for the payment of the principal of or premium or interest on the 2015 Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent, employee, consultant or attorney from the performance of any official duty provided by law or by the Indenture.

Section 11.13. Execution in Several Counterparts. The Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the District and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 11.14. CUSIP Numbers. Neither the Trustee nor the District shall be liable for any defect or inaccuracy in the CUSIP number that appears on any 2015 Bond or in any redemption notice. The Trustee may, in its discretion, include in any redemption notice a statement to the effect that the CUSIP numbers on the 2015 Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the 2015 Bondholders and that neither the District nor the Trustee shall be liable for any inaccuracies in such numbers.

Section 11.15. Choice of Law. THE INDENTURE SHALL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA.

Section 11.16. Insurer as Third Party Beneficiary. The Insurer is intended as a third party beneficiary to this Indenture.

Section 11.17. Impairment of Insurer's Rights. No contract shall be entered into or any action taken by which the rights of the Insurer or security for or sources of payment of the 2015

Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Insurer.

Section 11.18. Interest Rate Exchange Agreement. Any interest rate exchange agreement (“Swap Agreement”) entered into by the District shall meet the following conditions: (i) the Swap Agreement must be entered into to manage interest costs related to, or a hedge against (a) assets then held, or (b) debt then outstanding, or (iii) debt reasonably expected to be issued within the next twelve (12) months, and (ii) the Swap Agreement shall not contain any leverage element or multiplier component greater than 1.0x unless there is a matching hedge arrangement which effectively off-sets the exposure from any such element or component. Unless otherwise consented to in writing by the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy), any uninsured net settlement, breakage or other termination amount then in effect shall be subordinate to the payment of principal of and interest on the 2015 Bonds and on any debt on parity with Contracts or Bonds. The District shall not terminate a Swap Agreement unless it demonstrates to the satisfaction of the Insurer prior to the payment of any such termination amount that such payment will not cause the District to be in default under this Indenture or any supplement thereto or amendment thereof, including but not limited to, any monetary obligations thereunder. All counterparties or guarantors to any Swap Agreement must have a rating of at least “A-” and “A3” by S&P and Moody’s. If the counterparty or guarantor’s rating falls below “A-” or “A3” by either S&P or Moody’s, the counterparty or guarantor shall execute a credit support annex to the Swap Agreement, which credit support annex shall be acceptable to the Insurer. If the counterparty or the guarantor’s long term unsecured rating falls below “Baa1” or “BBB+” by either Moody’s or S&P, a replacement counterparty or guarantor, acceptable to the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy), shall be required.

Section 11.19. Insurer Consideration. The rights granted to the Insurer under this Indenture or any supplement thereto or amendment thereof to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer’s contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Owners and such action does not evidence any position of the Insurer, affirmative or negative, as to whether the consent of the Owners or any other person is required in addition to the consent of the Insurer.

Section 11.20. Amounts Paid by Insurer. Amounts paid by the Insurer under the Insurance Policy shall not be deemed paid for purposes of this Indenture and the 2015 Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the District in accordance with this Indenture. This Indenture shall not be discharged unless all amounts due or to become due to the Insurer have been paid in full or duly provided for.

Section 11.21. Covenant to Preserve Priority. Each of the District and Trustee covenant and agree to take such action (including, as applicable, filing of Uniform Commercial Code financing statements and continuations thereof) as is necessary from time to time to preserve the priority of the pledge of the Water System Revenues set forth in Section 5.01 under applicable law.

Section 11.22. Subrogation and Survival of Obligations. The Insurer shall, to the extent it makes any payment of principal of or interest on the 2015 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Insurance Policy. Each obligation of the District to the Insurer under this Indenture or any supplement thereto or amendment thereof

shall survive discharge or termination of this Indenture or any supplement thereto or amendment thereof.

Section 11.23. Reimbursement of Fees. The District shall pay or reimburse the Insurer any and all charges, fees, costs and expenses that the Insurer may reasonably pay or incur in connection with (a) the administration, enforcement, defense or preservation of any rights or security in this Indenture or any supplement thereto or amendment thereof, (b) the pursuit of any remedies under this Indenture or any supplement thereto or amendment thereof or otherwise afforded by law or equity, (c) any amendment, waiver or other action with respect to, or related to, this Indenture or any supplement thereto or amendment thereof whether or not executed or completed, or (d) any litigation or other dispute in connection with this Indenture or any supplement thereto or amendment thereof or the transactions contemplated thereby, other than costs resulting from the failure of the Insurer to honor its obligations under the Insurance Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of this Indenture or any supplement thereto or amendment thereof.

Section 11.24. Provision of Information. So long as the Insurer has not defaulted on any obligation under the Insurance Policy, the Insurer shall be provided with the following information by the District or Trustee, as the case may be:

- (a) Annual audited financial statements within 270 days after the end of the District's Fiscal Year (together with a certification of the District that it is not aware of any default or Event of Default under this Indenture), and the District's annual budget within 30 days after the approval thereof together with such other information, data or reports as the Insurer shall reasonably request from time to time;
- (b) Notice of any default known to the Trustee or District within five Business Days after knowledge thereof;
- (c) Prior notice of the advance refunding or redemption of any of the 2015 Bonds, including the principal amount, maturities and CUSIP numbers thereof;
- (d) Notice of the resignation or removal of the Trustee and the appointment of, and acceptance of duties by, any successor thereto;
- (e) Notice of the commencement of any proceeding by or against the District commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");
- (f) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the 2015 Bonds;
- (g) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to this Indenture or any supplement thereto or amendment thereof; and
- (h) All reports, notices and correspondence to be delivered to Owners under the terms of this Indenture and any supplement thereto or amendment thereof.

In addition, to the extent that the District has executed into a Continuing Disclosure Certificate, covenant or undertaking with respect to the 2015 Bonds, all information furnished pursuant to such agreements shall also be provided to the Insurer, simultaneously with the furnishing of such information.

Section 11.25. Additional Information. The Insurer shall have the right to receive such additional information as it may reasonably request.

Section 11.26. Discussion of and Access to Information. The District will permit the Insurer to discuss the affairs, finances and accounts of the District or any information the Insurer may reasonably request regarding the security for the 2015 Bonds with appropriate officers of the District and will use commercially reasonable efforts to enable the Insurer to have access to the facilities, books and records of the District on any Business Day upon reasonable prior notice.

IN WITNESS WHEREOF, the District has caused the Indenture to be signed in its name by its President, and the Trustee, in token of its acceptance of the trusts created hereunder, has caused the Indenture to be signed in its corporate name by its officers thereunto duly authorized, all as of the day and year first above written.

YUCAIPA VALLEY WATER DISTRICT

By: _____
Its: President of the Board of Directors

Attest:

Secretary of the Board of Directors

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Trustee

By: _____
Its: Authorized Officer

EXHIBIT A

FORM OF 2015 BOND

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AS DEFINED IN THE INDENTURE) TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

No. _____ \$ _____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

YUCAIPA VALLEY WATER DISTRICT
WATER SYSTEM REFUNDING REVENUE BOND,
SERIES 2015A

INTEREST RATE	MATURITY DATE	ORIGINAL ISSUE DATE	CUSIP
_____%	September 1, 20__	_____, 2015	____

REGISTERED OWNER CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

The YUCAIPA VALLEY WATER DISTRICT, a county water district duly organized and existing under the laws of the State of California (the "District"), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (the "Registered Owner"), on the Maturity Date specified above (subject to any right of prior redemption hereinafter provided for), the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the interest payment date next preceding the date of authentication of this Bond (unless: (i) this Bond is authenticated after the fifteenth day of the calendar month preceding an interest payment date, whether or not such day is a business day, and on or before the following interest payment date, in which event it shall bear interest from such interest payment date; or (ii) this Bond is authenticated on or before August 15, 2015, in which event it shall bear interest from the Original Issue Date identified above; provided, however, that if as of the date of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment on this Bond), at the Interest Rate per annum specified above, payable semiannually on September 1, 2015 and on each March 1 and September 1 thereafter. Interest on this Bond shall be calculated on the basis of a 360 day year composed of twelve 30 day months. Principal hereof and premium, if

any, upon early redemption hereof are payable by check of the Trustee upon presentation and surrender hereof at the Office of the Trustee (as defined in the hereinafter described Wells Fargo Bank, National Association, as trustee (the "Trustee"). Interest hereon is payable by check of the Trustee sent by first class mail on the applicable interest payment date to the Registered Owner hereof at the Registered Owner's address as it appears on the registration books of the Trustee as of the close of business on the fifteenth day of the month preceding each interest payment date (except that in the case of a registered owner of one million dollars (\$1,000,000) or more in principal amount, such payment may, at such registered owner's option, be made by wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such registered owner prior to the fifteenth (15th) day of the month preceding such interest payment date).

This Bond is not a debt of the State of California, or any of its political subdivisions (other than the District), and neither the State, nor any of its political subdivisions (other than the District), is liable hereon, nor in any event shall this Bond be payable out of any funds or properties of the District other than the Net Water System Revenues (as such term is defined in the Indenture of Trust, dated as of January 1, 2015 (the "Indenture"), by and between the District and the Trustee) and other moneys pledged therefor under the Indenture. The obligation of the District to make payments in accordance with the Indenture is a limited obligation of the District as set forth in the Indenture and the District shall have no liability or obligation in connection herewith except with respect to such payments to be made pursuant to the Indenture. The Bonds do not constitute an indebtedness of the District in contravention of any constitutional or statutory debt limitation or restriction.

This Bond is one of a duly authorized issue of bonds of the District designated as the "Yucaipa Valley Water District Water System Refunding Revenue Bonds, Series 2015A (the "Bonds"), of an aggregate principal amount of _____ Million _____ Thousand Dollars (\$ _____), all of like tenor and date (except for such variation, if any, as may be required to designate varying series, numbers or interest rates) and all issued pursuant to the provisions of Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, including but not limited to Section 53583, and pursuant to the Indenture and the resolution authorizing the issuance of the Bonds. Reference is hereby made to the Indenture (copies of which are on file at the office of the District) and all supplements thereto for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Water System Revenues, and the rights thereunder of the Owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the District hereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees. The Bonds have been issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof.

The Bonds have been issued by the District to refund certain obligations of the District, as more fully described in the Indenture.

This Bond and the interest, premium, if any, hereon and all other Bonds and the interest and premium, if any, thereon (to the extent set forth in the Indenture) are special obligations of the District, secured by a pledge and lien on and payable from the Water System Revenues and any other amounts on deposit in certain funds and accounts created under the Indenture. As and to the extent set forth in the Indenture, all of the Water System Revenues are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture, to the payment of the principal of and interest and premium (if any) on the Bonds.

The Indenture and the rights and obligations of the District and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the District and the Trustee may enter into when the written consent of _____ (the "Insurer"), so long as the Insurer has not defaulted on any obligation under the Insurance Policy (as such term is defined in the Indenture), shall have been filed with the Trustee. No such modification or amendment shall: (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the rate of interest or the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected; or (ii) eliminate the aforesaid consent of the Insurer required to affect any such modification or amendment, or permit the creation of any lien on the Water System Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture except as permitted herein, or deprive the Owners of the Bonds of the lien created by the Indenture on such Water System Revenues and other assets except as permitted herein, without the consent of the Insurer.

The Indenture and the rights and obligations of the District, the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a supplemental indenture, which the District and the Trustee may enter into without the consent of any Bond Owners, but with the written consent of the Insurer so long as the Insurer has not defaulted on any obligation under the Insurance Policy, if the Trustee shall receive an opinion of Bond Counsel to the effect that the provisions of such supplemental indenture shall not materially adversely affect the interests of the Owners of the Outstanding Bonds.

The Bonds are subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity and within maturities as directed by the District in a Written Request provided to the Trustee at least 60 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of \$5,000 from Net Proceeds, upon the terms and conditions of, and as provided for in, the Indenture at a redemption price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

The 2015 Bonds with stated maturities on or after September 1, 20__ are subject to redemption prior to their respective stated maturities, as a whole or in part on any date as in the order of maturity as directed by the District in a Written Request provided to the Trustee at least 60 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of \$5,000, on or after September 1, 20__, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

The 2015 Bonds with stated maturities on September 1, 20__ are subject to mandatory sinking fund redemption in part (by lot), on each September 1 on and after September 1, 20__ in integral multiples of \$5,000 at a redemption price of the principal amount thereof plus accrued interest evidenced thereby to the date fixed for redemption, without premium, in accordance with the following schedule:

<i>Redemption Date (September 1)</i>	<i>Principal Amount</i>
--	-----------------------------

* Final Maturity.

As provided in the Indenture, notice of redemption (other than mandatory sinking fund redemption) shall be mailed by the Trustee by first class mail at least 20 days but not more than 60 days prior to the Redemption Date to the respective Owners of any Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, but neither the failure to receive such notice nor any defect in the notice or the mailing thereof shall affect the validity of the proceedings for redemption or the cessation of accrual of interest thereon from and after the date fixed for redemption.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

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

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

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

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

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

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the Indenture and the laws of the State of California and that the amount of this Bond, together with all

other indebtedness of the District, does not exceed any limit under any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

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

IN WITNESS WHEREOF, the District has caused this Bond to be executed in its name and on its behalf with the manual or facsimile signature of its President as of this [] day of _____, 2015.

YUCAIPA VALLEY WATER DISTRICT

By: _____
Its: President of the Board of Directors

[FORM OF TRUSTEE’S CERTIFICATE OF AUTHENTICATION
TO APPEAR ON BONDS]

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

Dated: _____ [], 2015

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Trustee

By: _____
Its: Authorized Signatory

STATEMENT OF INSURANCE

[TO COME FROM INSURER]

A-7

[FORM OF ASSIGNMENT]

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

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

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

Dated: _____

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

Signature Guaranteed:

Note: Signature guarantee shall be made by
a guarantor institution participating in the
Securities Transfer Agents Medallion Program
or in such other guarantee program acceptable
to the Trustee.

§ _____
YUCAIPA VALLEY WATER DISTRICT
WATER SYSTEM REFUNDING REVENUE BONDS, SERIES 2015A

_____, 2015

BOND PURCHASE CONTRACT

Yucaipa Valley Water District
 12770 Second Street
 Yucaipa, California 92399-0730

Ladies and Gentlemen:

The undersigned, Merrill Lynch, Pierce, Fenner & Smith Incorporated, (the "Underwriter") offers to enter into this Bond Purchase Contract (the "Purchase Contract") with Yucaipa Valley Water District (the "District") for the purchase by the Underwriter of the Yucaipa Valley Water District Water System Refunding Revenue Bonds, Series 2015A (the "Bonds") which will be executed and delivered pursuant to the Indenture of Trust, dated as of January 1, 2015 (the "Trust Indenture"), by and between Wells Fargo Bank, National Association, as Trustee (the "Trustee"), and the District. Capitalized undefined words used herein shall have the meanings ascribed thereto in the Trust Indenture.

This offer, which, upon the District's acceptance hereof, will be binding upon the District and upon the Underwriter, is made subject to the written acceptance of this Purchase Contract by the District and the delivery of such acceptance to the Underwriter at or prior to 6:00 P.M., Los Angeles time, on the date hereof. If this offer is not so accepted, this offer will be subject to withdrawal by the Underwriter upon notice delivered to you at any time prior to acceptance. Upon acceptance, this Purchase Contract shall be in full force and effect in accordance with its terms and shall be binding upon the District and the Underwriter.

1. **Purchase and Sale.** Upon the terms and conditions and upon the basis of the representations and warranties hereinafter set forth, the Underwriter hereby agrees to purchase from the District for reoffering to the public, and the District hereby agrees to sell to the Underwriter for such purpose, all (but not less than all) of the Bonds, in the aggregate principal amount of \$_____, dated as of their date of delivery and maturing on the dates and bearing interest as set forth in Exhibit A hereto. The aggregate purchase price for the Bonds shall be \$_____ (which reflects the aggregate principal amount of the Bonds of \$_____, plus net original issue premium of \$_____, less an underwriting discount of \$_____).

The District acknowledges and agrees that: (i) the primary role of the Underwriter, as an underwriter, is to purchase securities, for resale to investors, in an arm's length commercial transaction between the District and the Underwriter and the Underwriter has financial and other interests that differ from those of the District; (ii) the Underwriter is acting solely as a principal and is not acting as a municipal advisor, financial advisor or fiduciary to the District and has not

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assumed any advisory or fiduciary responsibility to the District with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the District on other matters); (iii) the only obligations the Underwriter has to the District with respect to the transaction contemplated hereby expressly are set forth in this Purchase Contract; and (iv) the District has consulted its own financial and/or municipal, legal, accounting, tax, and other advisors, as applicable, to the extent it has deemed appropriate.

The Bonds shall be substantially in the form described in, and shall be executed, delivered and secured under and pursuant to, and shall be payable and subject to redemption as provided in, the Trust Indenture.

[The scheduled payment of principal and interest with respect to the Bonds when due will be guaranteed under a Municipal Bond New Issue Insurance Policy (the "Insurance Policy") to be issued concurrently with the delivery of the Bonds by _____ (the "Insurer").]

The Trust Indenture, the Continuing Disclosure Certificate, the Escrow Agreement (2004 Certificates), dated as of January 1, 2015 by and between the District and the Trustee (the "Escrow Agreement") and this Purchase Contract, are referred to collectively herein as the "District Legal Documents."

2. Description and Purpose of the Bonds. The Bonds were authorized pursuant to Resolution No. ___ entitled Resolution of the Yucaipa Valley Water District Authorizing the Issuance of not to Exceed \$_____ Water System Refunding Revenue Bonds and Approving the Execution and Delivery of certain Documents in Connection Therewith and Certain Other Matters adopted by the Board on _____ (the "Authorizing Resolution"). The Bonds are being issued for the purpose of refunding the outstanding Yucaipa Valley Water District Water System Revenue Certificates of Participation, Series 2004A.

3. Public Offering. The Underwriter agrees to make a bona fide public offering of all the Bonds at a price not in excess of the initial offering price or prices or yields not less than the yields set forth on the inside cover page of the printed paper form of the Official Statement. The Underwriter reserves the right to change such initial offering prices as the Underwriter shall deem necessary or desirable, in its sole discretion, in connection with the marketing of the Bonds and may offer and sell the Bonds to certain dealers, unit investment trusts and money market funds, certain of which may be sponsored or managed by the Underwriter at prices lower than the public offering prices or yields greater than the yields set forth therein.

4. Delivery of the Official Statement and Other Documents.

a. The District has delivered or caused to be delivered to the Underwriter copies of the Preliminary Official Statement dated _____, 20__, which, together with the cover page and appendices thereto, is herein referred to as the "Preliminary Official Statement." It is acknowledged by the District that the Underwriter may deliver the Preliminary Official Statement and a final Official Statement (as hereinafter defined) electronically over the internet and in printed paper form. For purposes of this Purchase Agreement, the printed paper form of the Preliminary Official Statement and the Official Statement are deemed controlling. The District deems the

Preliminary Official Statement final as of its date and as of the date hereof for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), except for any information which is permitted to be omitted therefrom in accordance with paragraph (b)(1) thereof.

b. Within seven (7) business days from the date hereof, and in any event not later than two (2) business days before the Closing Date, the District shall deliver to the Underwriter a final Official Statement relating to the Bonds dated the date hereof (such Official Statement, including the cover page, and all appendices attached thereto, together with all information previously permitted to have been omitted by Rule 15c2-12 and any amendments or supplements and statements incorporated by reference therein or attached thereto, as have been approved by the District, Bond Counsel, Disclosure Counsel and the Underwriter, is referred to herein as the “Official Statement”) and such additional conformed copies thereof as the Underwriter may reasonably request in sufficient quantities to comply with Rule 15c2-12, rules of the Municipal Securities Rulemaking Board (“MSRB”) and to meet potential customer requests for copies of the Official Statement. The Underwriter agrees to file a copy of the Official Statement, including any amendments or supplements thereto prepared by the District, with the MSRB on its Electronic Municipal Markets Access (“EMMA”) system. The District shall execute the Official Statement by an authorized officer of the District. The Official Statement shall be in substantially the same form as the Preliminary Official Statement and, other than information previously permitted to have been omitted by Rule 15c2-12, the District shall only make such other additions, deletions and revisions in the Official Statement which are approved by the Underwriter. The Underwriter hereby agrees to cooperate and assist in the preparation of the Official Statement. The District hereby agrees to deliver to the Underwriter an electronic copy of the Official Statement in a form that permits the Underwriter to satisfy its obligations under the rules and regulations of the MSRB and the U.S. Securities and Exchange Commission (“SEC”). The District hereby ratifies, confirms and approves the use and distribution by the Underwriter before the date hereof of the Preliminary Official Statement and hereby authorizes the Underwriter to use the Official Statement and the Indenture in connection with the public offering and sale of the Bonds.

c. In order to assist the Underwriter in complying with Rule 15c2-12, the District will undertake, pursuant to the Continuing Disclosure Agreement, dated as of _____, 20__ (the “Disclosure Agreement”), by and between the District and [NAME OF THE DISSEMINATION AGENT/the Trustee], as dissemination agent for the District (the “Dissemination Agent”), to provide annual financial information and notices of the occurrence of specified events. A description of the Disclosure Agreement is set forth in, and a form of such agreement is attached as an appendix to the Preliminary Official Statement and the Official Statement.

5. Representations. The District represents, warrants and covenants to the Underwriter that:

a. The District is validly existing as a county water district organized and existing under the laws of the State of California, with the legal right and power to issue the Bonds and to execute, deliver and perform its obligations under the District Legal Documents and the Official Statement.

b. The Authorizing Resolution approving and authorizing the execution and delivery by the District of the Legal Documents was duly adopted at a meeting of the District called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and is in full force and effect and has not been amended or repealed.

c. At or prior to the Closing, the District will have taken all action required to be taken by it to authorize the issuance and delivery of the Bonds and the performance of its obligations thereunder; (ii) the District has, and at the Closing Date will have, full legal right, power and authority to enter into the District Legal Documents, to adopt the Authorizing Resolution, to cause the execution and delivery of the Bonds to the Underwriter and to perform its obligations thereunder as provided herein and therein; at or prior to the Closing, the execution and delivery of, and the performance by the District of its obligations contained in, the Bonds and the District Legal Documents shall have been duly authorized; (iii) this Purchase Contract has, and at the Closing, the District Legal Documents will have been duly executed and delivered and each constitutes or will constitute a valid and legally binding obligation of the District enforceable in accordance with its respective terms; the Bonds, when executed and delivered to the Underwriter in accordance with the terms of the Trust Indenture, will be entitled to the benefits of the Trust Indenture; upon the issuance, authentication and delivery of the Bonds, the Trust Indenture will provide, for the benefit of the holders from time to time of the Bonds, the legally valid and binding pledge of, charge and lien on Water System Revenues it purports to create, subject only to the provisions of the Authorizing Resolution and the Trust Indenture permitting the application thereof on the terms and conditions set forth in the Authorizing Resolution and the Trust Indenture; and (iv) the District has duly authorized the consummation by it of all transactions contemplated by the District Legal Documents and the Authorizing Resolution.

d. All approvals and consents of the Board of Directors of the District which would constitute a condition precedent to the performance by the District of its obligations hereunder and under the Authorizing Resolution, the District Legal Documents and the Bonds have been obtained and are in full force and effect. No other authorization, consent or approval of, or filing or registration with, any Governmental Authority (as defined below) or court is, or under existing requirements of law will be, necessary for the valid execution, delivery or performance by the District of the District Legal Documents. All authorizations, consents or approvals of, or filings or registrations with any Governmental Authority or court necessary for the valid execution and delivery of, and performance by the District of its obligations under, the Bonds will have been duly obtained or made prior to the execution and delivery of the Bonds (and disclosed to the Underwriter). As used herein, the term "Governmental Authority" refers to any legislative body or governmental official, department, commission, board, bureau, agency, instrumentality, body or public benefit corporation.

e. The adoption of the Authorizing Resolution and execution and delivery of the District Legal Documents and compliance with the provisions thereof, will not conflict with or constitute a breach of or default under any law, regulation, court order or decree, consent, resolution or agreement to which the District is subject or by which it is bound.

f. No litigation is pending or, to the knowledge of the District, threatened in any court (other than as disclosed in the Official Statement) (i) in any way questioning the existence of the District or the titles of the officers of the District to their respective offices; (ii) seeking to restrain

or enjoin the issuance or delivery of any of the Bonds or in any way contesting or affecting the validity of the Bonds, the District Legal Documents, or the Authorizing Resolution, or materially affecting payment of the Bonds or payment of any other obligations of the District, or contesting the powers of the District or any authority for the execution and delivery of the Bonds; or (iii) which could have a material adverse impact upon the financial condition of the District.

g. The Bonds will be executed and delivered in accordance with the Trust Indenture and will conform in all material respects to the descriptions thereof contained in the Official Statement.

h. Any certificate signed by any official or other representative of the District and delivered to the Underwriter pursuant to this Purchase Contract shall be deemed a representation and warranty by the District to the Underwriter as to the truth of the statements therein made.

i. Other than in the ordinary course of its business, between the date hereof and the Closing Date, the District will not, without the prior written consent of the Representative, offer or issue any certificates, bonds, notes or other obligations for borrowed money or incur any material liabilities, direct or contingent, payable from or secured by a pledge of Water System Revenues.

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

k. As of the date hereof and as of the Closing Date the Official Statement (except for any CUSIP numbers, information relating to The Depository Trust Company, New York, New York and its book-entry system and information relating to the Insurer and its Insurance Policy included or referred to therein) will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were or are made, not misleading.

l. If the Official Statement is supplemented or amended pursuant to paragraph 13, at the time of each supplement or amendment thereto, the Official Statement as so supplemented or amended will not contain an untrue statement of a material fact or omit 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.

m. The financial statements of, and other financial information regarding, the District contained in the Official Statement will fairly present the financial position and results of the operations of the District as of the dates and for the periods therein set forth.

n. During the last five years, the District has not failed to materially comply with any previous undertaking relating to continuing disclosure of information pursuant to Rule 15c2-12.

6. Closing. At ____ A.M., [Eastern/Central/Pacific] Time, on _____, 20__, or at such other time or date as the Underwriter and the District may mutually agree upon as the date and time of the Closing (the "Closing Date"), the District will deliver or cause to be delivered to the Underwriter, at the offices of Stradling Yocca Carlson & Rauth, a Professional Corporation ("Bond Counsel"), 660 Newport Center Drive, Suite 1600, Newport Beach, CA 92660, or at such other place as the Underwriter and the District may mutually agree upon, the Bonds, through the facilities of The Depository Trust Company, New York, New York ("DTC"), duly executed and authenticated, and the other documents specified in Section 7. At the Closing, (a) upon satisfaction of the conditions herein specified, the Underwriter shall accept the delivery of the Bonds, and pay the purchase price therefor in federal funds payable to the order of the Trustee for the account of the District and (b) the District shall deliver or cause to be delivered the Bonds to the Underwriter through the facilities of DTC in definitive or temporary form, duly executed by the District and in the authorized denominations as specified by the Underwriter at the Closing and the District shall deliver the other documents hereinafter mentioned. The Bonds shall be made available to the Underwriter at least one (1) business day before the Closing Date for purposes of inspection.

7. Conditions Precedent. The Underwriter has entered into this Purchase Contract in reliance upon the representations and warranties of the District contained herein, the covenants of the District contained in the Authorizing Resolution and to be contained in the District Legal Documents, and the performance by the District of its obligations hereunder, as of the date hereof, as of the date hereof and as of the Closing Date. The Underwriter's obligations under this Purchase Contract are and shall be subject to the following further conditions:

a. The representations and warranties of the District contained herein shall be true, complete and correct in all material respects on the date hereof and at and as of the Closing and the Pricing, respectively, as if made at and as of the Closing and the Pricing, respectively, and the statements made in all certificates and other documents delivered to the Underwriter at the Closing pursuant hereto shall be true, complete and correct in all material respects at the Closing; the District shall be in compliance with each of the agreements made by it in this Purchase Contract (unless such agreements are waived by the Representative); and there shall not have occurred an adverse change in the financial position, results of operations or financial condition of the District which materially adversely affects the ability of the District to pay interest or principal with respect to the Bonds when due or to otherwise perform any of its obligations under the Authorizing Resolution or the District Legal Documents

b. At the time of the Closing, the District Legal Documents, the Official Statement, the Authorizing Resolution and this Purchase Contract shall be in full force and effect, and shall not have been amended, modified or supplemented; all actions which, in the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel (herein called "Bond Counsel"), shall be necessary in connection with the transactions contemplated hereby shall have been duly taken and shall be in full force and effect; and the District shall perform or have performed its obligations required under or specified in District Legal Documents and the Authorizing Resolution to be performed at or prior to the Closing or the Pricing.

c. After the date hereof, up to and including the time of the Closing, there shall not have occurred any change in or particularly affecting the District, the Authorizing Resolution, the Legal Documents or the Water System Revenues as the foregoing matters are described in the Official Statement, which in the reasonable professional judgment of the Underwriter materially impairs the investment quality of the Bonds.

d. Both at the time of the Closing and the Pricing, the Official Statement (as amended and supplemented) shall be true and correct in all material respects, and shall not omit any statement or information necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

e. Except as disclosed in the Official Statement or in a schedule delivered to the Underwriter at the Closing, no decision, ruling or finding shall have been entered by any court or Governmental Authority since the date of this Purchase Contract (and not reversed on appeal or otherwise set aside) which has any of the effects described in Section 7(g) hereof.

f. (i) No default by the District shall have occurred and be continuing in the payment of the principal of or premium, if any, or interest on any bond, note or other evidence of indebtedness issued by the District and (ii) no bankruptcy, insolvency or other similar proceeding in respect of the District shall be pending or to the knowledge of the District contemplated.

g. At or prior to the Closing, the Underwriter shall receive the following documents:

i. The approving opinion of Bond Counsel relating to the Bonds, dated the Closing Date, substantially in the form attached as Appendix __ to the Official Statement, and a reliance letter with respect thereto addressed to the Underwriter

ii. A supplemental opinion of Bond Counsel in substantially the form set forth in Exhibit C hereto.

iii. An opinion of General Counsel to the District in substantially the form set forth in Exhibit B hereto.

iv. the opinion of Katten Muchin Rosenman LLP, Counsel for the Underwriter, dated the Closing Date, addressed to the Underwriter, to the effect that:

1. the Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Trust Indenture is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended (provided that no opinion is expressed with respect to the Insurance Policy; and

2. based upon an examination which they have made, and without having undertaken to determine independently or assuming any responsibility for the accuracy or completeness or fairness of the statements contained in the Official Statement, as a matter of fact and not opinion such counsel advises, during the course of representation of the Underwriter on this matter, no facts came to the attention of the attorneys in such firm rendering legal services in connection with such representation which caused such counsel to believe that the Official

Statement as of its date (except for any CUSIP numbers, financial, statistical, economic or demographic, data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, environmental matters, information relating to The Depository Trust Company, New York, New York and its book-entry system, information relating to the Insurer and its Insurance Policy, the Appendices thereto and information relating to tax exemption, included or referred to therein, as to which no view need be expressed) contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

v. A certificate signed by the General Manager of the District or another duly authorized official of the District, dated the date of the Preliminary Official Statement, deeming the Preliminary Official Statement final, subject to certain Permitted Omissions, within the meaning of and as defined in Rule 15c2-12;

vi. A certificate, dated the Closing Date, signed by the General Manager of the District to the effect that: (a) the representations and agreements of the District contained herein are true and correct in all material respects as of the date of the Closing; (b) the Legal Documents have been duly authorized and executed and are in full force and effect; (c) except as described in the Official Statement, no litigation is pending or, to his or her knowledge, threatened (i) seeking to restrain or enjoin the issuance or delivery of any of the Bonds, (ii) in any way contesting or affecting any authority for the issuance of the Bonds or the validity of the Bonds, the Authorizing Resolution or any Legal Document, (iii) in any way contesting the creation, existence or powers of the District or the validity or effect of the Act or any provision thereof or the application of the proceeds of the Bonds, or (iv) which, if adversely determined, could materially adversely affect the financial position or operating condition of the District or the transactions contemplated by the Official Statement or any Legal Document; and (d) the Official Statement is true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except no review has been made of information in the Official Statement under the captions []

vii. two certified copies of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers of the Trustee, which resolution authorizes the execution and delivery of the Bonds and the Trust Indenture;

viii. a certificate of the Trustee, dated the date of Closing, satisfactory in form and substance to the Underwriter and counsel to the Underwriter, to the effect that as of the date of Closing:

1. The Trustee is a national banking association duly organized, validly existing and in good standing under the laws of the United States having full power and authority and being qualified to enter into, accept and administer the trust created under the Indenture to which it is a party and to enter into such Indenture;

2. The Legal Documents to which it is a party have been duly authorized, executed and delivered by the Trustee and constitute the legal, valid and binding obligations of the Trustee enforceable against the Trustee in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of creditors' rights generally and by the application of equitable principles if equitable remedies are sought;

3. The execution, delivery and performance of the Indenture will not conflict with or cause a default under any law, ruling, agreement, administrative regulation or other instrument by which the Trustee is bound;

4. All authorizations and approvals required by law and the articles of association and bylaws of the Trustee in order for the Trustee to execute and deliver and perform its obligations under Indenture to which it is a party have been obtained; and

5. No action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, is pending or threatened in any way affecting the existence of the Trustee or the titles of its directors or officers to their respective offices, or seeking to restrain or enjoin the issuance, sale or delivery of the Bonds or the application of proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the Bonds or the Indenture; exclusive of federal or state securities laws and regulations, other than routine filings required to be made with governmental agencies in order to preserve the Trustee's authority to perform a trust business (all of which routine filing, to the best of the Trustee's knowledge, have been made), no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee is or will be required for the execution and delivery by the Trustee of the Legal Documents to which the Trustee is a party or the execution and delivery of the Bonds; and

6. there is no litigation pending or threatened against or affecting the Trustee to restrain or enjoin the Trustee's participation in, or in any way contesting the powers of the Trustee with respect to the transactions contemplated by the Bonds, the Trust Indenture and the Assignment Agreement;

ix. an opinion of counsel to the Trustee, dated the date of Closing, addressed to the Underwriter, satisfactory in form and substance to the Underwriter and counsel to the Underwriter, to the effect that:

1. the Trustee has been duly organized and is validly existing in good standing as a national banking association under the laws of the United States of America with full corporate power to undertake the trust of the Trust Indenture;

2. the Trustee has duly authorized, executed and delivered the Bonds and the Legal Documents to which the Trustee is a party, and by all proper corporate

action has authorized the acceptance of the duties and obligations of the Trustee under the Trust Indenture and the Assignment Agreement, and to authorize in such capacity the execution and delivery of the Bonds;

3. assuming due authorization, execution and delivery by the other parties to the Legal Documents, the Legal Documents to which the Trustee is a party are the valid, legal and binding agreements of the Trustee, enforceable in accordance with their terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights in general and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law);

4. exclusive of federal or state securities laws and regulations, other than routine filings required to be made with governmental agencies in order to preserve the Trustee's authority to perform a trust business (all of which routine filings counsel believes, after reasonable inquiry and investigation, to have been made), no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee is or will be required for the execution and delivery by the Trustee of the Legal Documents to which the Trustee is a party or the execution and delivery of the Bonds; and

5. there is no litigation pending or threatened against or affecting the Trustee to restrain or enjoin the Trustee's participation in, or in any way contesting the powers of the Trustee with respect to the transactions contemplated by the Bonds, the Trust Indenture and the Assignment Agreement;

x. two copies of each of this Purchase Contract, the Trust Indenture, the Escrow Agreement and the Continuing Disclosure Certificate, duly executed and delivered by the parties thereto;

xi. two copies of the Official Statement, duly executed on behalf of the District by the General Manager of the District;

xii. two transcripts of all proceedings relating to the authorization, execution and delivery of the Bonds;

xiii. two certified copies of the Authorizing Resolution;

xiv. a Tax Certificate of the District, in form satisfactory to Bond Counsel, signed by an appropriate officer of the District;

xv. a policy of municipal bond insurance or surety bond with respect to the Bonds issued by the Insurer;

xvi. a Rule 10b-5 Certificate and a Rule 15c2-12 Certificate of the Insurer in form and substance satisfactory to Bond Counsel, District Counsel and counsel to the Underwriter;

xvii. a letter addressed to the District, and the Underwriter in form and substance satisfactory to Bond Counsel, District Counsel and counsel to the Underwriter, dated the Closing Date, of counsel to the Insurer, if any, to the effect that (a) the Insurance Policy constitutes the legal, valid and binding obligations of such Insurer enforceable in accordance with its terms, and (b) any statements in the Official Statement with respect to the Insurance Policy accurately reflect and fairly present the information purported to be shown therein;

xviii. evidence that the federal tax information Form 8038-G has been prepared for filing;

xix. a copy of the Notice of Final Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 8855 of the California Government Code;

xx. evidence that the District's underlying ratings on the Closing Date are not less than the ratings of ["AAA"] and ["Aaa"] assigned, respectively, by Fitch Ratings Inc. ("Fitch") and Moody's Investors Service, Inc. ("Moody's") on the date hereof and ratings on the Bonds on the Closing Date are not less than the ratings of ["AAA"] and ["Aaa"] assigned, respectively, by Fitch and Moody's on the date hereof; and

xxi. such additional legal opinions, certificates, proceedings, instruments and other documents as the Representative or Special Counsel may reasonably request to evidence compliance by the District with legal requirements, the accuracy, as of the time of Closing, of the District's representations herein contained and the due performance or satisfaction by the District at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the District.

If the District shall be unable to satisfy the conditions to the Underwriter' obligations contained in this Purchase Contract or if the Underwriter' obligations shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the District nor the Underwriter shall have any further obligation hereunder.

8. Termination. If the District shall be unable to satisfy the conditions of the Underwriter's obligations contained in this Purchase Agreement or if the Underwriter's obligations shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement may be cancelled by the Underwriter at, or at any time before, the time of the Closing. Notice of such cancellation shall be given by the Underwriter to the District in writing, or by telephone confirmed in writing. The performance by the District of any and all conditions contained in this Purchase Contract for the benefit of the Underwriter may be waived by the Underwriter.

(a) The Underwriter shall also have the right, before the time of Closing, to cancel its obligations to purchase the Bonds, by written notice by the Underwriter to the District, if between the date hereof and the time of Closing:

(i) Any event or circumstance occurs or information becomes known, which, in the professional judgment of the Underwriter, makes untrue any statement of a material fact set forth in the Official Statement or results in an omission to state a material fact necessary to make

the statements made therein, in the light of the circumstances under which they were made, not misleading; or

(ii) The market for the Bonds or the market prices of the Bonds or the ability of the Underwriter to enforce contracts for the sale of the Bonds shall have been materially and adversely affected, in the professional judgment of the Underwriter, by:

(1) An amendment to the Constitution of the United States or the State of California shall have been passed or legislation shall have been introduced in or enacted by the Congress of the United States or the legislature of any state having jurisdiction of the subject matter or legislation pending in the Congress of the United States shall have been amended or legislation shall have been recommended to the Congress of the United States or to any state having jurisdiction of the subject matter or otherwise endorsed for passage (by press release, other form of notice or otherwise) by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or legislation shall have been proposed for consideration by either such Committee by any member thereof or presented as an option for consideration by either such Committee by the staff of such Committee or by the staff of the joint Committee on Taxation of the Congress of the United States, or legislation shall have been favorably reported for passage to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or a decision shall have been rendered by a court of the United States or of the State of California or the Tax Court of the United States, or a ruling shall have been made or a regulation or temporary regulation shall have been proposed or made or any other release or announcement shall have been made by the Treasury Department of the United States, the Internal Revenue Service or other federal or State of California authority, with respect to federal or State of California taxation upon revenues or other income of the general character to be derived by the District or upon interest received on obligations of the general character of the Bonds which, in the judgment of the Underwriter, may have the purpose or effect, directly or, indirectly, of affecting the tax status of the District, its property or income, its securities (including the Bonds) or the interest thereon, or any tax exemption granted or authorized by State of California legislation; or

(2) The declaration of war or engagement in or escalation of military hostilities by the United States or the occurrence of any other national emergency or calamity or terrorism affecting the operation of the government of, or the financial community in, the United States; or

(3) The declaration of a general banking moratorium by federal, New York or California authorities; or

(4) The occurrence of a major financial crisis, a material disruption in commercial banking or securities settlement or clearance services, or a material disruption or deterioration in the fixed income or municipal securities market; or

(5) Additional material restrictions not in force or being enforced as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange; or

(6) The general suspension of trading on any national securities exchange; or

(iii) Legislation enacted, introduced in the Congress or recommended for passage by the President of the United States, or a decision rendered by a court established under Article III of the Constitution of the United States or by the Tax Court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter shall have been made or issued to the effect that the Bonds, other securities of the District or obligations of the general character of the Bonds are not exempt from registration under the 1933 Act, or that the Indenture is not exempt from qualification under the Trust Indenture Act; or

(iv) Any change in or particularly affecting the District, the Act, the Authorizing Resolution, the Legal Documents or the Water System Revenues as the foregoing matters are described in the Official Statement, which in the professional judgment of the Underwriter materially impairs the investment quality of the Bonds; or

(v) An order, decree or injunction of any court of competent jurisdiction, issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including any or all underlying obligations, as contemplated hereby or by the Preliminary Official Statement or the Official Statement, is or would be in violation of any applicable law, rule or regulation, including (without limitation) any provision of applicable federal securities laws as amended and then in effect; or

(vi) A stop order, ruling, regulation or official statement by the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made or any other event occurs, the effect of which is that the issuance, offering or sale of the Bonds, or the execution and delivery of any Legal Documents, as contemplated hereby or by the Preliminary Official Statement or the Official Statement, is or would be in violation of any applicable law, rule or regulation, including (without limitation) any provision of applicable federal securities laws, including the 1933 Act, the Securities Exchange Act of 1934 or the Trust Indenture Act, each as amended and as then in effect; or

(vii) Any litigation shall be instituted or be pending at the time of the Closing to restrain or enjoin the issuance, sale or delivery of the Bonds, or in any way contesting or affecting any authority for or the validity of the proceedings authorizing and approving the Act, the Authorizing Resolution, the Legal Documents or the existence or powers of the District with respect to its obligations under the Legal Documents; or

(viii) A reduction or withdrawal in any of the following assigned ratings, or, as of the Closing Date, the failure by any of the following rating agencies to assign the following ratings, to the Bonds: the long-term ratings assigned by [NAME OF RATING AGENCIES AND REQUIRED RATINGS BY EACH SUCH AGENCY].

(b) The performance by the District of its obligations is conditioned upon (i) the performance by the Underwriter of their obligations hereunder and (ii) receipt by the District and the Underwriter of opinions and certificates being delivered at the Closing by persons and entities other than the District.

(c) If the District shall be unable to satisfy the conditions to the Underwriter' obligations contained in this Purchase Contract or if the Underwriter' obligations shall be terminated for any reason permitted herein, all obligations of the Underwriter hereunder may be terminated by the Underwriter at, or at any time prior to, the Closing Date by written notice to the District and the Corporation and none of the Underwriter, the District shall have any further obligations hereunder.

9. Expenses. All expenses and costs of the District incident to the performance of its obligations in connection with the authorization, issuance and sale of the Bonds to the Underwriter, including the costs of printing or reproduction of the Bonds, the Legal Documents and the Official Statement in reasonable quantities, fees of consultants, fees of rating agencies, advertising expenses, fees and expenses of the Trustee and its counsel and fees and expenses of counsel to the District and Bond Counsel, shall be paid by the District from the proceeds of the Bonds or other revenues of the District. The District shall be solely responsible for and shall pay for any expenses incurred by the Underwriter on behalf of the District's employees and representatives which are incidental to implementing this Purchase Agreement, including, but not limited to, meals, transportation, lodging, and entertainment of those employees and representatives. All expenses and costs of the Underwriter incurred under or pursuant to this Purchase Agreement, including, without limitation, the cost of preparing this Purchase Agreement and other Underwriter documents, travel expenses and the fees and expenses of counsel to the Underwriter, shall be paid by the Underwriter (which may be included as an expense component of the Underwriter's discount).

10. Notices. Any notice or other communication to be given to the District under this Purchase Contract may be given by delivering the same in writing to Yucaipa Valley Water District, 12770 Second Street, Yucaipa, California 92399-0730, Attention: General Manager, or to such other person as he may designate in writing, and any notice or other communication to be given to the Underwriter under this Purchase Contract (other than the acceptance hereof as specified in the first paragraph hereof) may be given by delivering the same in writing to Merrill Lynch, Pierce, Fenner & Smith Incorporated, 333 South Hope Street, 23rd Floor, Los Angeles, California 90071, Attention: Frank X. Lauterbur, Managing Director.

11. Amendments to Official Statement. During the period commencing on the Closing Date and ending twenty-five (25) days from the end of the underwriting period, the District shall advise the Underwriter if any event relating to or affecting the Official Statement shall occur as a result of which it may be necessary or appropriate to amend or supplement the Official Statement in order to make the Official Statement not misleading in light of the circumstances existing at the

time it is delivered to a purchaser or “potential customer” (as defined for purposes of Rule 15c2-12). If any such event occurs and in the reasonable judgment of the Underwriter and the District, an amendment or supplement to the Official Statement is appropriate, the District shall, at its expense, forthwith prepare and furnish to the Underwriter a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to counsel for the Underwriter) that will amend or supplement the Official Statement so that it will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser or “potential customer,” not misleading.

12. Governing Law. For all purposes of this Purchase Contract, a default shall not be deemed to be continuing if it has been cured, waived or otherwise remedied. This Purchase Contract shall be governed by and construed in accordance with the laws of the State of California applicable to contracts made and performed within such state.

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

14. Effective. This Purchase Contract shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by duly authorized officer of the District and shall be valid and enforceable as of the time of such acceptance.

15. Assignment. This Purchase Contract shall not be pledged, assigned or transferred by the District or the Underwriter by voluntary act or by operation of law or otherwise, except with the prior written consent of the other respective party hereto.

16. Benefit. This Purchase Contract when accepted by the District in writing as heretofore specified shall constitute the entire agreement between the District and the Underwriter and is made solely for the benefit of the District and the Underwriter. No other person shall acquire or have any right hereunder or by virtue hereof.

Very truly yours,

MERRILL LYNCH, PIERCE, FENNER
& SMITH INCORPORATED

By: _____
Frank X. Lauterbur
Managing Director

By: _____
Jeffrey D. Bower
Director

ACCEPTED:

YUCAIPA VALLEY WATER DISTRICT

By _____
President

By _____
General Manager

EXHIBIT B

[Letterhead of Stradling Yocca Carlson & Rauth]

_____, 2015

Merrill Lynch, Pierce, Fenner & Smith Incorporated
333 South Hope Street, 23rd Floor
Los Angeles, California 90071

Re: \$ _____ Yucaipa Valley Water District
Water System Refunding Revenue Bonds, Series 2015A

Ladies and Gentlemen:

We have acted as bond counsel for the Yucaipa Valley Water District (the "District") in connection with your purchase of the above-referenced bonds (the "Bonds") pursuant to a Bond Purchase Contract, dated _____, 2015 (the "Purchase Contract"), by and between the District and you, as underwriter of the Bonds. All capitalized terms used herein and not defined herein shall have the meanings ascribed thereto in the Purchase Contract.

In rendering the advice contained herein, we have examined originals or copies certified or otherwise identified to our satisfaction of: (i) the Purchase Contract; (ii) the Indenture of Trust, dated as of January 1, 2015, by and between the District and Wells Fargo Bank, National Association, as trustee; (iii) the Official Statement dated _____, 2015 (the "Official Statement") relating to the Bonds; (iv) the letters, certificates, and opinions delivered to you pursuant to the provisions of the Purchase Contract, including, but not limited to, Section ___ thereof; and (v) such other documents, certificates, instructions and records as we have considered necessary or appropriate as a basis for such advice. We have not reviewed, and we do not assume any responsibility for any electronic version of the Official Statement and for all purposes of this letter, we have assumed that any electronic version of the Official Statement is identical in all respects to the printed version of the Official Statement.

The conclusions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such conclusions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform you or any other person, whether any such actions are taken or omitted or whether such events do occur or any other matters come to our attention after the date hereof. We have assumed, but not independently verified, that the signatures on all documents, letters, opinions and certificates which we have examined are genuine, that all documents submitted to us are authentic and were duly and properly executed by the parties thereto and that all representations made in the documents that we have reviewed are true and accurate. We have assumed, without independent verification, the accuracy of the factual

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_____, 2015
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matters represented, warranted or certified in the documents, and of the legal conclusions contained in any opinions referenced in the Official Statement. By delivering this letter, we are not expressing any opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in any document referenced in the Official Statement, nor are we expressing any opinion with respect to the state or quality of title to or interest in any assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets.

Although we have not undertaken to determine independently or verify and are not passing upon and do not assume responsibility for, the accuracy, completeness or fairness of the statements contained in the Official Statement, and are therefore unable to make any representation to you in that regard, we have participated in conferences prior to the date of the Official Statement with your representatives, including separate counsel retained by you, and representatives of the District, including the District's General Counsel, the District's financial advisor, Fieldman, Rolapp & Associates, and others, during which conferences the contents of the Official Statement and related matters were discussed. Based upon the information made available to us in the course of our participation in such conferences as bond counsel to the District, our review of the documents referred to above, our reliance on the oral and written statements of the District and others, the documents, certificates, instructions and records and the opinions of counsel described above and our understanding of applicable law, and subject to the limitations on our role as bond counsel, we advise you as a matter of fact but not opinion that no information has come to the attention of the attorneys in the firm representing the District on this matter which caused us to believe that the Official Statement as of its date contained, or as of the date hereof contains, any untrue statement of a material fact, or as of its date omitted, or as of the date hereof 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 in any material respect (except that we express no view with respect to: (i) the expressions of opinion, the assumptions, the projections, estimates and forecasts, the charts, the financial statements or other financial, numerical, economic, demographic or statistical data, or assessed valuations contained in the Official Statement; (ii) any CUSIP numbers or information relating thereto; (iii) the information with respect to The Depository Trust Company and its book-entry system; (iv) the information contained in the Appendices to the Official Statement; (v) any information incorporated by reference into the Official Statement; (vi) the District's compliance with its obligations to provide notice of the events described in part (b)(5)(i)(C) of Rule 15c2-12 promulgated under the Securities Act of 1934 ("Rule 15c2-12") or to file annual reports described in part (b)(5)(i)(A) of Rule 15c2-12, review of which matters we understand has been undertaken by Applied Best Practices, LLC; (vii) [information with respect to the Insurer, the Policy and the Surety; (viii)] information with respect to the Underwriter or underwriting matters with respect to the Bonds; or (ix) information with respect to the ratings on the Bonds and the rating agencies referenced therein). Finally, we advise you that, other than reviewing the various certificates and opinions required by Section __

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_____, 2015
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of the Purchase Contract regarding the Official Statement, we have not taken any steps since the date of the Official Statement to verify the accuracy of the statements contained in the Official Statement as of the date hereof. No responsibility is undertaken or opinion rendered with respect to any other disclosure document, materials or activity, or as to any information from another document or source referred to by, or incorporated by reference in, the Official Statement.

This letter is being furnished to you solely for your benefit in connection with your purchase of the Bonds and is not to be used, circulated, quoted or otherwise referred to for any other purpose without our prior written consent. No attorney-client relationship has existed or exists between our firm and you in connection with the issuance of the Bonds or by virtue of this letter. We note you were represented by separate counsel retained by you in connection with the transaction described in the Official Statement. This letter is limited to matters governed by the laws of the State of California and federal securities laws, and we assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

Our engagement with respect to the Bonds terminates as of the date hereof, and we have not undertaken any duty, and expressly disclaim any responsibility, to advise you as to events occurring after the date hereof with respect to the Bonds or other matters discussed in the Official Statement. This letter is not intended to, and may not, be relied upon by owners of the Bonds or by any other party to whom it is not addressed other than you.

Respectfully submitted,

EXHIBIT C

[Opinion of General Counsel]

_____, 2015

Merrill Lynch, Pierce, Fenner & Smith Incorporated
333 South Hope Street, 23rd Floor
Los Angeles, California 90071

[ADDRESS OF INSURER]

Re: \$ _____ Yucaipa Valley Water District
Water System Refunding Revenue Bonds, Series 2015A

Ladies and Gentlemen:

Yucaipa Valley Water District (the "District") has entered into a purchase contract (the "Purchase Contract"), dated _____, 2015, with you (the "Underwriter") relating to the above referenced bonds. Among other things, the Purchase Contract states District Counsel shall provide assurances as set forth below.

The following opinion is presented to the Underwriter to satisfy the requirements of Section _____ of the Purchase Contract. For convenience, this opinion will use the terminology employed by the Purchase Contract with reference to other documents and capitalized but otherwise undefined terms appearing in this opinion. In particular, the following terms are employed in this opinion:

"Indenture" means the Indenture of Trust, dated as of January 1, 2015, by and between the District and Wells Fargo Bank, National Association, as trustee (the "Trustee").

"Bonds" means the Yucaipa Valley Water District Water System Refunding Revenue Bonds, Series 2015A, issued by the District pursuant to the Indenture.

"Continuing Disclosure Certificate" means the Continuing Disclosure Certificate of the District, dated _____, 2015 and relating to the Bonds.

"Official Statement" means the final Official Statement of the District relating to the Bonds, dated _____, 2015.

"Resolution" means Resolution No. __-2015 of the District, adopted on January 21, 2015.

Our opinion is based upon our knowledge of the District and our examination of the documents described above.

Merrill Lynch, Pierce, Fenner & Smith Incorporated
[Name of Insurer]
_____, 2015
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1. The District is a county water district duly organized and validly existing under the Constitution and the laws of the State of California.

2. The District Legal Documents have been duly authorized, executed and delivered by the District and, assuming due authorization, execution and delivery by the other parties thereto, constitute the legal, valid and binding obligations of the District enforceable against the District in accordance with their respective terms.

3. Nothing has come to my attention which would cause me to believe that the information contained in the Official Statement under the captions "YUCAIPA VALLEY WATER DISTRICT", "LITIGATION" and "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES" (excluding therefrom (i) the expressions of opinion, the assumptions, the projections, estimates and forecasts, the charts, the financial statements or other financial, numerical, economic, demographic or statistical data, or assessed valuations contained in the Official Statement; (ii) any CUSIP numbers or information relating thereto; (iii) the information with respect to The Depository Trust Company and its book-entry system; (iv) the information contained in the Appendices to the Official Statement; (v) any information incorporated by reference into the Official Statement; (vi) the District's compliance with its obligations to provide notice of the events described in part (b)(5)(i)(C) of Rule 15c2-12 promulgated under the Securities Act of 1934 ("Rule 15c2-12") or to file annual reports described in part (b)(5)(i)(A) of Rule 15c2-12, review of which matters we understand has been undertaken by Applied Best Practices, LLC; (vii) [information with respect to the Insurer, the Policy and the Surety; (viii)] information with respect to the underwriter or underwriting matters with respect to the Bonds; or (ix) information with respect to the ratings on the Bonds and the rating agencies referenced therein as to which no view is expressed) contains an untrue statement of material fact or omits to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

4. The Resolution of the District approving and authorizing the execution and delivery of the District Legal Documents, and approving the Official Statement, has been duly adopted at a meeting of the Board of Directors of the District, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout and the Resolution is in full force and effect and has not been modified, amended or rescinded.

5. To the best of my knowledge after reasonable investigation, there is no action, suit, proceeding or investigation of a material nature at law or in equity before or by any court, public board or body, pending or threatened against or affecting the District, to restrain or enjoin the issuance of the Bonds or in any way contesting or affecting the validity of the Authorizing Resolution, the District Legal Documents or the Official Statement.

6. To the best of my knowledge after reasonable investigation, the execution and delivery by the District of the District Legal Documents and the Official Statement, the adoption of the Authorizing Resolution, and compliance by the District with the provisions thereof, under the

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[Name of Insurer]
_____, 2015
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circumstances contemplated thereby, do not and will not, in any material respect conflict with, or constitute a breach of or default under any existing law, administrative rule, regulation, order, court decree, resolution or agreement to which the District is subject; or by which the District is bound.

7. To the best of my knowledge after reasonable investigation, no authorization, approval, consent, or other order of the State or any other governmental authority or agency within the State having jurisdiction over the District is required for the valid authorization or issuance of the Bonds, the authorization, execution and delivery by the District of the Official Statement and the District Legal Documents, or adoption of the Authorizing Resolution.

The opinions expressed herein are based upon my analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. I call attention to the fact that the rights and obligations under the District Legal Documents and the Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

This letter is being furnished to you solely for your benefit in connection with your purchase of the Bonds and is not to be used, circulated, quoted or otherwise referred to for any other purpose without our prior written consent. No attorney-client relationship has existed or exists between our firm and you in connection with the issuance of the Bonds or by virtue of this letter. We note you were represented by separate counsel retained by you in connection with the transaction described in the Official Statement. This letter is limited to matters governed by the laws of the State of California and federal securities laws, and we assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

Our engagement with respect to the Bonds terminates as of the date hereof, and we have not undertaken any duty, and expressly disclaim any responsibility, to advise you as to events occurring after the date hereof with respect to the Bonds or other matters discussed in the Official Statement. This letter is not intended to, and may not, be relied upon by owners of the Bonds or by any other party to whom it is not addressed other than you.

Respectfully submitted,



Date: January 21, 2015

Prepared By: Vicky Elisalda, Controller
Peggy Little, Administrative Supervisor

Subject: Unaudited Financial Report for the Period Ending on December 31, 2014

Recommendation: That the Board receives and files the unaudited financial report as presented.

The following unaudited financial report has been prepared by the Administrative Department for your review. The report has been divided into six sections to clearly disseminate information pertaining to the financial status of the District. Please remember that the following financial information has not been audited.

Cash Fund Balance Report

[Detailed information can be found on page 5 to 6 of 28]

The Cash Fund Balance Report provides a summary of how the total amount of funds maintained by financial institutions is distributed throughout the enterprise and non-enterprise funds of the District. A summary of the report is as follows:

Fund Source	Operating Funds	Restricted Funds	Total Funds
Water Division	\$9,573,218.25	(\$1,328,131.44)	\$8,245,086.81
Sewer Division	\$11,673,315.32	(\$6,988,147.61)	\$4,685,167.71
Recycled Water Division	<u>\$3,083,338.34</u>	<u>\$507,020.32</u>	<u>\$3,590,358.66</u>
Total	\$24,329,871.91	(\$7,809,258.73)	\$16,520,613.18

Most of the funds reflected in the Cash Fund Balance Report are designated for specific purposes and are therefore restricted, either by law or by District policy.

Check Register

[Detailed information can be found on pages 7 to 10 of 28]

The check register lists each check processed during the month of December 2014. The District processed 205 checks during the month of December for a total sum of \$1,414,978.30. All checks are reviewed by District staff for accuracy and completeness, and usually signed by the General Manager and one Director, but may be signed by two Directors.

The Controller will make any check, invoice or supporting documentation available for review to any board member upon request.

Financial Account Information

[Detailed information can be found on pages 11 to 14 of 28]

The District currently deposits all revenue received into the Deposit Checking account. The General Checking account is used as a sole processing account for all District checks and electronic payroll. The Investment Checking account is used for the purchase and redemption of US treasury notes and bills and for the transfer of LAIF funds. The US treasury notes and bills are booked at cost.

The LAIF investment account is a pooled money account administered by the State of California. Additional information on the LAIF account is provided below in the investment summary report.

Investment Summary

[Detailed information can be found on pages 15 to 16 of 28]

The investment summary report illustrates the District's investments in US treasury notes and bills in addition to the investments held by the Local Agency Investment Fund or LAIF. The yields for the treasury notes and bills are provided for each individual transaction. The historical annual yield for funds invested with LAIF is also provided.

Separate pooled money investment reports prepared by the State of California are maintained by the District and available for review.

Monthly Revenue Allocation

[Detailed information can be found on pages 17 to 18 of 28]

During the month of December 2014 the District received a sum total of \$3,262,157.39 in revenues from the following categories:

- A total of \$1,904,503.07 was received from 15,489 customers for utility bill payments. This is the total amount of utility bill payments received from water, sewer and recycled services.
- A total of \$6,150.75 was received for construction meter deposits, customer deposits and internet fee payments.
- A total of \$1,224,892.57 was received from miscellaneous water related activities (other than utility bill charges). This includes \$1,011,552.73 property taxes received.
- A total of \$126,611.00 was received from miscellaneous sewer related activities (other than utility bill charges).
- A total of \$0.00 was received from miscellaneous recycled related activities (other than utility bill charges).

Fiscal Year 2015 Budget Status

[Detailed information can be found on pages 19 to 28 of 28]

The revenue and expense budget status for the 2015 Fiscal Year is provided for your review.

**Summary of Revenue Budget
As of December 31, 2014 (46% of Budget Cycle)**

<u>Division</u>	<u>Budget Amount</u>	<u>Current Month</u>	<u>Year-To-Date</u>	<u>Percentage</u>
Water	13,072,750	1,493,532	6,145,860	47.01%
Sewer	11,689,000	1,081,192	5,200,413	44.49%
Recycled Water	433,500	40,055	260,249	60.03%
District Revenue	25,195,250	2,614,779	11,606,522	46.07%

**Summary of Water Budget
As of December 31, 2014 (46% of Budget Cycle)**

<u>Department</u>	<u>Budget Amount</u>	<u>Current Month</u>	<u>Year-To-Date</u>	<u>Percentage</u>
Water Resources	4,883,119	244,938	2,618,943	53.63%
Public works	2,347,764	141,159	1,069,881	45.57%
Administration	2,910,442	198,689	1,284,910	44.15%
Long Term Debt	2,931,425	0	1,993,563	68.01%
Asset Acquisition	0	0	16,895	0.00%
TOTAL	13,072,750	584,786	6,984,192	53.43%

**Summary of Sewer Budget
As of December 31, 2014 (46% of Budget Cycle)**

<u>Department</u>	<u>Budget Amount</u>	<u>Current Month</u>	<u>Year-To-Date</u>	<u>Percentage</u>
Treatment	3,702,084	187,112	1,657,427	44.77%
Administration	3,198,649	218,225	1,453,755	45.45%
Environmental Control	957,833	50,986	379,461	39.62%
Long Term Debt	3,830,434	649,274	3,572,942	93.28%
Asset Acquisition-Palmer	0	0	10,260	0.00%
TOTAL	11,689,000	1,105,597	7,073,845	60.52%

**Summary of Recycled Water Budget
As of December 31, 2014 (46% of Budget Cycle)**

<u>Department</u>	<u>Budget Amount</u>	<u>Current Month</u>	<u>Year-To-Date</u>	<u>Percentage</u>
Administration	433,500	20,212	199,755	46.08%
TOTAL	433,500	20,212	199,755	46.08%
District Expenses	25,195,250	1,710,595	14,257,792	56.59%

Investment Policy Disclosure

The District is currently compliant with the portfolio of its Investment Policy and State Law.

The District is using Sandy Gage with Merrill Lynch Wealth Management (Bank of America Corporation) for Treasury investments. The District expects to meet its expenditure requirements for the next six months.

Questions or Comments

If you have any questions about a particular budget account, please do not hesitate to contact the Controller directly. If you need additional information, the members of the Administrative Department would be happy to provide you with any detailed information you may desire.

Cash Fund Balance Report - December 2014

Water Division	GL#	Balance
*Project Fund - Encumbered	02-10215	\$ -
*ID 1 Construction Funds	02-10216	\$ 293,145.85
*ID 2 Construction Funds	02-10217	\$ 80,409.31
*FCC - Debt Service YVRWFF Phase I	02-10401	\$ (978,283.54)
*FCC - Future YVRWFF Phase II & III	02-10403	\$ 203,882.70
*FCC - Recycled System	02-10410	\$ (1,198,035.82)
*FCC - Booster Pumping Plants	02-10411	\$ 331,148.29
*FCC - Pipeline Facilities	02-10412	\$ (1,248,666.48)
*FCC - Water Storage Reservoirs	02-10413	\$ 1,188,268.25
Depreciation Reserves	02-10310	\$ 3,857,746.83
Infrastructure Reserves	02-10311	\$ 1,447,939.00
Sustainability Fund	02-10313	\$ 413,113.56
Rate Stabilization Fund	02-10314	\$ 500,209.14
Imported Water Fund - MUNI	02-10315	\$ 12,612.99
Imported Water Fund - SGPWA	02-10316	\$ 758,769.24
Operating Funds:		\$ 2,582,827.49
Total Water Division		\$ 8,245,086.81

Sewer Division	GL#	Balance
*Project Fund - Encumbered	03-10215	\$ 109,500.00
*SRF Reserve Fund - Brineline	03-10218	\$ 637,449.00
*SRF Reserve Fund - WISE	03-10219	\$ 184,928.00
*SRF Reserve Fund - R 10.3	03-10220	\$ 51,531.00
*SRF Reserve Fund - Crow St	03-10221	\$ -
*FCC - Debt Service WWTP Expansion & Upgrade	03-10405	\$ 504,752.84
*FCC - Future WWTP Expansion	03-10407	\$ 596,779.08
*FCC - Sewer Interceptors	03-10415	\$ (1,207,457.59)
*FCC - Lift Stations	03-10416	\$ 147,041.71
*FCC - Effluent Disposal Facilities	03-10417	\$ (1,866,635.92)
*FCC - Salt Mitigation Facilities	03-10418	\$ (6,146,035.73)
Depreciation Reserves	03-10310	\$ 5,460,080.31
Infrastructure Reserves	03-10311	\$ 2,786,280.00
Rate Stabilization Fund	03-10314	\$ 1,464,394.90
Operating Funds:		\$ 1,962,560.11
Total Wastewater Division		\$ 4,685,167.71

Recycled Water Division	GL#	Balance
*Project Fund - Encumbered	04-10215	\$ 200,000.00
*FCC - Recycled System	04-10410	\$ 30,553.20
*FCC - Booster Pumping Plants	04-10411	\$ 32,541.94
*FCC - Pipeline Facilities	04-10412	\$ 163,606.51
*FCC - Water Storage Reservoirs	04-10413	\$ 80,318.67
Depreciation Reserves	04-10310	\$ 503,928.00
Infrastructure Reserves	04-10311	\$ 215,410.00
Operating Funds:		\$ 2,364,000.34
Total Recycled Water Division		\$ 3,590,358.66

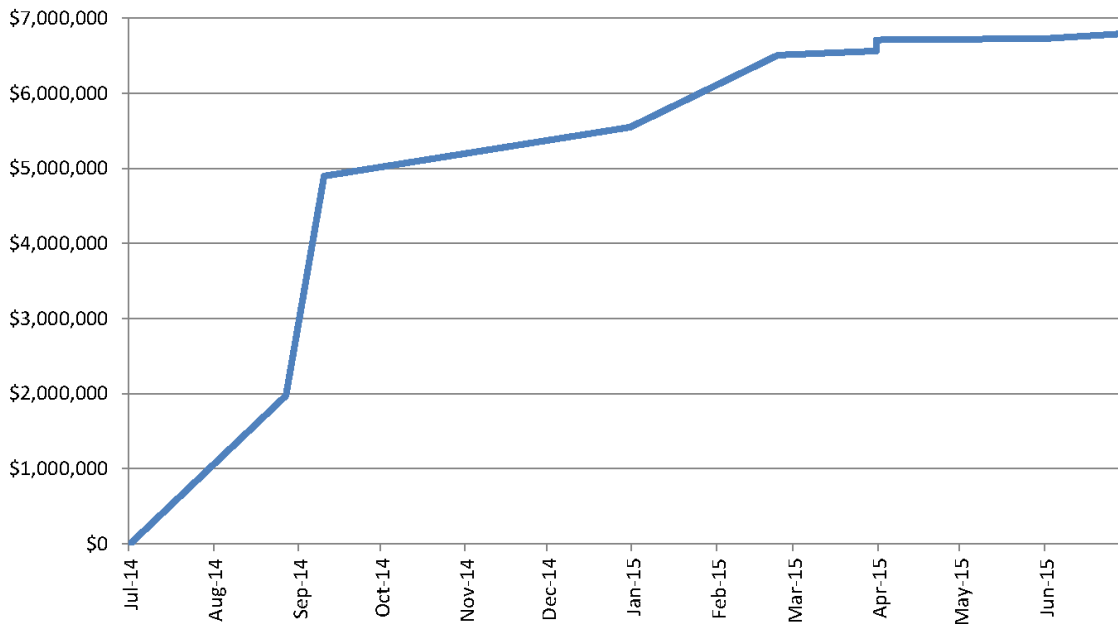
DISTRICT TOTAL \$ 16,520,613.18

*=Restricted Funds

Cash Fund Balance Report - December 2014

Pending Financial Obligations for Fiscal Year 2014/15				
Due Date	Fund	Description	Term of Obligation	Amount
08/27/2014	Water	2004A Bond Payment - YVRWFF	2005-2034	\$ 1,973,462.50
09/10/2014	Sewer	SRF Payment - WRWRF	2009-2028	\$ 2,923,688.75
12/31/2014	Sewer	SRF Payment - Yucaipa Regional Brineline	2013-2032	\$ 652,249.39
02/23/2015	Water	2004A Bond Payment - YVRWFF	2005-2034	\$ 958,562.50
03/31/2015	Sewer	SRF Payment - Recycled Reservoir R-10.3	2014-2033	\$ 54,243.02
03/31/2015	Sewer	SRF Payment - Desalination at WRWRF	2014-2033	\$ 148,282.00
06/01/2015	Sewer	SBVMWD - Inland Empire Brineline Payment	2013-2016	\$ 20,000.00
06/30/2015	Sewer	SRF Payment - Crow Street/Recycled Booster B-12.1	Estimated	\$ 65,000.00
Total				\$ 6,795,488.16

**Payment Schedule and Cash Flow Requirements
for Fiscal Year 2014-2015**



Check Register - December 2014

<u>Check Date</u>	<u>Check Number</u>	<u>Name</u>	<u>Check Amount</u>
12/01/2014	22144	AMERICAN INTEGRATED	1,459.66
12/01/2014	22145	OROZCO, DIANE& RUDY	30.02
12/01/2014	22146	American Water Works Assoc.	3,981.00
12/01/2014	22147	State Water Resources Control	165.00
12/01/2014	22148	CWEA-TCP (OAKPORT ST.)	885.00
12/01/2014	22149	Water Environment Federation	272.00
12/01/2014	22150	Ameripride Uniform Services	470.71
12/01/2014	22151	BofA Credit Card	4,189.72
12/01/2014	22152	Dudek & Associates, Inc	3,431.87
12/01/2014	22153	Fedex	125.08
12/01/2014	22154	Leroy's Landscape Services	5,700.00
12/01/2014	22155	Lowe's Companies, Inc.	301.96
12/01/2014	22156	NetComp Technologies, Inc.	1,710.00
12/01/2014	22157	RMC Water and Environment	4,679.40
12/01/2014	22158	U.S. Telepacific Corp	3,817.10
12/01/2014	22159	The Gas Company	48.10
12/01/2014	22160	George F. Siddle	80.50
12/01/2014	22161	Verizon	153.43
12/01/2014	22162	Yucaipa Disposal, Inc.	1,366.84
12/01/2014	22163	William Abbott	2,600.00
12/01/2014	22164	Air & Hose Source, Inc.	190.08
12/01/2014	22165	Aqua-Metric Sales Company	1,623.72
12/01/2014	22166	Cemex Inc. USA	1,910.11
12/01/2014	22167	Eurofins Eaton Analytical, Inc	32,275.00
12/01/2014	22168	Evoqua Water Technologies LLC	1,121.10
12/01/2014	22169	Hasa, Inc.	3,975.97
12/01/2014	22170	JR Freeman Co. Inc.	445.89
12/01/2014	22171	Nagem, Inc.	337.50
12/01/2014	22172	Praxair Inc.	588.36
12/01/2014	22173	Steven Enterprises, Inc	13,316.60
12/01/2014	22174	Boot Barn #4	173.19
12/01/2014	22175	Standard Insurance Company	2,633.28
12/01/2014	22176	US Healthworks Medical Group,	281.58
12/01/2014	22177	Western Dental Services, Inc.	288.11
12/01/2014	22178	Anthem Blue Cross L and H	356.90
12/01/2014	22179	Standard Insurance Company	2,974.49
12/01/2014	22180	Aetna Health of California	42,376.00
12/01/2014	22181	Standard Insurance Vision Plan	578.16
12/01/2014	22182	MetLife Small Business Center	413.08
12/01/2014	22183	WageWorks, Inc.	207.50
12/08/2014	22184	AWWA CA-NV (Rancho Cucamonga)	75.00
12/08/2014	22185	American Water Works Assoc.	1,200.00
12/08/2014	22186	ADS, LLC	2,634.00
12/08/2014	22187	Ameripride Uniform Services	513.95
12/08/2014	22188	Crown Ace Hardware - Yucaipa	597.19
12/08/2014	22189	First American Data Tree, LLC	50.00
12/08/2014	22190	CA-EPA Dept Of Toxic Substance	322.50
12/08/2014	22191	Konica Minolta Business Soluti	723.73
12/08/2014	22192	SCCI, Inc.	350.00
12/08/2014	22193	SB CNTY-Fire Hazard Abatement	200.00
12/08/2014	22194	Sims Welding & Supply Co., Inc	197.90
12/08/2014	22195	South Coast A.Q.M.D.	1,354.71
12/08/2014	22196	Association of San Bernardino	252.00
12/08/2014	22197	The Gas Company	109.74
12/08/2014	22198	Underground Service Alert Of S	141.00

Check Register - December 2014

<u>Check Date</u>	<u>Check Number</u>	<u>Name</u>	<u>Check Amount</u>
12/08/2014	22199	USDA Forest Service	120.62
12/08/2014	22200	Auto Care Clinic	2,343.38
12/08/2014	22201	Edward S Babcock & Sons, Inc.	180.00
12/08/2014	22202	Jan Brinkman Jr.	484.92
12/08/2014	22203	DC Frost Associates, Inc.	507.49
12/08/2014	22204	David Sunden	591.88
12/08/2014	22205	Fisher Scientific Co.	152.02
12/08/2014	22206	Grainger	436.00
12/08/2014	22207	Inland Water Works Supply Co.	16,014.00
12/08/2014	22208	Larry Jacinto Farming, Inc.	500.00
12/08/2014	22209	JR Freeman Co. Inc.	520.20
12/08/2014	22210	Nuckles Oil Company, Inc.	3,200.32
12/08/2014	22211	Microflex Corp #774353	1,241.25
12/08/2014	22212	Most Dependable Fountains, Inc	939.80
12/08/2014	22213	Nagem, Inc.	459.05
12/08/2014	22214	Patton Sales Corporation	216.27
12/08/2014	22215	Polydyne Inc.	5,713.20
12/08/2014	22216	Pro-Pipe & Supply, Inc.	274.72
12/08/2014	22217	SB CNTY-Fire Protection Distri	189.36
12/08/2014	22218	Smart & Final Stores, LLC	333.79
12/08/2014	22219	Sterling Water Technologies LL	17,691.48
12/08/2014	22220	Steven Enterprises, Inc	1,296.33
12/08/2014	22221	Robert Austin	7,113.70
12/12/2014	22222	PAYROLL CHECK	1,931.51
12/12/2014	22223	PAYROLL CHECK	283.69
12/12/2014	22224	CA-PERS Supplemental Income 45	19,304.72
12/12/2014	22225	WageWorks, Inc.	1,595.80
12/12/2014	22226	Public Employees' Retirement S	33,282.29
12/12/2014	22227	Hong Nelson	125.00
12/12/2014	22228	IBEW Local 1436	270.00
12/12/2014	22229	Franchise Tax Board	100.00
12/12/2014	22230	United State Treasury	413.87
12/12/2014	22231	Cobb's Printing, LLC	250.56
12/12/2014	22232	Rodd Greene	404.00
12/12/2014	22233	Gregory N. Godwin	200.00
12/12/2014	22234	Workboot Warehouse	393.77
12/12/2014	22235	Cypress Insurance Company	15,377.92
12/12/2014	22236	Robert Hines	404.00
12/15/2014	22237	Aklufi & Wysocki	5,096.25
12/15/2014	22238	Delta Partners, LLC	7,500.00
12/15/2014	22239	Geoscience Support Services, I	17,936.20
12/15/2014	22240	Krieger & Stewart	995.55
12/15/2014	22241	One Stop Landscape Supply Inc	19,864.00
12/15/2014	22242	Platinum Advisors, LLC	5,000.00
12/15/2014	22243	RMC Water and Environment	1,500.00
12/15/2014	22244	T.B.U., Inc.	5,712.50
12/15/2014	22245	VTD, Vavrinek, Trine, Day & CO	3,120.00
12/15/2014	22246	Addiction Medicine Consultants	2,610.00
12/15/2014	22247	Ralph C. Casas	79.75
12/15/2014	22248	Ameripride Uniform Services	444.91
12/15/2014	22249	Ana Sanchez	150.00
12/15/2014	22250	Central Communications	341.25
12/15/2014	22251	Corelogic, Inc.	330.00
12/15/2014	22252	Coverall North America, Inc.	1,021.00
12/15/2014	22253	Jason Gokei	81.00

Check Register - December 2014

<u>Check Date</u>	<u>Check Number</u>	<u>Name</u>	<u>Check Amount</u>
12/15/2014	22254	Incode Division-Tyler Technolo	350.00
12/15/2014	22255	InfoSend, Inc.	5,097.34
12/15/2014	22256	Konica Minolta Business Soluti	87.84
12/15/2014	22257	Management Action Programs Inc	3,100.00
12/15/2014	22258	RMC Water and Environment	1,459.00
12/15/2014	22259	San Bdn. Valley Muni. Water D	60.00
12/15/2014	22260	Separation Processes, Inc.	597.50
12/15/2014	22261	Southern CA Emergency Medicine	275.00
12/15/2014	22262	South Coast A.Q.M.D.	903.14
12/15/2014	22263	State Water Resources Control	649,273.50
12/15/2014	22264	Tattletale Portable Alarm Syst	1,974.00
12/15/2014	22265	The Counseling Team Internatio	360.00
12/15/2014	22266	Verizon	11.32
12/15/2014	22267	Aqua-Metric Sales Company	2,448.49
12/15/2014	22268	Auto Care Clinic	82.90
12/15/2014	22269	Brenntag Pacific, Inc	11,336.82
12/15/2014	22270	Calolympic Glove & Safety Co.,	953.55
12/15/2014	22271	Victor James Valenti	3,884.88
12/15/2014	22272	Jan Brinkman Jr.	70.00
12/15/2014	22273	Evoqua Water Technologies LLC	918.60
12/15/2014	22274	Grainger	618.02
12/15/2014	22275	Graybar Electric Co., Inc.	173.10
12/15/2014	22276	Hach Company	482.33
12/15/2014	22277	House Of Quality, Parts Plus	5,817.64
12/15/2014	22278	VOID CHECK	0.00
12/15/2014	22279	Innerline Engineering	8,700.00
12/15/2014	22280	J.L. Wingert Co.	346.69
12/15/2014	22281	James John Brothers	9,773.00
12/15/2014	22282	JR Freeman Co. Inc.	748.93
12/15/2014	22283	Nuckles Oil Company, Inc.	3,414.31
12/15/2014	22284	NCL Of Wisconsin Inc	774.23
12/15/2014	22285	SB CNTY-Fire Protection Distri	915.44
12/15/2014	22286	Smart & Final Stores, LLC	91.92
12/15/2014	22287	Sunshine Growers Nursery	152.82
12/15/2014	22288	UPS Store#1504/ Mail Boxes Etc	13.83
12/15/2014	22289	HD Supply Facilities Maintenan	472.40
12/22/2014	22290	Atkinson, Andelson, Loya, Ruud	5,243.29
12/22/2014	22291	Christopher R. Crosby	168.00
12/22/2014	22292	Ameripride Uniform Services	438.46
12/22/2014	22293	AT&T Mobility	1,078.09
12/22/2014	22294	BofA Credit Card	5,211.24
12/22/2014	22295	NetComp Technologies, Inc.	2,725.12
12/22/2014	22296	Air & Hose Source, Inc.	71.28
12/22/2014	22297	Brenntag Pacific, Inc	4,331.34
12/22/2014	22298	Grainger	928.51
12/22/2014	22299	Hach Company	637.16
12/22/2014	22300	Innerline Engineering	1,450.00
12/22/2014	22301	Donald Kent Stone	500.00
12/22/2014	22302	VOID CHECK	0.00
12/22/2014	22303	Safety Kleen Systems, Inc.	265.46
12/22/2014	22304	Paxxo, Inc.	2,776.00
12/22/2014	22305	SOLIS, SYLVIA	41.70
12/22/2014	22306	BEIGHTLER, SHELBY	38.43
12/22/2014	22307	CABRERA, GILBERT	35.44
12/24/2014	22308	PAYROLL CHECK	1,937.31

Check Register - December 2014

<u>Check Date</u>	<u>Check Number</u>	<u>Name</u>	<u>Check Amount</u>
12/24/2014	22309	CA-PERS Supplemental Income 45	16,362.25
12/24/2014	22310	WageWorks, Inc.	1,534.26
12/24/2014	22311	Public Employees' Retirement S	32,543.25
12/24/2014	22312	Hong Nelson	125.00
12/24/2014	22313	Franchise Tax Board	100.00
12/29/2014	22314	Ameripride Uniform Services	448.91
12/29/2014	22315	Redlands Employment Services	762.76
12/29/2014	22316	Bay Alarm Company	4,581.96
12/29/2014	22317	Fedex	84.16
12/29/2014	22318	Leroy's Landscape Services	2,955.00
12/29/2014	22319	Mike McCuiston	2,220.40
12/29/2014	22320	NetComp Technologies, Inc.	145.00
12/29/2014	22321	SCE Rosemead	191,973.41
12/29/2014	22322	Southern California Water Comm	850.00
12/29/2014	22323	U.S. Telepacific Corp	3,808.44
12/29/2014	22324	Verizon	153.43
12/29/2014	22325	Aqua-Metric Sales Company	12,765.60
12/29/2014	22326	BofA Credit Card	1,245.93
12/29/2014	22327	Center Electric	1,595.00
12/29/2014	22328	Clinical Laboratory of San Ber	4,130.50
12/29/2014	22329	Evoqua Water Technologies LLC	955.33
12/29/2014	22330	Fisher Scientific Co.	170.48
12/29/2014	22331	G&G Environmental Compliance, I	2,394.53
12/29/2014	22332	Grainger	2,044.50
12/29/2014	22333	Inland Water Works Supply Co.	1,503.16
12/29/2014	22334	Innerline Engineering	1,450.00
12/29/2014	22335	JR Freeman Co. Inc.	390.35
12/29/2014	22336	Lowe's Companies, Inc.	52.90
12/29/2014	22337	MBC Applied Environmental Scie	1,300.00
12/29/2014	22338	Nuckles Oil Company, Inc.	2,025.84
12/29/2014	22339	Nagem, Inc.	1,200.00
12/29/2014	22340	Praxair Inc.	19.22
12/29/2014	22341	Q Versa, LLC	8,301.24
12/29/2014	22342	Red Alert Special Couriers	454.26
12/29/2014	22343	Redlands-Yucaipa Rentals Inc.	8.00
12/29/2014	22344	Riverside Winnelson Company	237.60
12/29/2014	22345	VOID CHECK	0.00
12/29/2014	22346	American Family Life Assurance	3,393.67
12/29/2014	22347	WageWorks, Inc.	207.50
12/31/2014	22348	ROW Traffic Safety, Inc.	9,974.04
December 2014 Check Register Total			1,414,978.30

Financial Account Information - December 2014

DATE	DESCRIPTION	Deposit Checking	General Checking	Investment Checking	Treasuries at cost	LAIF Invest. Fund	TOTAL ACTIVITY
11/30/2014	bal forward	1,762,532.88	30,000.00	17,693.93	501,464.19	12,698,833.33	15,010,524.33
11/30	rev retained in MM				(691.49)		(691.49)
	Deposit Corr (11/26)	(38.39)					(38.39)
12/01/2014	Deposit	119,110.98					119,110.98
	Credit Card-11/26	2,164.77					2,164.77
	Credit Card-12/1	8,263.94					8,263.94
	Electronic	20,640.98					20,640.98
	Website-12/1	6,603.74					6,603.74
	Website-12/2	503.30					503.30
	Website-12/2	578.42					578.42
12/02/2014	Deposit	58,624.68					58,624.68
	Credit Card-12/2	2,126.28					2,126.28
	Credit Card-12/3	3,278.90					3,278.90
	Electronic	35,700.67					35,700.67
	Website-12/2	3,739.15					3,739.15
	Website-12/3	84.10					84.10
	Website-12/3	2,431.78					2,431.78
	ETS Fees	(1,555.46)					(1,555.46)
	ETS Fees	(1,135.22)					(1,135.22)
12/03/2014	Deposit	54,654.23					54,654.23
	Credit Card-12/2	2,647.67					2,647.67
	Credit Card-12/3	5,709.50					5,709.50
	Electronic	22,264.46					22,264.46
	Website-12/3	4,871.12					4,871.12
	Website-12/4	136.51					136.51
	Website-12/4	167.91					167.91
	ACH pmts	44,392.43					44,392.43
	Ck#22144-22183		(141,534.01)				(141,534.01)
	TRF#1313-AP	(141,534.01)	141,534.01				0.00
12/04/2014	Deposit	26,990.13					26,990.13
	Credit Card -12/3	2,750.27					2,750.27
	Credit Card -12/4	1,932.97					1,932.97
	Electronic	15,206.87					15,206.87
	Website-12/4	2,700.37					2,700.37
	Website-12/5	69.38					69.38
	Website-12/5	386.38					386.38
12/05/2014	Deposit	52,911.02					52,911.02
	Credit Card-12/4	468.79					468.79
	Credit Card-12/5	2,938.71					2,938.71
	Electronic	18,025.15					18,025.15
	Website-12/5	3,007.78					3,007.78
	Website-12/6	201.07					201.07
	Website-12/6	1,507.32					1,507.32
	Website-12/7	1,163.03					1,163.03
	Website-12/8	933.85					933.85
12/08/2014	Deposit	70,832.46					70,832.46
	MC - Deposit	1,829.12					1,829.12
	Credit Card-12/5	611.96					611.96
	Credit Card-12/8	2,961.66					2,961.66
	Electronic	13,969.08					13,969.08
	Website-12/8	4,392.19					4,392.19
	Website-12/9	637.70					637.70
	Website-12/9	407.03					407.03

Financial Account Information - December 2014

DATE	DESCRIPTION	Deposit Checking	General Checking	Investment Checking	Treasuries at cost	LAIF Invest. Fund	TOTAL ACTIVITY
11/30/2014	bal forward	1,762,532.88	30,000.00	17,693.93	501,464.19	12,698,833.33	15,010,524.33
12/09/2014	Deposit	76,783.27					76,783.27
	Deposit-SB taxes	95,906.91					95,906.91
	Credit Card-12/8	943.24					943.24
	Credit Card-12/9	1,996.35					1,996.35
	Electronic	28,987.45					28,987.45
	Website-12/9	5,963.54					5,963.54
	Website-12/10	82.63					82.63
	Website-12/10	1,079.12					1,079.12
12/10/2014	Deposit	70,607.63					70,607.63
	Credit Card-12/9	1,929.32					1,929.32
	Credit Card-12/10	4,479.58					4,479.58
	Electronic	13,219.01					13,219.01
	Website-12/10	2,510.12					2,510.12
	Website-12/11	178.75					178.75
	Website-12/11	1,237.59					1,237.59
	ACH pmts	59,435.39					59,435.39
12/12/14-PR	Federal Taxes		(45,490.23)				(45,490.23)
12/12/14-PR	State Taxes		(7,654.01)				(7,654.01)
12/12/14-PR	PR Direct Deposit		(110,909.11)				(110,909.11)
12/12/14-PR	VOYA 457		(9,382.08)				(9,382.08)
	Cks. #22184-22236		(143,578.63)				(143,578.63)
	TRF#1314- AP & PR	(317,014.06)	317,014.06				0.00
12/11/2014	Deposit	34,753.59					34,753.59
	Deposit-DR Horton	337,246.00					337,246.00
	Deposit-SB taxes	4,215.33					4,215.33
	Credit Card-12/10	1,403.21					1,403.21
	Credit Card-12/11	2,459.35					2,459.35
	Electronic	12,185.36					12,185.36
	Website-12/11	1,661.48					1,661.48
	Website-12/12	138.38					138.38
	Website-12/12	1,097.40					1,097.40
12/12/2014	Deposit	43,469.01					43,469.01
	Credit Card-12/11	730.22					730.22
	Credit Card-12/12	2,556.53					2,556.53
	Electronic	14,436.74					14,436.74
	Website-12/12	2,478.40					2,478.40
	Website-12/13	277.10					277.10
	Website-12/13	2,770.52					2,770.52
	Website-12/14	2,124.31					2,124.31
	Website-12/15	182.82					182.82
	Website-12/15	796.01					796.01
12/15/2014	Deposit	82,740.11					82,740.11
	Credit Card-12/12	692.52					692.52
	Credit Card-12/15	3,637.58					3,637.58
	Electronic	15,780.28					15,780.28
	Website-12/15	4,489.85					4,489.85
	Website-12/16	517.16					517.16
	Website-12/16	375.98					375.98
	ACH pmts	50,396.55					50,396.55
	ACH pmts	81.92					81.92

Financial Account Information - December 2014

DATE	DESCRIPTION	Deposit Checking	General Checking	Investment Checking	Treasuries at cost	LAIF Invest. Fund	TOTAL ACTIVITY
11/30/2014	bal forward	1,762,532.88	30,000.00	17,693.93	501,464.19	12,698,833.33	15,010,524.33
12/16/2014	Deposit	14,793.59					14,793.59
	Deposit-Riv taxes	46,642.45					46,642.45
	Credit Card-12/15	1,172.54					1,172.54
	Credit Card-12/16	4,283.06					4,283.06
	Electronic	21,409.50					21,409.50
	Website-12/16	2,774.91					2,774.91
	Website-12/17	122.00					122.00
	Website-12/17	750.65					750.65
	Ck#22237-22289		(787,520.95)				(787,520.95)
	TRF#1315-AP	(787,520.95)	787,520.95				0.00
12/17/2014	Deposit	41,396.92					41,396.92
	Credit Card-12/16	3,004.27					3,004.27
	Credit Card-12/17	8,243.28					8,243.28
	Electronic	12,738.04					12,738.04
	Website-12/17	1,823.07					1,823.07
	Website-12/18	89.10					89.10
	Website-12/18	543.05					543.05
12/18/2014	Deposit	33,184.71					33,184.71
	Deposit-Riv taxes	316.86					316.86
	Credit Card-12/17	522.90					522.90
	Credit Card-12/18	3,452.49					3,452.49
	Electronic	11,212.04					11,212.04
	Website-12/18	991.58					991.58
	Website-12/19	213.30					213.30
	TRF #1316-Dep Ck to Inv Ck	(1,900,000.00)		1,900,000.00			0.00
	TRF #1317-Inv Ck to LAIF			(1,900,000.00)		1,900,000.00	0.00
12/19/2014	Deposit	55,730.80					55,730.80
	Credit Card-12/18	348.07					348.07
	Credit Card-12/19	1,888.79					1,888.79
	Electronic	16,328.84					16,328.84
	Website-12/19	2,774.64					2,774.64
	Website-12/20	3,035.08					3,035.08
	Website-12/21	1,515.29					1,515.29
	Website-12/22	585.31					585.31
12/22/2014	Deposit	63,429.02					63,429.02
	Deposit-SB taxes	877,425.37					877,425.37
	Credit Card-12/19	767.58					767.58
	Credit Card-12/22	3,176.95					3,176.95
	Electronic	16,883.94					16,883.94
	Website-12/22	1,252.78					1,252.78
	Website-12/23	43.67					43.67
	ACH pmts	24,021.78					24,021.78
12/23/2014	Deposit	31,090.71					31,090.71
	Credit Card-12/22	1,276.83					1,276.83
	Credit Card-12/23	1,494.13					1,494.13
	Electronic	17,251.05					17,251.05
	Website-12/23	2,302.28					2,302.28
	Website-12/24	177.65					177.65

Financial Account Information - December 2014

DATE	DESCRIPTION	Deposit Checking	General Checking	Investment Checking	Treasuries at cost	LAIF Invest. Fund	TOTAL ACTIVITY
11/30/2014	bal forward	1,762,532.88	30,000.00	17,693.93	501,464.19	12,698,833.33	15,010,524.33
12/24/14-PR	Federal Taxes		(40,476.00)				(40,476.00)
12/24/14-PR	State Taxes		(6,707.46)				(6,707.46)
12/24/14-PR	PR Direct Deposit		(106,682.72)				(106,682.72)
12/24/14-PR	VOYA 457		(7,924.59)				(7,924.59)
	Cks. #22290-22313		(87,816.33)				(87,816.33)
12/23	Void ck# 22096, 11/17		865.02				865.02
	TRF#1318- AP & PR	(248,742.08)	248,742.08				0.00
12/24/2014	Deposit	19,845.34					19,845.34
	Deposit-M/C	875.72					875.72
	Credit Card-12/23	380.04					380.04
	Credit Card-12/24	1,449.06					1,449.06
	Electronic	8,848.46					8,848.46
	Website-12/24	1,288.06					1,288.06
	Website-12/25	842.33					842.33
	Website-12/26	872.43					872.43
12/26/2014	Electronic	7,825.08					7,825.08
	Website-12/26	2,486.15					2,486.15
	Website-12/27	2,364.77					2,364.77
	Website-12/28	223.47					223.47
	Website-12/28	1,985.25					1,985.25
	Website-12/29	159.41					159.41
	Website-12/29	88.08					88.08
	ACH pmts	63,064.54					63,064.54
	ACH pmts	875.11					875.11
12/29/2014	Deposit	69,547.78					69,547.78
	Credit Card-12/24	59.88					59.88
	Credit Card-12/29	2,538.25					2,538.25
	Electronic	6,402.77					6,402.77
	Website-12/29	1,987.79					1,987.79
	Website-12/30	176.15					176.15
	Website-12/30	506.51					506.51
12/30/2014	Deposit	45,530.77					45,530.77
	Credit Card-12/29	721.96					721.96
	Credit Card-12/30	1,896.99					1,896.99
	Electronic	18,443.60					18,443.60
	Website-12/30	2,900.41					2,900.41
	Website-12/31	833.76					833.76
	Cks. #22314-22348		(254,528.38)				(254,528.38)
	TRF#1319- AP	(254,528.38)	254,528.38				0.00
12/31/2014	Deposit	23,556.36					23,556.36
	Credit Card-12/30	1,532.37					1,532.37
	Credit Card-12/31	5,219.45					5,219.45
	Electronic	13,304.93					13,304.93
	Website-12/31	3,644.81					3,644.81
	Website-1/1	2,343.85					2,343.85
	Website-1/2	1,546.08					1,546.08
	December '14 NSF's	(1,054.67)					(1,054.67)
12/31	retained in MM				691.50		691.50
TOTALS		1,372,621.72	30,000.00	17,693.93	501,464.20	14,598,833.33	16,520,613.18

Investment Summary - December 2015

U.S. TREASURIES

Quantity	Description	Cusip	Maturity Date	Yield	Cost of Purchase	Market Value
501,000	US Treasury Bill	912796EC9	May 28, 2015	0.045%	500,772.70	500,869.74
501,000	Total Values				500,772.70	500,869.74

Money Market Account Activity-Beginning Balance	691.49
12/31/14 - Dividend/Interest	0.01
Income	0.01
Intra-Bank Transfers to/from Investment Checking	0.00
Fund Transfers	0.00
Cusip Maturity	0.00
Redemptions	0.00
Cusip Purchase	0.00
Purchases	0.00
 Ending Balance - Money Market	 691.50
US Treasury Securities Investment Principal	500,772.70
Total Assets	501,464.20

Investment Summary - December 2014

LOCAL AGENCY INVESTMENT FUND

PERIOD	TOTAL WITHDRAWAL AMOUNT	TOTAL DEPOSIT AMOUNT	ACCRUED INTEREST (QUARTERLY)	ENDING BALANCE
July 31, 2014	\$0.00	\$1,000,000.00	\$6,741.26	\$14,290,591.46
August 31, 2014	\$0.00	\$0.00	\$0.00	\$14,290,591.46
September 30, 2014	(\$2,500,000.00)	\$900,000.00	\$0.00	\$12,690,591.46
October 31, 2014	\$0.00	\$0.00	\$8,241.87	\$12,698,833.33
November 30, 2014	\$0.00	\$0.00	\$0.00	\$12,698,833.33
December 31, 2014	\$0.00	\$1,900,000.00	\$0.00	\$14,598,833.33
January 31, 2015	\$0.00	\$0.00	\$0.00	\$14,598,833.33
February 28, 2015	\$0.00	\$0.00	\$0.00	\$14,598,833.33
March 31, 2015	\$0.00	\$0.00	\$0.00	\$14,598,833.33
April 30, 2015	\$0.00	\$0.00	\$0.00	\$14,598,833.33
May 31, 2015	\$0.00	\$0.00	\$0.00	\$14,598,833.33
June 30, 2015	\$0.00	\$0.00	\$0.00	\$14,598,833.33

L.A.I.F. INCOME SUMMARY

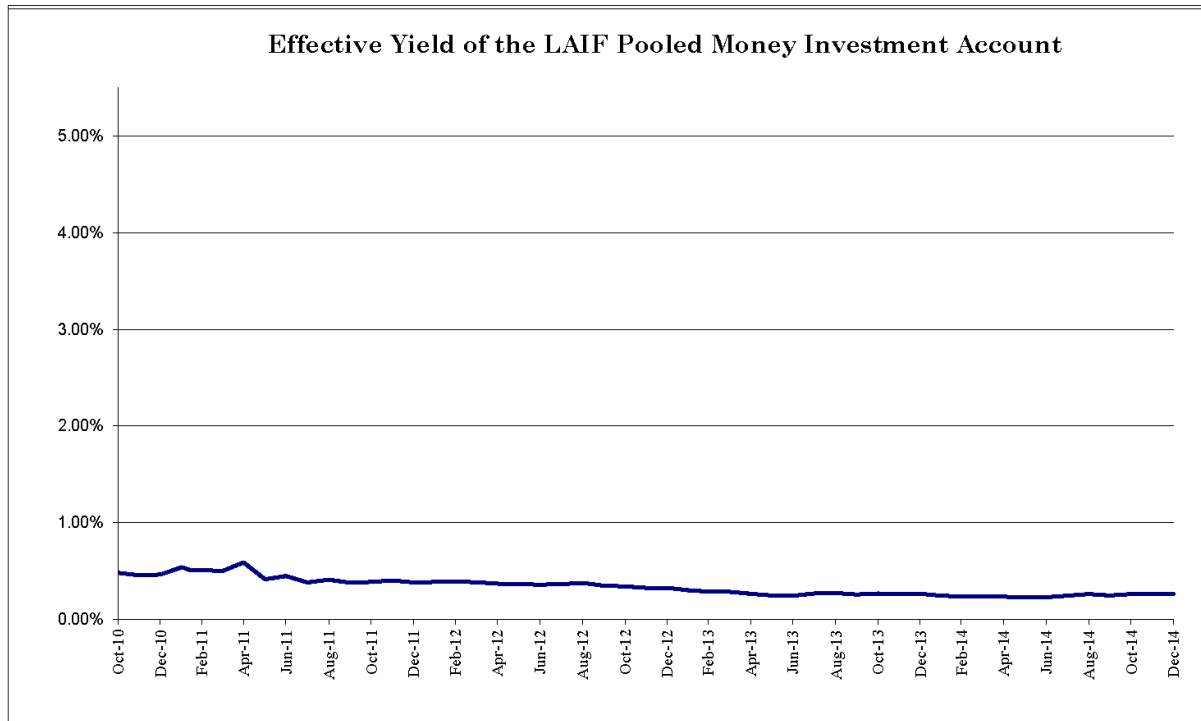
CURRENT QUARTER

FY YEAR-TO-DATE

INCOME RECEIVED

\$8,241.87

\$14,983.13



Monthly Revenue Allocation - December 2014

DATE	Description	Qty	DEPOSIT CHECKING DEPOSITS	AR Mail & Counter	AR Payment Centers	AR Credit Card	AR Electronic Rapid Pay	AR Web Site	AR ACH Auto Pay	AR TOTAL	AR Water Fees & Deposits	Water Allocation	Sewer Allocation	Recycled Allocation	RECAP TOTAL
12/01/2014	Mail & Counter	647	119,110.98	119,110.98						119,110.98					119,110.98
	Credit Cards	66	10,428.71			10,428.71				10,428.71					10,428.71
	Electronic	218	20,640.98				20,640.98			20,640.98					20,640.98
	Website-71 fees	76	7,685.46					7,561.21		7,561.21	124.25				7,685.46
12/02/2014	Mail & Counter	509	58,624.68	58,624.68						58,624.68					58,624.68
	Credit Cards	44	5,405.18			5,405.18				5,405.18					5,405.18
	Electronic	407	35,700.67				35,700.67			35,700.67					35,700.67
12/03/2014	Website-49 fees	50	6,255.03					6,169.28		6,169.28	85.75				6,255.03
	Mail & Counter	369	54,594.23	54,594.23						54,594.23	60.00				54,654.23
	Credit Cards	57	8,357.17			8,357.17				8,357.17					8,357.17
	Electronic	263	22,264.46				22,264.46			22,264.46					22,264.46
	Website	46	5,175.54					5,095.04		5,095.04	80.50				5,175.54
	ACH payment	454	44,392.43						44,392.43	44,392.43					44,392.43
12/04/2014	Mail & Counter	256	26,990.13	26,990.13						26,990.13					26,990.13
	Credit Cards	21	4,683.24			4,683.24				4,683.24					4,683.24
	Electronic	181	15,206.87				15,206.87			15,206.87					15,206.87
	Website - 28 fees	29	3,156.13					3,107.13		3,107.13	49.00				3,156.13
12/05/2014	Mail & Counter	274	52,911.02	51,411.02						51,411.02	1,500.00				52,911.02
	Credit Cards	18	3,407.50			3,407.50				3,407.50					3,407.50
	Electronic	204	18,025.15				18,025.15			18,025.15					18,025.15
	Website	62	6,813.05					6,704.55		6,704.55	108.50				6,813.05
12/06/2014	Mail & Counter	365	70,832.46	70,832.46						70,832.46					70,832.46
	MC - Deposit	1,829.12								0.00		1,823.12			1,823.12
	Credit Cards	30	3,573.62			3,573.62				3,573.62					3,573.62
	Electronic	155	13,969.08				13,969.08			13,969.08					13,969.08
	Website-38 fees	42	5,436.92					5,370.42		5,370.42	66.50				5,436.92
12/09/2014	Mail & Counter	542	76,783.27	76,783.27						76,783.27					76,783.27
	Deposit- SB Taxes	95,906.91		509.16						509.16		95,397.75			95,906.91
	Credit Cards	25	2,939.59			2,939.59				2,939.59					2,939.59
	Electronic	326	28,987.45				28,987.45			28,987.45					28,987.45
	Website	32	7,125.29					7,069.29		7,069.29	56.00				7,125.29
12/10/2014	Mail & Counter	303	70,607.63	69,107.63						69,107.63	1,500.00				70,607.63
	Credit Cards	45	6,408.90			6,408.90				6,408.90					6,408.90
	Electronic	151	13,219.01				13,219.01			13,219.01					13,219.01
	Website	32	3,926.46					3,870.46		3,870.46	56.00				3,926.46
	ACH payment	538	59,435.39						59,435.39	59,435.39					59,435.39
12/11/2014	Mail & Counter	244	34,753.59	34,753.59						34,753.59					34,753.59
	Deposit-M/C		337,246.00							0.00		210,873.00	126,373.00		337,246.00
	Deposit-SB Taxes		4,215.33							0.00		4,215.33			4,215.33
	Credit Cards	22	3,862.56			3,862.56				3,862.56					3,862.56
	Electronic	140	12,185.36				12,185.36			12,185.36					12,185.36
	Website-23 fees	24	2,897.26					2,857.01		2,857.01	40.25				2,897.26
12/12/2014	Mail & Counter	226	43,469.01	43,469.01						43,469.01					43,469.01
	Credit Cards	27	3,286.75			3,286.75				3,286.75					3,286.75
	Electronic	180	14,436.74				14,436.74			14,436.74					14,436.74
	Website	85	8,629.16					8,480.41		8,480.41	148.75				8,629.16
12/15/2014	Mail & Counter	445	82,740.11	82,740.11						82,740.11					82,740.11
	Credit Cards	40	4,330.10			4,330.10				4,330.10					4,330.10
	Electronic	196	15,780.28				15,780.28			15,780.28					15,780.28
	Website	48	5,382.99					5,298.99		5,298.99	84.00				5,382.99
	ACH payment	570	50,478.47						50,478.47	50,478.47					50,478.47

Monthly Revenue Allocation - December 2014

DATE	Description	Qty	DEPOSIT CHECKING DEPOSITS	AR Mail & Counter	AR Payment Centers	AR Credit Card	AR Electronic Rapid Pay	AR Web Site	AR ACH Auto Pay	AR TOTAL	AR Water Fees & Deposits	Water Allocation	Sewer Allocation	Recycled Allocation	RECAP TOTAL
12/16/2014	Mail & Counter	181	14,793.59	14,793.59						14,793.59					14,793.59
	Deposit-Riv Taxes		46,642.45							0.00		46,642.45			46,642.45
	Credit Cards	43	5,455.60			5,455.60				5,455.60					5,455.60
	Electronic	264	21,409.50				21,409.50			21,409.50					21,409.50
	Website-33 fees	35	3,647.56					3,589.81		3,589.81	57.75				3,647.56
12/17/2014	Mail & Counter	390	41,396.92	41,396.92						41,396.92					41,396.92
	Credit Cards	65	11,247.55			11,247.55				11,247.55					11,247.55
	Electronic	142	12,738.04				12,738.04			12,738.04					12,738.04
	Website	22	2,455.22					2,416.72		2,416.72	38.50				2,455.22
12/18/2014	Mail & Counter	183	33,184.71	33,184.71						33,184.71					33,184.71
	Deposit-Riv Taxes		316.86							0.00		316.86			316.86
	Credit Cards	24	3,975.39			3,975.39				3,975.39					3,975.39
	Electronic	124	11,212.04				11,212.04			11,212.04					11,212.04
	Website-10 fees	13	1,204.88					1,187.38		1,187.38	17.50				1,204.88
12/19/2014	Mail & Counter	214	55,730.80	54,230.80						54,230.80	1,500.00				55,730.80
	Credit Cards	17	2,236.86			2,236.86				2,236.86					2,236.86
	Electronic	202	16,328.84				16,328.84			16,328.84					16,328.84
	Website	73	7,910.32					7,782.57		7,782.57	127.75				7,910.32
12/22/2014	Mail & Counter	470	63,429.02	63,429.02						63,429.02					63,429.02
	Deposit-SB Taxes		877,425.37	12,445.03						12,445.03		864,980.34			877,425.37
	Credit Cards	37	3,944.53			3,944.53				3,944.53					3,944.53
	Electronic	204	16,883.94				16,883.94			16,883.94					16,883.94
	Website	15	1,296.45					1,270.20		1,270.20	26.25				1,296.45
	ACH payment	497	24,021.78						24,021.78	24,021.78					24,021.78
12/23/2014	Mail & Counter	278	31,090.71	31,090.71						31,090.71					31,090.71
	Credit Cards	23	2,770.96			2,770.96				2,770.96					2,770.96
	Electronic	219	17,251.05				17,251.05			17,251.05					17,251.05
	Website-25 fees	26	2,479.93					2,436.18		2,436.18	43.75				2,479.93
12/24/2014	Mail & Counter	149	19,845.34	19,845.34						19,845.34					19,845.34
	Deposit-M/C		875.72							0.00		637.72	238.00		875.72
	Credit Cards	15	1,829.10			1,829.10				1,829.10					1,829.10
	Electronic	109	8,848.46				8,848.46			8,848.46					8,848.46
	Website	26	3,002.82					2,957.32		2,957.32	45.50				3,002.82
12/26/2014	Electronic	89	7,825.08				7,825.08			7,825.08					7,825.08
	Website	68	7,307.13					7,188.13		7,188.13	119.00				7,307.13
	ACH payment	577	63,939.65						63,939.65	63,939.65					63,939.65
12/29/2014	Mail & Counter	338	69,547.78	69,547.78						69,547.78					69,547.78
	Credit Cards	24	2,598.13			2,598.13				2,598.13					2,598.13
	Electronic	80	6,402.77				6,402.77			6,402.77					6,402.77
12/30/2014	Website-25 fees	26	2,670.45					2,626.70		2,626.70	43.75				2,670.45
	Mail & Counter	336	45,530.77	45,530.77						45,530.77					45,530.77
	Credit Cards	24	2,618.95			2,618.95				2,618.95					2,618.95
	Electronic	242	18,443.60				18,443.60			18,443.60					18,443.60
	Website	32	3,734.17					3,678.17		3,678.17	56.00				3,734.17
12/31/2014	Mail & Counter	236	23,556.36	23,556.36						23,556.36					23,556.36
	Credit Cards	47	6,751.82			6,751.82				6,751.82					6,751.82
	Electronic	170	13,304.93				13,304.93			13,304.93					13,304.93
	Website	66	7,534.74					7,419.24		7,419.24	115.50				7,534.74
Dec-14	Utility Pmt Cntr-302		(23,076.21)							0.00					0.00
	Dec '14 NSF's		(1,054.67)							(1,054.67)					(1,054.67)
TOTALS			15,489	3,262,157.39	1,073,846.42	23,076.21	100,112.21	104,136.21	242,287.72	1,904,503.07	6,150.75	1,224,892.57	126,611.00	0.00	3,262,157.39

TOTAL # AR PAYMENTS 6,659
 PERCENT OF TOTAL RECEIVED 42.99%

TOTAL # AR PAYMENTS 15,489
 PERCENT OF TOTAL RECEIVED 100%

FY 2015 - Water Revenue

ACCOUNT#	DESCRIPTION	BUDGET	July '14	Aug '14	Sept '14	Oct '14	Nov '14	Dec '14	Year to Date	Percentage YTD
02-40010	Sales - Water	6,250,000	184,251	659,094	609,186	736,752	465,060	313,186	2,967,529	47.48%
02-40011	Sales - Construction Water	20,000	1,506	3,282	2,058	4,122	5,868	1,029	17,865	89.32%
02-40012	Sales - Imported Water (SGPWA)	250,000	26,268	21,108	20,392	25,276	14,852	10,831	118,727	47.49%
02-40013	Sales - Imported Water (MUNI)	850,000	7,324	89,659	83,302	98,085	66,051	45,752	390,173	45.90%
02-40014	Sales Disc.-Multi Units Usage Chrg.	(130,000)	(3,666)	(12,231)	(11,511)	(13,477)	(9,634)	(7,687)	(68,205)	44.77%
02-40015	Water Wholesale Revenue	70,000	4,173	4,125	3,977	3,772	0	0	16,047	22.92%
02-40016	Service Establishment Fee	2,500	75	375	575	476	25	325	1,851	74.05%
02-41000	Service Demand Charges	2,750,000	61,655	250,296	250,722	250,772	250,951	250,945	1,315,340	47.83%
02-41001	Fire Service Standby Fees	22,500	693	1,818	1,649	1,957	1,857	1,707	9,681	43.03%
02-41003	Construction Service Charge	10,000	141	1,065	978	1,122	1,136	1,072	5,514	55.14%
02-41005	Sales Disc.-Multi Units Service Chrg.	(120,000)	(2,923)	(11,500)	(11,500)	(11,500)	(11,500)	(11,500)	(60,421)	50.35%
02-41010	Unauthorized Use of Water Charge	750	0	0	0	0	0	0	0	0.00%
02-41110	Meter/Lateral installation	25,000	0	4,875	8,200	6,750	375	4,875	25,075	100.30%
02-41112	Fire Flow Test Fees	3,500	300	225	300	150	150	450	1,575	45.00%
02-41113	Disconnect/Reconnect Fees	130,000	10,810	9,390	9,740	12,065	10,835	8,300	61,140	47.03%
02-41121	Penalty - Late Charges	150,000	9,555	15,143	14,606	10,576	14,644	11,512	76,036	50.69%
02-41124	Bad Debt	(20,000)	0	0	0	0	0	0	0	0.00%
02-42123	Management & Accounting Fees	153,500	12,799	12,791	12,791	12,791	12,791	12,791	76,754	50.00%
02-43010	Interest Earned	10,000	0	0	0	3,297	0	0	3,297	32.97%
02-43110	Property Tax - Unsecured	95,000	0	0	6,291	0	101,271	(10,072)	97,489	102.62%
02-43120	Property Tax - Secured	2,315,000	0	0	0	0	172,393	850,079	1,022,473	44.17%
02-43130	Tax Collection - Prior	15,000	0	0	0	3,338	9,197	(9,201)	3,334	22.23%
02-43140	Other Taxes	160,000	0	0	(16)	(9)	2,624	16,246	18,845	11.78%
02-49150	Revenue - Misc. Non-Operating	60,000	3,445	10,798	2,907	12,758	2,942	2,891	35,740	59.57%
	WATER OPERATING REVENUE	13,072,750	316,407	1,060,314	1,004,646	1,159,075	1,111,887	1,493,532	6,145,860	47.01%
	Grants	0							0	
02-89901	Facility Capacity Charges	0	26,956	118,132	292,594	242,604	13,478	175,214	868,978	
02-89902	Sustainability	0	1,761	25,152	20,254	34,608	1,761	28,119	111,656	
	TOTAL WATER REVENUE	13,072,750	345,124	1,203,598	1,317,494	1,436,287	1,127,126	1,696,865	7,126,494	

FY 2015 - Sewer Revenue

ACCOUNT#	DESCRIPTION	BUDGET	July '14	Aug '14	Sept '14	Oct '14	Nov '14	Dec '14	Year to Date	Percentage YTD
03-40016	Sales - Establish Service Fee	500	0	0	0	0	0	0	0	0.00%
03-41000	Sales - Sewer Charges	11,550,000	309,247	960,666	955,315	968,307	939,167	940,016	5,072,717	43.92%
03-41005	Sales Disc-Multi Units Service Chrg.	(200,000)	(6,068)	(18,455)	(18,455)	(18,502)	(18,425)	(18,494)	(98,399)	49.20%
03-41110	Meter/Lateral Installation	1,000	0	0	0	0	0	0	0	0.00%
03-41121	Penalty - Late Charges	150,000	9,381	11,628	12,579	10,142	12,362	13,170	69,263	46.18%
03-41124	Bad Debt	(20,000)	0	0	0	0	0	0	0	0.00%
03-42122	Revenue - Other Operating	1,000	540	180	540	540	0	0	1,800	180.00%
03-43010	Interest Earned	10,000	0	0	0	3,297	0	0	3,297	32.97%
03-43110	Property Tax - Unsecured	10,000	0	0	0	0	0	10,000	10,000	100.00%
03-43120	Property Tax - Secured	125,000	0	0	0	0	0	125,000	125,000	100.00%
03-43130	Tax Collection - Prior	10,000	0	0	0	0	0	10,000	10,000	100.00%
03-43140	Other Taxes	1,500	0	0	0	0	0	1,500	1,500	100.00%
03-49150	Misc. Non-Oper Revenue	50,000	0	0	0	5,235	0	0	5,235	10.47%
	SEWER OPERATING REVENUE	11,689,000	313,101	954,019	949,979	969,018	933,104	1,081,192	5,200,413	44.49%
	Grants	0	0	0	0	0	0	0	0	
03-89901	Facility Capacity Charges	0	24,663	110,852	189,083	143,736	8,221	126,373	602,928	
03-89903	Contrib Capital-Front Footage Fees	0	0	0	0	0	0	0	0	
03-89905	Contrib Capital-Infrastructure	0	0	0	0	24,000	0	0	24,000	
	TOTAL SEWER REVENUE	11,689,000	337,764	1,064,871	1,139,062	1,136,754	941,325	1,207,565	5,827,341	

FY 2015 - Recycled Revenue

ACCOUNT#	DESCRIPTION	BUDGET	July '14	Aug '14	Sept '14	Oct '14	Nov '14	Dec '14	Year to Date	Percentage YTD
04-40010	Sales - Recycled Water	365,000	19,595	49,338	45,260	52,717	30,514	18,155	215,578	59.06%
04-40011	Sales - Construction Water	2,500	126	922	1,360	804	713	513	4,437	177.48%
04-41000	Sales - Service Demand Chrg.	35,000	1,267	3,468	3,471	3,386	3,382	3,067	18,042	51.55%
04-41003	Const. Water Minimum Chrg.	3,000	28	276	322	368	474	299	1,766	58.88%
04-41110	Meter/Lateral installation	1,500	0	0	0	0	375	0	375	25.00%
04-41121	Penalty - Late Charges	500	30	101	81	103	66	21	402	80.44%
04-41122	Revenue - Other Operating	250	0	0	0	0	0	0	0	0.00%
04-43010	Interest Earned	6,250	0	0	0	1,648	0	0	1,648	26.37%
04-43110	Property Tax - Unsecured	1,000	0	0	0	0	0	1,000	1,000	100.00%
04-43120	Property Tax - Secured	15,000	0	0	0	0	0	15,000	15,000	100.00%
04-43130	Property Tax - Prior	1,000	0	0	0	0	0	1,000	1,000	100.00%
04-43140	Property Tax - Other	1,000	0	0	0	0	0	1,000	1,000	100.00%
04-49150	Misc. Non-Operating Revenue	1,500	0	0	0	0	0	0	0	0.00%
	RECYCLED OPERATING REVENUE	433,500	21,045	54,106	50,494	59,026	35,523	40,055	260,249	60.03%
	Grants	0	0	0	0	0	0	0	0	
04-89901	Facility Capacity Charges	0	0	0	17,400	(8,846)	9,667	0	18,221	
	TOTAL RECYCLED REVENUE	433,500	21,045	54,106	67,894	50,180	45,190	40,055	278,470	

FY 2015 - Water Expenses

ACCOUNT#	DESCRIPTION	BUDGET	July '14	Aug '14	Sept '14	Oct '14	Nov '14	Dec '14	Year to Date	Percentage YTD
02-5-01-50010	Labor-Water Resources	789,245	42,961	55,259	55,827	84,206	59,678	58,439	356,371	45.15%
02-5-01-50011	Labor Credit	0	0	0	0	0	0	0	0	
02-5-01-50013	Benefits-Fica	60,000	3,654	4,664	4,708	7,015	4,992	4,701	29,735	49.56%
02-5-01-50014	Benefits-Life Insurance	3,300	258	258	258	251	258	265	1,549	46.94%
02-5-01-50016	Benefits-HealthDefrd Comp	145,000	10,527	11,660	11,660	12,881	11,614	11,691	70,032	48.30%
02-5-01-50017	Benefits-Disability Insurance	11,000	731	864	870	1,166	833	797	5,261	47.83%
02-5-01-50019	Benefits-Workers Compensation	42,000	2,397	2,397	2,397	3,453	0	3,995	14,639	34.86%
02-5-01-50021	Benefits-PERS	45,000	2,519	3,528	3,528	5,355	3,552	3,545	22,027	48.95%
02-5-01-50022	Benefits-PERS-Employer	90,000	5,375	7,528	7,528	11,462	7,602	7,589	47,085	52.32%
02-5-01-50023	Benefits-Uniforms	3,000	256	239	205	315	223	222	1,461	48.71%
02-5-01-50024	Benefits-Vacation & Sick Pay	7,500	643	371	371	732	316	316	2,749	36.65%
02-5-01-50025	Benefits-Boot Allowance	2,000	400	0	200	0	200	0	800	40.00%
02-5-01-51003	R&M - Structures	275,000	12,286	26,523	18,890	17,683	9,494	3,974	88,850	32.31%
02-5-01-51011	R&M - CLA Valves	10,000	0	0	3,489	6,754	0	0	10,243	102.43%
02-5-01-51140	General Supplies & Expenses	2,000	0	0	0	133	45	14	191	9.56%
02-5-01-51210	Utilities - Power Purchases	1,608,324	111,090	206,530	211,818	179,859	113,237	127,059	949,593	59.04%
02-5-01-51211	Utilities - Electricity & Fuel	4,750	233	570	431	411	393	406	2,445	51.47%
02-5-01-51316	Imported Water Purchases	1,100,000	78,136	79,841	74,933	50,833	0	0	283,743	25.79%
02-5-01-54019	Licenses & Permits	25,000	0	1,329	11,650	2,935	1,355	903	18,172	72.69%
02-5-01-54110	Laboratory Services	60,000	4,873	3,987	7,495	9,554	31,464	1,681	59,054	98.42%
02-5-01-57040	YVRWFF Operating Expense	600,000	30,597	34,181	480,279	56,262	34,284	19,341	654,943	109.16%
	WATER RESOURCE TOTALS	4,893,119	306,935	439,729	896,538	451,262	279,541	244,938	2,618,943	53.63%
02-5-03-50010	Labor-Public Works	1,009,764	59,383	84,963	82,460	122,185	87,753	81,212	517,955	51.29%
02-5-03-50011	Labor Credit	0	(5,725)	(451)	0	735	0	(232)	(5,672)	
02-5-03-50013	Benefits-Fica	92,000	4,898	7,000	6,807	9,975	7,136	6,509	42,324	46.00%
02-5-03-50014	Benefits-Life Insurance	7,000	545	542	542	530	529	541	3,228	46.12%
02-5-03-50016	Benefits-HealthDefrd Comp	250,000	20,700	24,145	22,966	25,044	22,125	22,853	137,834	55.13%
02-5-03-50017	Benefits-Disability Insurance	16,500	1,121	1,398	1,373	1,785	1,342	1,150	8,169	49.51%
02-5-03-50019	Benefits-Workers Compensation	60,000	2,397	2,397	2,397	3,453	282	3,995	14,921	24.87%
02-5-03-50021	Benefits-PERS	73,000	3,758	5,436	5,661	8,293	5,495	5,511	34,155	46.79%
02-5-03-50022	Benefits-PERS Employer	150,000	8,019	11,599	12,080	17,635	11,726	11,760	72,817	48.54%
02-5-03-50023	Benefits-Uniforms	6,000	658	419	441	484	439	371	2,811	46.85%
02-5-03-50024	Benefits-Vacation & Sick Pay	4,000	0	0	0	0	0	0	0	0.00%
02-5-03-50025	Benefits-Boot Allowance	3,500	0	200	135	940	373	394	2,042	58.35%
02-5-03-51001	R & M - Vehicles & Equipment	190,000	12,100	15,892	28,461	10,500	9,656	4,899	81,507	42.90%
02-5-03-51011	R&M - Valves	10,000	1,442	0	0	1,829	0	0	3,271	32.71%
02-5-03-51020	R&M - Pipelines	275,000	(3,386)	24,145	13,619	17,301	13,379	223	65,279	23.74%
02-5-03-51021	R&M - Service Lines	100,000	6,560	10,801	8,922	10,901	12,769	(454)	49,500	49.50%
02-5-03-51022	R&M - Fire Hydrants	25,000	(6,031)	3,187	10,973	2,333	1,479	0	11,991	47.97%
02-5-03-51030	R&M - Water Meters	75,000	2,966	2,328	13,354	8,014	1,827	2,448	30,937	41.25%
02-5-03-51092	Equipment Credits	0	(3,141)	(62)	0	0	0	(20)	(3,223)	
02-5-03-51140	General Supplies & Expenses	1,000	36	0	0	0	0	0	36	3.66%
	PUBLIC WORKS TOTALS	2,347,764	106,297	193,939	210,191	241,988	176,308	141,159	1,069,881	45.57%

FY 2015 - Water Expenses

ACCOUNT#	DESCRIPTION	BUDGET	July '14	Aug '14	Sept '14	Oct '14	Nov '14	Dec '14	Year to Date	Percentage YTD
02-5-06-50010	Labor-Administration	687,667	30,679	42,760	42,938	62,618	44,050	42,127	265,172	38.56%
02-5-06-50011	Labor Credit	0	0	0	(75)	0	0	0	(75)	
02-5-06-50012	Director Fees	16,000	255	1,149	1,659	1,723	1,596	(165)	6,217	38.86%
02-5-06-50013	Benefits-Fica	45,000	2,699	3,384	3,425	4,916	3,299	2,506	20,229	44.95%
02-5-06-50014	Benefits-Life Insurance	3,200	238	238	238	233	239	244	1,431	44.71%
02-5-06-50016	Benefits-HealthDefrd Comp	150,000	9,911	12,265	12,329	14,052	12,257	12,562	73,377	48.92%
02-5-06-50017	Benefits-Disability Insurance	7,500	472	647	563	673	380	375	3,130	41.73%
02-5-06-50019	Benefits-Workers Compensation	17,500	1,000	1,000	1,000	2,056	0	1,000	6,056	34.61%
02-5-06-50021	Benefits-PERS	40,000	2,118	2,964	2,963	4,323	2,963	2,963	18,293	45.73%
02-5-06-50022	Benefits PERS Employer	80,000	4,520	6,323	6,321	9,333	6,321	6,321	39,141	48.93%
02-5-06-50023	Uniforms	2,000	319	91	93	112	86	86	786	39.31%
02-5-06-50024	Benefits-Vacation & Sick Pay	10,000	1,064	1,019	957	1,493	1,163	1,277	6,973	69.73%
02-5-06-50025	Benefits-Boots	1,000	0	0	0	0	0	0	0	0.00%
02-5-06-51003	R&M - Structures	20,000	2,236	3,463	2,353	5,286	5,318	466	19,122	95.61%
02-5-06-51091	Expense Credits (overhead)	0	(1,609)	(676)	0	983	0	(149)	(1,450)	
02-5-06-51120	Safety Equipment/Supplies	25,000	346	150	4,730	735	889	10,928	17,777	71.11%
02-5-06-51125	Petroleum Products	125,000	12,401	12,542	8,845	7,789	5,886	7,335	54,798	43.84%
02-5-06-51130	Office Supplies & Expenses	35,000	1,951	2,586	2,079	1,481	3,446	1,456	13,000	37.14%
02-5-06-51140	General Supplies & Expenses	25,000	311	799	927	5,114	2,416	283	9,850	39.40%
02-5-06-51199	Disaster Incidences	0	0	2,564	0	0	0	0	2,564	
02-5-06-51211	Utilities - Electricity	28,000	2,081	3,641	3,767	3,081	1,967	1,748	16,284	58.16%
02-5-06-51213	Utilities - Natural Gas	3,000	268	226	232	56	110	0	892	29.74%
02-5-06-54002	Dues & Subscriptions	13,000	574	0	312	335	774	5,765	7,760	59.69%
02-5-06-54005	Computer Expenses	130,000	3,030	3,314	1,797	13,985	2,347	15,561	40,035	30.80%
02-5-06-54010	Postage	6,000	26	21	115	402	211	84	859	14.32%
02-5-06-54011	Printing & Publications	7,500	403	259	0	0	0	125	787	10.50%
02-5-06-54012	Education & Training	15,000	175	1,104	4,120	735	890	3,386	10,409	69.40%
02-5-06-54013	Utility Billing Expenses	135,000	10,616	14,343	18,232	12,709	11,958	3,041	70,899	52.52%
02-5-06-54014	Public Relations	7,825	577	530	185	259	362	799	2,712	34.66%
02-5-06-54016	Travel Related Expenses	5,000	1,741	457	240	53	0	975	3,465	69.30%
02-5-06-54017	Certifications & Renewals	6,000	255	96	275	375	1,089	398	2,488	41.47%
02-5-06-54020	Meeting Related Expenses	6,000	325	131	263	240	291	956	2,205	36.75%
02-5-06-54024	Utilities - Waste Disposal	2,750	172	172	172	172	172	0	858	31.21%
02-5-06-54025	Utilities - Telephone	42,000	2,901	3,047	3,290	3,056	3,061	2,308	17,665	42.06%
02-5-06-54104	Contractual Services	65,000	16,898	3,319	2,255	7,551	2,914	2,733	35,660	54.86%
02-5-06-54107	Legal	45,000	2,126	2,059	2,126	4,632	5,794	0	16,738	37.19%
02-5-06-54108	Audit & Accounting	16,000	4,000	0	6,340	1,560	0	0	11,900	74.38%
02-5-06-54109	Professional Fees	150,000	12,592	8,254	8,585	10,447	6,250	2,500	48,628	32.42%
02-5-06-55500	Depreciation Reserves	200,000	16,667	16,667	16,667	16,667	16,667	16,667	99,998	50.00%
02-5-06-56001	Infrastructure Replacement	500,000	41,674	41,674	41,674	41,674	41,674	41,674	250,044	50.01%
02-5-06-57000	Insurance	105,000	8,750	8,750	8,750	8,750	8,750	8,900	52,650	50.14%
02-5-06-57030	Regulatory Compliance	57,500	2,100	1,075	5,790	958	200	1,455	11,577	20.13%
02-5-06-57090	Election Related Expenses	15,000	0	0	0	0	0	0	0	0.00%
02-5-06-57096	Beaumont Basin Watermaster	60,000	0	0	0	24,005	0	0	24,005	40.01%
02-5-06-57199	Suspense	0	0	0	0	0	0	0	0	
	ADMINISTRATION TOTALS	2,910,442	196,848	202,407	216,553	274,623	195,799	198,689	1,284,910	44.15%

FY 2015 - Water Expenses

ACCOUNT#	DESCRIPTION	BUDGET	July '14	Aug '14	Sept '14	Oct '14	Nov '14	Dec '14	Year to Date	Percentage YTD
02-5-40-57201	Debt Srv-Series 2004A Princ.(250009)	1,035,000	0	0	1,035,000	0	0	0	1,035,000	100.00%
02-5-40-57402	Interest-Long-Term Debt Bonds	1,896,425	0	0	958,563	0	0	0	958,563	50.55%
	40 - Debt	2,931,425	0	0	1,993,563	0	0	0	1,993,563	68.01%
02-5-40-57001	Asset Acq. - Water Resources	0	0	0	0	0	0	0	0	--
02-5-40-57003	Asset Acq. - Public works	0	3,578	0	0	0	0	0	3,578	--
02-5-40-57006	Asset Acq. - Administration	0	0	0	0	13,317	0	0	13,317	--
	40 - Capital Outlay	0	3,578	0	0	13,317	0	0	16,895	--
									6,984,192	
	TOTAL WATER EXPENSES	13,072,750	613,659	836,074	3,316,844	981,190	651,638	584,786	6,984,192	53.43%

FY 2015 - Sewer Expenses

ACCOUNT#	DESCRIPTION	BUDGET	July '14	Aug '14	Sept '14	Oct '14	Nov '14	Dec '14	Year to Date	Percentage YTD
03-5-02-50010	Labor-S Treatment	963,424	47,006	70,729	73,892	100,786	71,849	65,733	429,995	44.63%
03-5-02-50013	Benefits-Fica	75,000	3,983	5,986	6,230	8,425	6,046	5,446	36,117	48.16%
03-5-02-50014	Benefits-Life Insurance	5,000	367	367	367	359	367	375	2,202	44.03%
03-5-02-50016	Benefits-Health/Defrd Comp	195,000	13,409	15,862	15,862	17,259	15,449	13,984	91,825	47.09%
03-5-02-50017	Benefits-Disability Insurance	15,000	882	1,145	1,177	1,463	1,147	899	6,712	44.74%
03-5-02-50019	Benefits-Workers Compensation	50,000	2,397	2,397	2,397	3,453	0	3,995	14,639	29.28%
03-5-02-50021	Benefits-PERS	58,000	3,143	4,486	4,486	6,457	4,519	4,311	27,403	47.25%
03-5-02-50022	Benefits-PERS Employer	130,000	6,991	9,788	9,932	14,106	9,893	9,423	60,132	46.26%
03-5-02-50023	Benefits-Uniforms	4,400	486	340	353	409	249	302	2,138	48.60%
03-5-02-50024	Benefits-Vacation & Sick Pay	5,000	99	99	99	297	99	99	792	15.84%
03-5-02-50025	Benefits-Boot Allowance	2,400	0	0	254	0	200	0	454	18.91%
03-5-02-51003	R&M - Structures	225,000	12,173	28,338	38,958	41,621	6,382	1,560	129,033	57.35%
03-5-02-51010	R&M - Automation Control	70,000	0	3,453	6,831	3,262	5,566	4,851	23,963	34.23%
03-5-02-51106	Chemicals	515,000	39,222	32,820	41,736	57,345	37,336	10,045	218,502	42.43%
03-5-02-51111	Propane	5,000	0	0	0	0	0	0	0	0.00%
03-5-02-51115	Laboratory Supplies	45,000	5,180	2,194	860	2,388	1,117	2,066	13,805	30.68%
03-5-02-51140	General Supplies & Expenses	1,000	0	49	0	75	0	0	123	12.31%
03-5-02-51210	Utilities - Power Purchases	802,860	50,878	86,716	88,644	76,149	58,374	58,977	419,737	52.28%
03-5-02-54110	Laboratory Services	115,000	11,644	5,068	12,835	12,251	17,552	4,403	63,753	55.44%
03-5-02-57031	Sludge Disposal	300,000	22,363	21,852	22,332	23,921	19,864	0	110,332	36.78%
03-5-02-57034	Brine Operating Expenses	120,000	38	1,021	129	1,862	2,077	643	5,770	4.81%
	TREATMENT TOTALS	3,702,084	220,258	292,710	327,373	371,987	258,086	187,112	1,657,427	44.77%

FY 2015 Sewer Expenses

ACCOUNT#	DESCRIPTION	BUDGET	July '14	Aug '14	Sept '14	Oct '14	Nov '14	Dec '14	Year to Date	Percentage YTD
03-5-06-50010	Labor-Administration	644,309	27,344	39,425	39,603	57,616	39,881	38,792	242,661	37.66%
03-5-06-50012	Directors Fees	16,000	254	1,149	1,659	1,723	1,596	(165)	6,216	38.85%
03-5-06-50013	Benefits-Fica	43,000	2,414	3,099	3,140	4,491	2,954	2,354	18,451	42.91%
03-5-06-50014	Benefits-Life Insurance	3,600	236	236	236	233	237	242	1,422	39.49%
03-5-06-50016	Benefits-Health\Defrd Comp	140,000	9,169	11,586	11,586	13,019	11,599	11,862	68,822	49.16%
03-5-06-50017	Benefits-Disability Insurance	7,500	434	544	545	620	380	348	2,872	38.29%
03-5-06-50019	Benefits-Workers Compensation	27,500	2,397	2,397	2,397	3,453	0	1,000	11,644	42.34%
03-5-06-50021	Benefits-PERS	36,000	1,951	2,728	2,729	4,024	2,729	2,729	16,891	46.92%
03-5-06-50022	Benefits PERS Employer	75,000	4,164	5,822	5,823	8,536	5,823	5,823	35,992	47.99%
03-5-06-50023	Benefits-Uniforms	2,000	357	63	112	114	90	70	805	40.26%
03-5-06-50024	Benefits-Vacation & Sick Pay	10,000	1,064	1,019	957	1,493	1,163	1,277	6,974	69.74%
03-5-06-50025	Benefits-Boot Allowance	1,740	0	0	0	0	0	0	0	0.00%
03-5-06-51120	Safety Equipment/Supplies	10,000	10	157	4,391	0	352	0	4,910	49.10%
03-5-06-51125	Petroleum Products	22,500	1,909	1,000	1,000	4,261	1,000	1,326	10,495	46.65%
03-5-06-51130	Office Supplies	3,000	178	802	612	803	57	73	2,525	84.17%
03-5-06-51140	General Supplies & Expenses	17,500	163	187	64	3,297	1,891	238	5,840	33.37%
03-5-06-54002	Dues & Subscriptions	11,500	480	560	156	156	450	0	1,802	15.67%
03-5-06-54003	Management & Admin Services	153,500	12,799	12,791	12,791	12,791	12,791	12,791	76,754	50.00%
03-5-06-54005	Computer Expenses	95,000	3,853	2,961	3,229	14,579	1,673	15,137	41,432	43.61%
03-5-06-54011	Printing & Publications	5,000	121	0	0	0	0	125	246	4.92%
03-5-06-54012	Education & Training	12,500	275	175	715	175	469	0	1,809	14.47%
03-5-06-54014	Public Relations	10,000	0	0	313	0	0	0	313	3.13%
03-5-06-54016	Travel Related Expenses	5,000	587	172	1,040	53	0	0	1,852	37.04%
03-5-06-54017	Certifications & Renewals	5,000	159	247	125	45	815	415	1,806	36.12%
03-5-06-54019	Licenses & Permits	50,000	0	258	9,241	0	41,708	173	51,379	102.76%
03-5-06-54020	Meeting Related Expenses	5,000	110	18	205	213	215	886	1,647	32.94%
03-5-06-54024	Utilities - Waste Disposal	12,500	1,023	1,023	1,023	1,023	1,106	265	5,465	43.72%
03-5-06-54025	Utilities - Telephone	20,000	1,149	1,222	1,497	1,221	918	917	6,924	34.62%
03-5-06-54030	Drinking Water	1,000	65	116	73	102	0	80	435	43.50%
03-5-06-54104	Contractual Services	30,000	11,742	1,044	953	2,234	1,075	1,924	18,971	63.24%
03-5-06-54107	Legal	60,000	1,485	1,890	979	2,405	4,545	0	11,304	18.84%
03-5-06-54108	Audit & Accounting	16,000	4,000	0	6,340	1,560	0	0	11,900	74.38%
03-5-06-54109	Professional Fees	200,000	10,984	9,075	10,565	11,581	6,250	2,500	50,955	25.48%
03-5-06-55500	Depreciation Reserves	500,000	41,685	41,665	41,665	41,665	41,665	41,665	250,010	50.00%
03-5-06-56001	Infrastructure Replacement	800,000	66,630	66,630	66,630	66,630	66,630	66,630	399,780	49.97%
03-5-06-57030	Insurance	105,000	8,750	8,750	8,750	8,750	8,750	8,750	52,500	50.00%
03-5-06-57030	Regulatory Compliance	42,000	2,923	3,187	23,842	0	0	0	29,952	71.31%
	ADMINISTRATION TOTALS	3,198,649	220,867	221,997	264,987	268,866	258,814	218,225	1,453,755	45.45%

FY 2015 - Recycled Expenses

ACCOUNT#	DESCRIPTION	BUDGET	July '14	Aug '14	Sept '14	Oct '14	Nov '14	Dec '14	Year to Date	Percentage YTD
04-5-06-50010	Labor-Recycled Water	100,632	1,668	1,668	1,668	11,796	8,716	7,864	33,379	33.17%
04-5-06-50012	Director Fees	2,500	0	0	0	0	0	2,500	2,500	100.00%
04-5-06-50013	Benefits-FICA	1,500	142	142	142	864	583	384	2,258	150.56%
04-5-06-50014	Benefits-Life Insurance	250	1	1	1	(0)	(0)	(0)	2	0.67%
04-5-06-50016	Benefits-Health & Def Comp	5,000	775	775	775	1,865	1,383	1,466	7,039	140.77%
04-5-06-50017	Benefits-Disability Insurance	200	19	19	19	92	19	11	179	89.33%
04-5-06-50019	Benefits-Workers Compensation	300	50	50	50	1,106	0	197	1,453	484.42%
04-5-06-50021	Benefits-PERS Employee	1,000	83	117	117	605	117	117	1,155	115.54%
04-5-06-50022	Benefits-PERS Employer	2,000	178	249	249	1,291	249	249	2,465	123.25%
04-5-06-50023	Benefits-Uniforms	200	0	0	0	0	0	0	0	0.00%
04-5-06-50024	Benefits-Vacation & Sick Pay	500	0	0	0	109	88	88	285	56.96%
04-5-06-50025	Benefits-Boots	200	0	0	0	0	0	0	0	0.00%
04-5-06-51003	R & M-Structures	45,000	0	0	0	34,216	3,946	847	39,008	86.69%
04-5-06-51020	R & M-Pipelines	2,500	0	0	0	0	0	0	0	0.00%
04-5-06-51021	R & M-Service Lines	25,000	955	0	0	1,719	5,293	0	7,966	31.86%
04-5-06-51022	R & M-Fire Hydrants	5,000	0	0	0	0	0	0	0	0.00%
04-5-06-51030	R & M-Meters	1,500	0	0	0	0	0	0	0	0.00%
04-5-06-51140	General Supplies & Expenses	250	0	93	0	0	0	81	174	69.72%
04-5-06-51210	Utilities-Power Purchases	124,968	10	288	288	288	288	288	1,451	
04-5-06-54002	Dues & Subscriptions	4,000	0	0	0	0	0	0	0	0.00%
04-5-06-54005	Computer Expense	1,500	0	0	0	0	0	0	0	0.00%
04-5-06-54011	Printing & Publications	1,000	0	0	0	0	81	0	81	8.10%
04-5-06-54012	Education & Training	3,500	0	99	0	0	0	0	99	2.83%
04-5-06-54014	Public Relations	3,500	298	255	0	0	0	0	553	15.79%
04-5-06-54016	Travel Related Expenses	1,000	31	0	0	22	0	0	52	5.23%
04-5-06-54017	Certifications & Renewals	250	0	0	0	0	0	0	0	0.00%
04-5-06-54019	Licenses & Permits	2,500	0	0	0	2,496	0	0	2,496	99.84%
04-5-06-54020	Meeting Related Expenses	500	0	0	40	81	0	0	121	24.26%
04-5-06-54025	Telephone	750	20	20	20	20	20	0	101	13.40%
04-5-06-54010	Contractual Services	1,500	0	0	0	0	0	0	0	0.00%
04-5-06-54107	Legal	1,000	0	0	0	0	0	0	0	0.00%
04-5-06-54109	Professional Fees	25,000	6,450	2,004	10,823	22,215	19,385	0	60,886	243.55%
04-5-06-54110	Laboratory Services	1,000	0	0	0	0	0	0	0	0.00%
04-5-06-55500	Depreciation	8,000	630	670	670	670	670	670	3,980	49.75%
	Infrastructure Replacement	25,000	2,065	2,065	2,065	2,065	2,065	2,065	12,390	49.56%
04-5-06-57030	Regulatory Compliance	25,000	4,157	404	1,480	6,526	3,731	3,386	19,682	78.73%
04-5-06-57040	Environmental Compliance	10,000	0	0	0	0	0	0	0	0.00%
	TOTAL RECYCLED EXPENSES	433,500	17,531	8,919	18,407	88,044	46,644	20,212	199,755	46.08%



Date: January 21, 2015

Prepared By: Brent Anton, Engineering Manager

Subject: Authorization to Solicit Bids for the Construction of an 8-Inch Drinking Water Pipeline in 8th Street and Washington Drive

Recommendation: That the Board of Directors authorizes the District staff to solicit bids for the construction of 750 linear feet of 8-inch ductile iron pipe in 8th Street and 815 linear feet of 8-inch ductile iron pipe in Washington Drive.

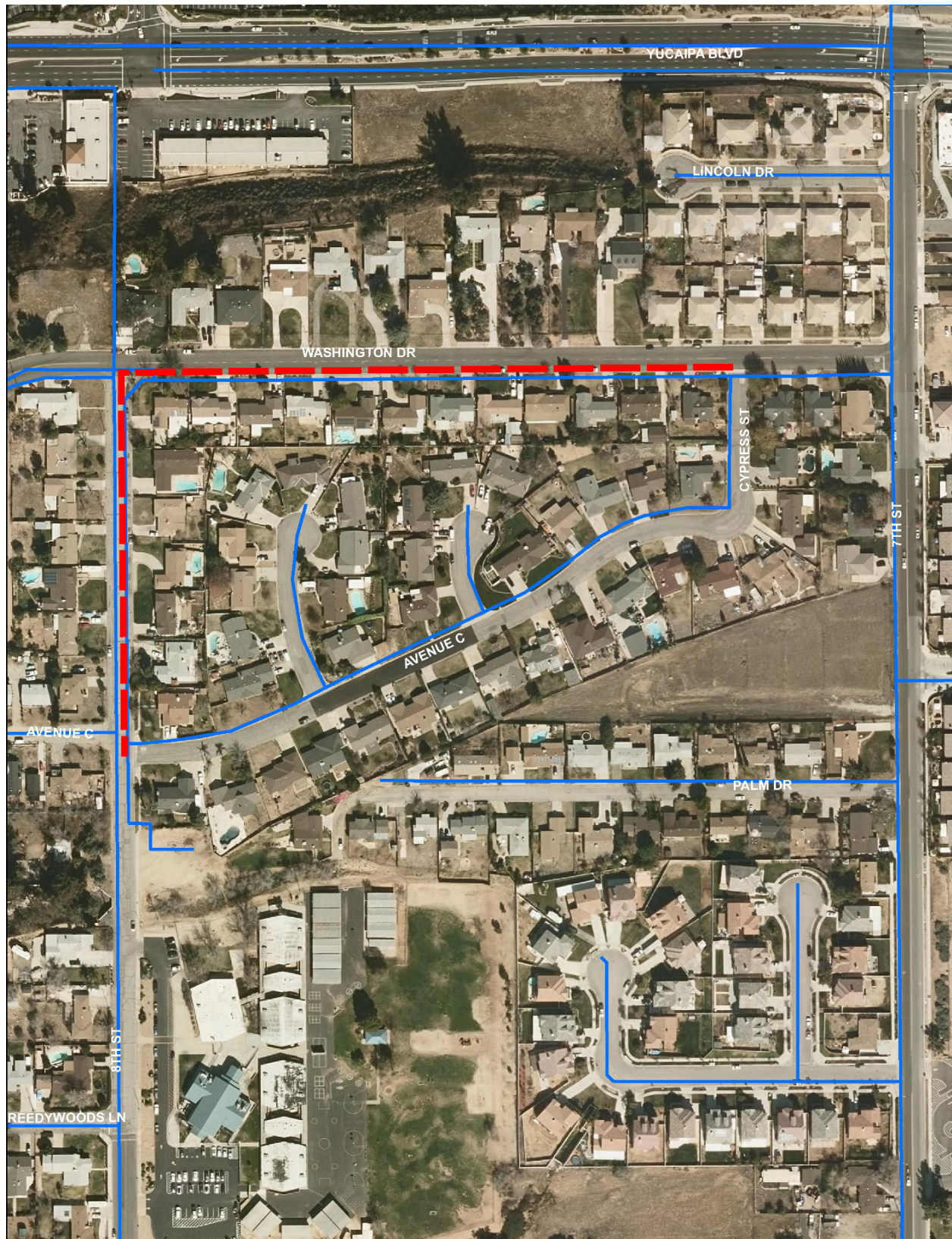
The Yucaipa Valley Water District has essentially completed the design and bid package for a replacement drinking water pipeline to be installed in 8th Street and Washington Drive. The proposed pipeline project will involve the construction of 1,565 linear feet of 8-inch ductile iron pipe in 8th Street from Avenue C to Washington Drive and in Washington Drive from 8th Street to Cypress Street. These pipes will replace an existing 6-inch steel leak-prone pipe.

As presented and discussed at the workshop on January 13, 2015, the District staff is requesting authorization to solicit bids for the construction of this pipeline project.

This project is categorically exempt from environmental review in accordance with the California Environmental Quality Act Guidelines Section 15301(c).

Financial Considerations:

Funding for this project will be funded from Water Division, Depreciation Reserves.





Date: January 21, 2015

Prepared By: Bob Wall, Operations Manager

Subject: Consideration of Change Order No. 1 Related to the 2014 Annual Reservoir Cleaning Contract with Applied Diving Services

Recommendation: That the Board approves Change Order No. 1 for a contract deduction in the amount of \$2,810 for a revised contract amount of \$45,705.

At the regular board meeting on November 19, 2014, the Board authorized staff to issue a purchase order to Applied Diving Services for the cleaning and inspection of fifteen of the District's potable water reservoirs and one recycled water reservoir for the sum of \$48,515. [Director Memorandum No. 14-090].

After the purchase order was issued to Applied Diving Services for the cleaning and inspection of the reservoirs, the District scheduled a detailed inspection of the interior coating of the R-13.2 reservoir. The inspection was to take place with State Painting Company who recoated the interior of the reservoir the prior year. Due to the overlap in inspection services, there was no need for Applied Diving Services to inspect and clean the R-13.2 reservoir.

Change Order No. 1 reflects an adjusted dollar amount for not having Applied Diving Services dive, clean and inspect Reservoir R-13.2.

	Contract Changes	Contract Amount	Percentage Change from Original Bid Amount	Reference
Original Contract Amount		\$48,515	- -	DM 14-090
Change Order No. 1	(\$2,810)	\$45,705	5.8% decrease	DM 15-007

C.O. NO. _____

PAGE 1 OF 2

CONTRACT CHANGE ORDER NO. _____

CONTRACT 2014 Annual Reservoir Cleaning and Inspection DATED January 7, 2015
 BY AND BETWEEN Yucaipa Valley Water District (OWNER),
 AND Applied Diving Services, Inc. (CONTRACTOR),
 is hereby directed to make the following change(s) in Contract Work:

ITEM NO.	DESCRIPTION OF CHANGE	DECREASE \$	INCREASE \$
1	Delete R13.2 from the Contract list of Reservoirs to be Inspected	\$2810.00	

Total DECREASE in Contract Amount	(\$2810)
Total INCREASE in Contract Amount	_____
Net change in Contract Amount	(\$2810)
Contract Amount Prior to Change	\$48,515
Contract Amount Adjusted for Change	\$45,705



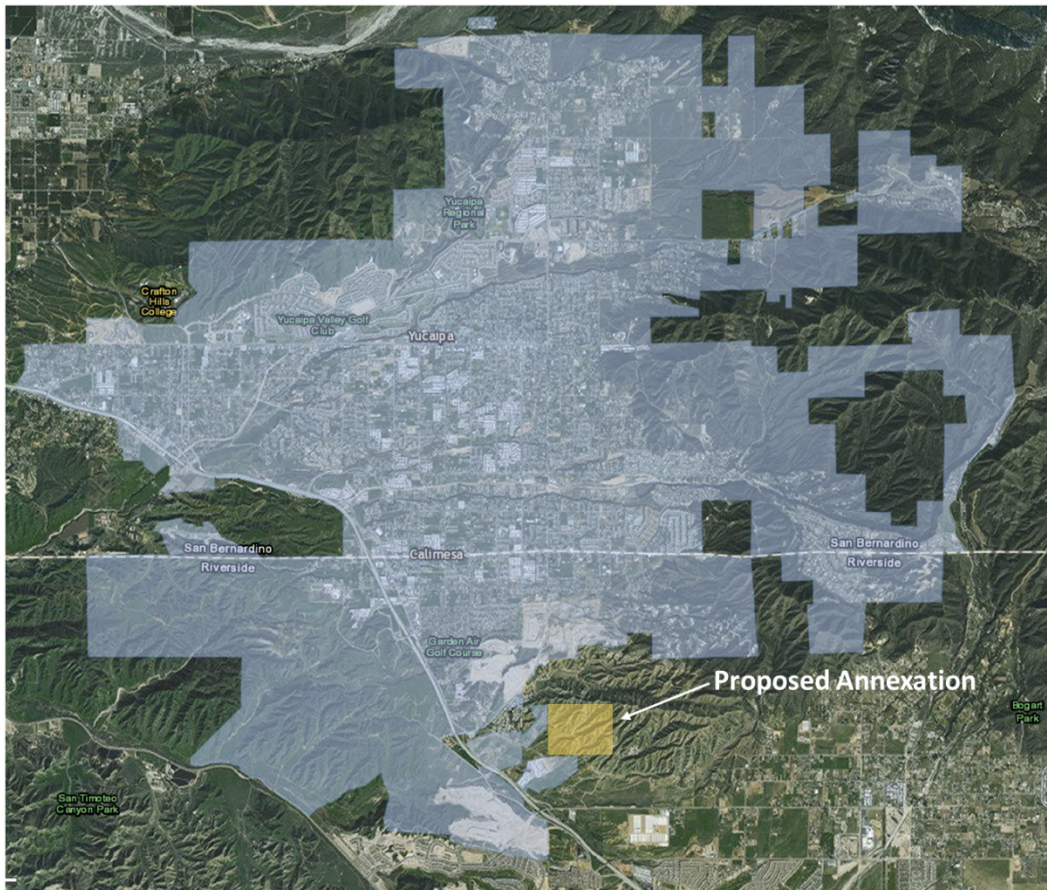
Date: January 21, 2015

Prepared By: Joseph Zoba, General Manager

Subject: Consideration of Resolution No. 2015-04 Requesting the Local Agency Formation Commission Take Proceedings for the Annexation of 172.28 Acres as Assessor's Parcel Number 408-090-013 - Hugh W. Holbert Family Trust, Calimesa

Recommendation: That the Board adopt Resolution No. 2015-04 as presented.

On January 7, 2015, the District received a request from Mr. Hugh Holbert to initiate the annexation of 172.28 acres to the service area of the Yucaipa Valley Water District. The District staff has prepared Resolution No. 2015-04 (attached). If the Board of Directors approves the attached resolution, a copy of the resolution will be provided to the land owner to become part of the annexation application with the Local Agency Formation Commission.



Hugh W. Holbert

Attorney at Law
1921 Baja Vista Way
Camarillo, CA 93010-9275

E-Mail: hugh@hughholbert.com

Telephone: (805) 479-9870 Facsimile: (805) 484-8524

January 7, 2015

Mr. Joseph B. Zoba Sent by US Mail and E-Mail: jzoba@yvwd.dst.ca.us
Yucaipa Valley Water District
P.O. Box 730
Yucaipa, CA 92399

RE: Annexation into Yucaipa Valley Water District

Dear Mr. Zoba:

Please consider this letter as my request to have my property annexed into the Yucaipa Valley Water District (District).

I am the sole Trustee of the Hugh W. Holbert Family Trust utd 05-16-85 and this Trust is the sole owner of the property described as Assessor's Parcel Number 40709001-3.

The District is hereby authorized to include APN 40709001-3 in the proposed annexation into the District.

I look forward to working with you on the proposed annexation. Should you need any additional information, please feel free to contact me or Warren Tuttle of Tuttle Engineering at (909) 798-6785.

Sincerely,

Hugh W Holbert

HUGH W. HOLBERT,
Trustee of the Hugh W. Holbert Family Trust utd 05-16-85

CC: Warren Tuttle (warren@tuttleengineering.com)
File

RESOLUTION NO. 2015-05**A RESOLUTION OF THE YUCAIPA VALLEY WATER DISTRICT
REQUESTING THE LOCAL AGENCY FORMATION COMMISSION TAKE
PROCEEDINGS FOR THE ANNEXATION OF TERRITORY
(ASSESSOR'S PARCEL NUMBER 407-090-013)**

BE IT RESOLVED, by the Board of Directors of the Yucaipa Valley Water that:

WHEREAS, the Board of Directors of the Yucaipa Valley Water District desires to initiate proceedings pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, commencing with Section 56000 of the California Government Code, for the annexation of property to the Yucaipa Valley Water District; and,

WHEREAS, the territory proposed for annexation is uninhabited and a description of the property boundary is set forth in Exhibit "A" attached hereto, and by this reference incorporated herein; and,

WHEREAS, the proposed annexation is consistent with the sphere of influence assigned by the Local Agency Formation Commission for the Yucaipa Valley Water District; and,

WHEREAS, it is desired that the proposed annexation be subject to the following terms and conditions:

1. Drinking water, sewer and recycled water service shall be provided to the subject property pursuant to the rules and regulations of the Yucaipa Valley Water District.
2. All standards conditions shall be the responsibility of the property owner as required by the Local Agency Formation Commission.
3. The owner(s) of the property shall be responsible for all costs incurred by the Yucaipa Valley Water District and the Local Agency Formation Commission pertaining to this annexation.

WHEREAS, the reason for the proposed annexation is to provide drinking water, recycled water and sewer service to the anticipated development of the subject property.

NOW, THEREFORE, BE IT RESOLVED, that this resolution of Application is hereby approved and adopted by the Board of Directors of the Yucaipa Valley Water District, and the Local Agency Formation Commission for San Bernardino County is hereby requested to take proceedings for the annexation as described in Exhibit "A", in the manner provided by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.

BE IT FURTHER RESOLVED, that the Secretary of the Yucaipa Valley Water District is hereby authorized and directed to transmit to the Executive Officer of the Local Agency Formation Commission a certified copy of this Resolution.

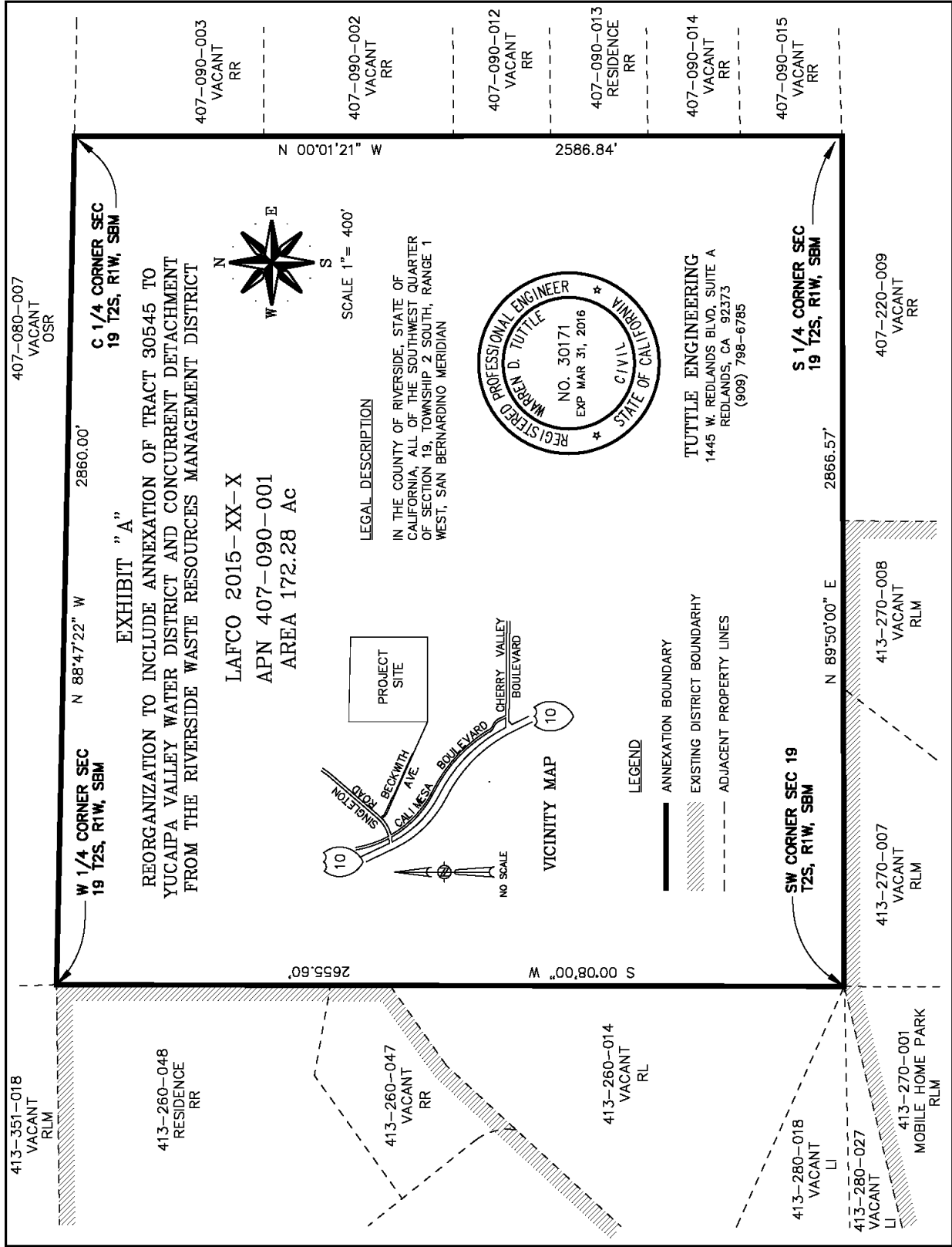
PASSED, APPROVED and ADOPTED this 21st day of January 2015.

YUCAIPA VALLEY WATER DISTRICT

ATTEST:

Lonni Granlund, President Board of Directors

Joseph B. Zoba, General Manager





Director Memorandum 15-009

Date: January 21, 2015

Prepared By: Joseph Zoba, General Manager

Subject: Consideration of Resolution No. 2015-05 Requesting the Local Agency Formation Commission Take Proceedings for the Annexation of Three Parcels Owned by Yucaipa Valley Water District (Assessor's Parcel Numbers 301-201-23, 301-201-36, and 413-250-006)

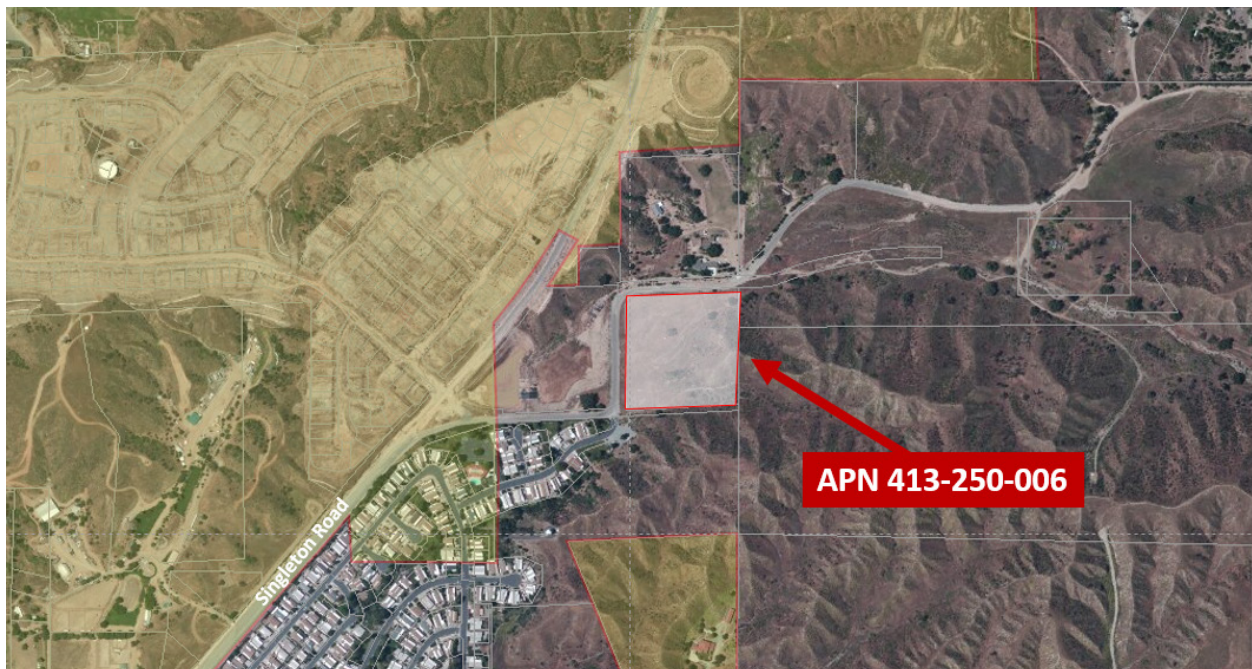
Recommendation: That the Board adopt Resolution No. 2015-05 as presented.

At the board workshop on April 8, 2014, the District staff presented three parcels, owned by the Yucaipa Valley Water District, that are currently located outside of the District's service area.

Note: The District's boundary is illustrated in the images below as a light blue transparent shaded area. A map showing the District's boundary (shaded blue area) and sphere of influence (blue line) is provided on page 3 of 3.

Reservoir R-11.4 Property (APN 413-250-006)

The Reservoir R-11.4 site consists of 9.1 acres located in Riverside County. Since this property is located outside of our boundary, we pay property taxes on this property in the amount of \$215 this year.



Lift Station No. 1 (APN 301-201-23) and Additional Wochholz Wastewater Treatment Plant Property (APN 301-201-36)

The District owns Lift Station No. 1 which is about 1/3 of an acre located on Oak Glen Road. The District has purchased approximately 9 acres of property west of the Wochholz Regional Water Recycling Facility property.



The Board of Directors should consider initiating annexation proceedings with the Local Agency Formation Commission for the inclusion of these three properties into the District boundary.

RESOLUTION NO. 2015-05

**A RESOLUTION OF THE YUCAIPA VALLEY WATER DISTRICT
REQUESTING THE LOCAL AGENCY FORMATION COMMISSION
TAKE PROCEEDINGS FOR THE ANNEXATION OF THREE PARCELS
OWNED BY YUCAIPA VALLEY WATER DISTRICT
(ASSESSOR’S PARCEL NUMBERS 301-201-23, 301-201-36, AND 413-250-006)**

BE IT RESOLVED, by the Board of Directors of the Yucaipa Valley Water that:

WHEREAS, the Board of Directors of the Yucaipa Valley Water District desires to initiate proceedings pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, commencing with Section 56000 of the California Government Code, for the annexation of property to the Yucaipa Valley Water District; and,

WHEREAS, the territory proposed for annexation is uninhabited and a description of the property boundary is set forth in Exhibit “A”, Exhibit “B” and Exhibit “C” attached hereto, and by this reference incorporated herein; and,

WHEREAS, the proposed annexation is consistent with the sphere of influence assigned by the Local Agency Formation Commission for the Yucaipa Valley Water District; and,

WHEREAS, the reason for the proposed annexation is to include in the service area boundary of the Yucaipa Valley Water District properties owned by the Yucaipa Valley Water District.

NOW, THEREFORE, BE IT RESOLVED, that this resolution of Application is hereby approved and adopted by the Board of Directors of the Yucaipa Valley Water District, and the Local Agency Formation Commission for San Bernardino County is hereby requested to take proceedings for the annexation as described herein, in the manner provided by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.

BE IT FURTHER RESOLVED that the Secretary of the Yucaipa Valley Water District is hereby authorized and directed to file an application and complete the annexation of properties described herein.

PASSED, APPROVED and ADOPTED this 21st day of January 2015.

YUCAIPA VALLEY WATER DISTRICT

ATTEST:

Lonni Granlund, President Board of Directors

Joseph B. Zoba, General Manager

Insert Exhibits "A", "B" and "C" as separate pages attached to Resolution No. 2015-05.

Date: January 21, 2015

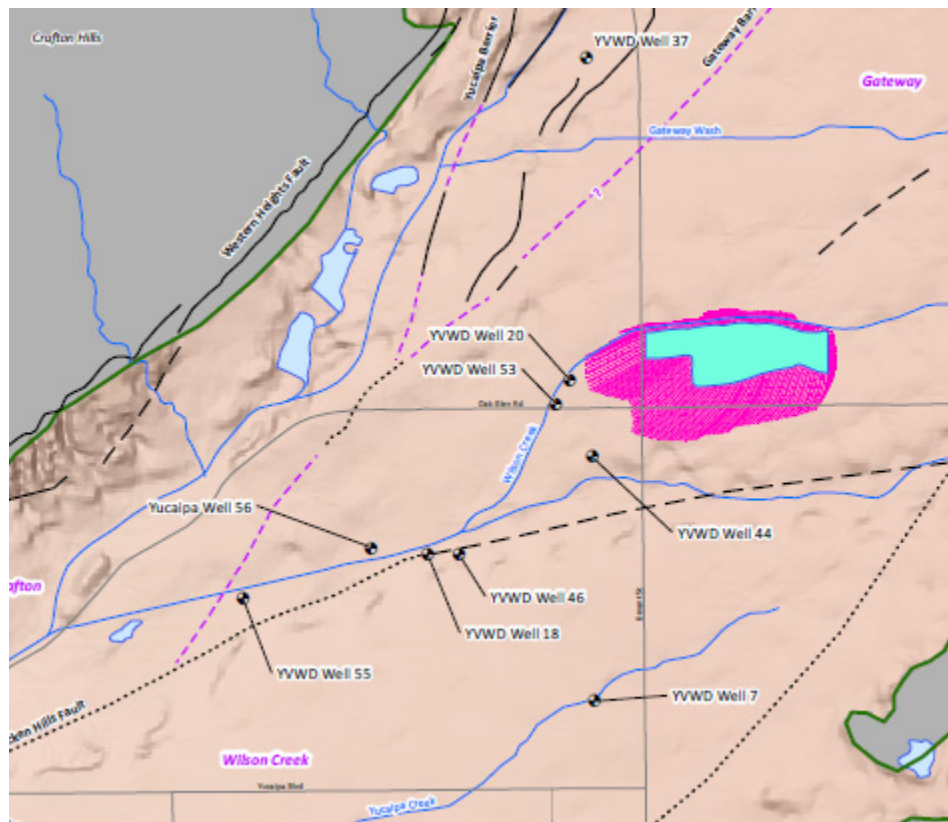
Prepared By: Jennifer Ares, Water Resource Manager

Subject: Approval of Change Order No. 1 for the Focused Groundwater Model of the Gateway Basin in Yucaipa

Recommendation: That the Board of Directors approve Change Order No. 1 with Geoscience for a sum not to exceed \$16,390 for the preparation of a groundwater model.

Prior to submitting an application for recycled water recharge at the Wilson Creek Spreading Basin, the Yucaipa Valley Water District needs to have a fully functional groundwater computer model of the Gateway Basin. On September 3, 2014, the Board of Directors authorized Geoscience to build the focused groundwater model for the Gateway Basin in Yucaipa [Director Memorandum No. 14-070].

The model has already yielded particle travel time and underflow calculations predicting the movement of groundwater as shown in the illustration below.



Following a review of the initial model results, the District will need to prepare two additional scenarios and compile a detailed report describing the model methodology, documentation and interpretation to submit as part of our application to the Department of Public Health for the recycled water recharge project.

Therefore, District staff recommends the approval of the additional modeling work to facilitate the application related to recycled water recharge at the Wilson Creek Basins.



January 13, 2015

Ms. Jennifer Ares
Water Resource Manager
Yucaipa Valley Water District
Post Office Box 730
Yucaipa, California 92399-0730

Subject: Request for Amendment to Budget - Focused Ground Water Model for Gateway Subbasin of the Yucaipa Ground Water Basin for Recycled Water Use Evaluation

Dear Jennifer

In accordance with the approved scope of work presented in our proposal dated June 16, 2014 GEOSCIENCE constructed a groundwater model of the Wilson Creek Subbasin and portions of the Gateway, Crafton, Oak Glen, Calimesa, and Triple Falls Subbasins. The ground water model is identified as the Gateway Focused Ground water Model (FGGWM). The model was constructed to allow simulation of the travel time and percentage of recycled water with distance of recycled water placed in the Wilson Creek Spreading grounds.

The Yucaipa Valley Water District in consultation with RMC selected three scenarios for evaluation using the FGGWM. Scenario 1 is the baseline or "No Project" scenario. Scenario 2 consisted of recharge of 1,000 acre-ft./yr. of recycled water mixed in the spreading basins with 6,000 acre-ft./yr. of imported water. Scenario 3 Scenario 1 consisted of recharge of 2,500 acre-ft/yr of recycled water mixed in the spreading basins with 4,500 acre-ft/yr of imported water. Scenario 4 consisted of recharge of 5,000 acre-ft /yr of recycled water mixed in the spreading basins with 2,000 acre-ft/yr of imported water.

The results for scenarios 2, 3, and 4 were present to YVWD by conference call held December 8, 2015. The estimated budget of \$35,230 provided in our June 16, 2014 proposal was expended in constructing the groundwater model and conducting, analyzing, and presenting the model scenarios. During our December 8, 2014 conference call, the project team selected an additional model scenario (Model Scenario 5) to complete the assessment. The estimated cost to conduct the two additional model scenarios (Model Scenario 4 and the new Model Scenario 5) and preparation of a technical memorandum detailing model construction and the modeling results is \$16,390 (see attached Table). GEOSCIENCE will provide a presentation of the results of the modeling at a face-to-face meeting as requested by YVWD. We anticipate that the final modeling results can be presented to the project team by the end of January 2015. In addition we anticipate that we can submit the technical memorandum providing the details of model construction and modeling results three weeks after presentation of the final modeling results.

GEOSCIENCE SUPPORT SERVICES INCORPORATED
Ground Water Resources Development
P.O. Box 220, Claremont, CA 91711
T: 909-451-6650
F: 909-451-6638

Request for Amendment to Budget - Focused Ground Water Model for
Gateway Subbasin of the Yucaipa Ground Water Basin for Recycled Water Use Evaluation

13-Jan-15

If you have any questions concerning the proposed scope of work or costs, please do not hesitate to contact me at (909) 451-6650.

Sincerely,



Brian Villalobos, CEG, CHg
Senior Geohydrologist
Encl.

YUCAIPA VALLEY WATER DISTRICT										
Request for Amendment for Additional Task 2 and Task 3 Costs to Evaluate Recycled Water Travel Times and Percent Contribution From Wilson Creek Basins to Nearest Wells										
Description	Principal Hydrologist \$280/Hr	Senior Geohydrologist \$195/Hr	Project Geohydrologist \$155/Hr	Sr. Staff Geohydrologist \$125/Hr	Staff Geohydrologist \$115/Hr	Technical Illustrator \$105/Hr	Clerical \$75/Hr	Total Labor	Reimbursable Expenses	Total Cost
Task 2 - Hydrologic Analysis of Wilson Creek Spreading Basins (Calculation of Retention Times and RWC)										
Additional predictive model runs and calculation of the Distance of Travel and Recycled Water Contribution (RWC) using future projections of recycled water recharge for 6-months and one year and the end of the selected base period.	2	8		20		12		\$ 5,880	\$ -	\$ 5,880
Task 3 - Model Documentations										
Prepare draft and final reports to summarize results of modeling and hydrologic analysis.	2	16		40		16		\$ 10,360	\$ 150	\$ 10,510
Totals:	4	24	0	60	0	28	0	16,240	\$150	\$16,390

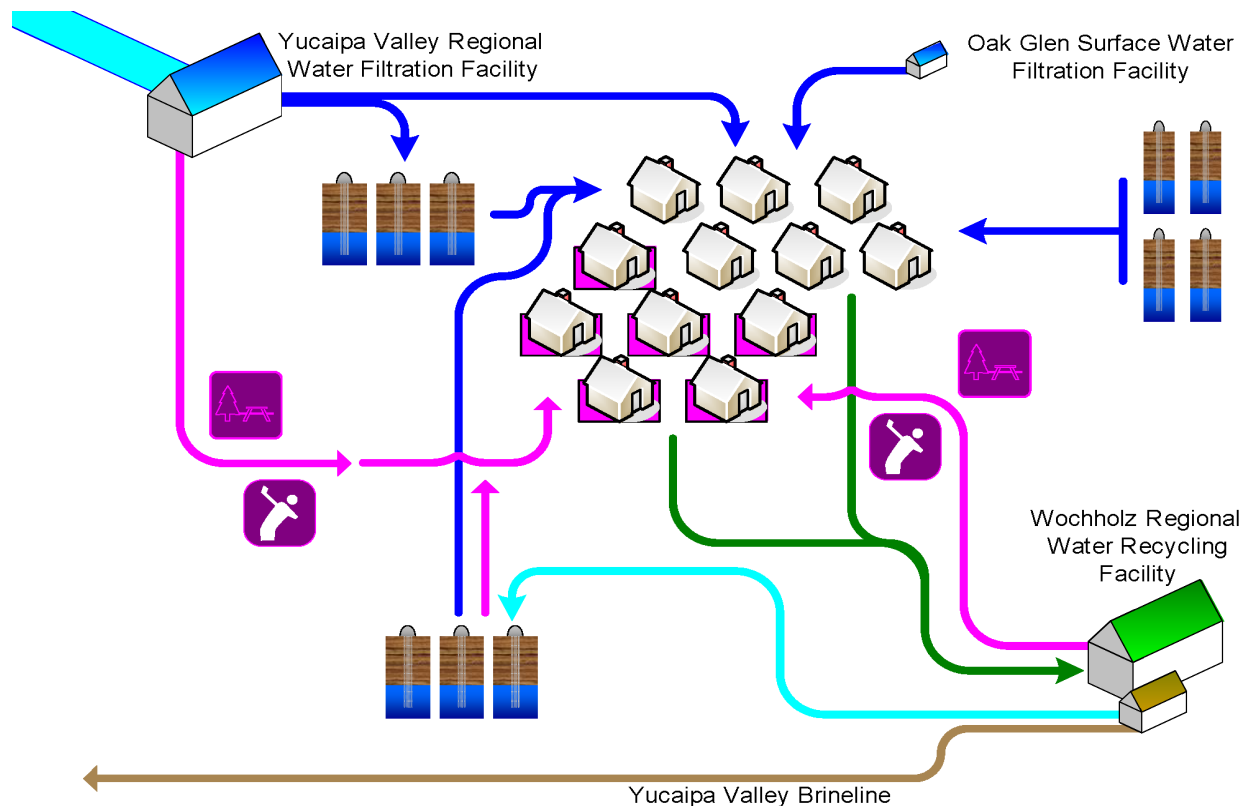
Date: January 21, 2015

Prepared By: Joseph Zoba, General Manager

Subject: Consideration of Resolution Nos. 2015-06, 2015-07, and 2015-08 Supporting Additional Phases of the Integrated Recycled Water and Drought Preparedness Pipeline Projects in San Timoteo (Phase 3), Oak Glen (Phase 4), and Mentone (Phase 5)

Recommendation: That the Board adopts Resolution Nos. 2015-06, 2015-07 and 2015-08 as presented.

On August 20, 2008, the Board of Directors adopted Resolution No. 11-2008 establishing a strategic plan for the management, integration and preservation of water resources. This Plan embodied the concepts of water resource management and the full integration of services offered by the Yucaipa Valley Water District. One key component of the strategic plan is the reliance on recycled water being put to beneficial use throughout the sphere of influence of the Yucaipa Valley Water District.



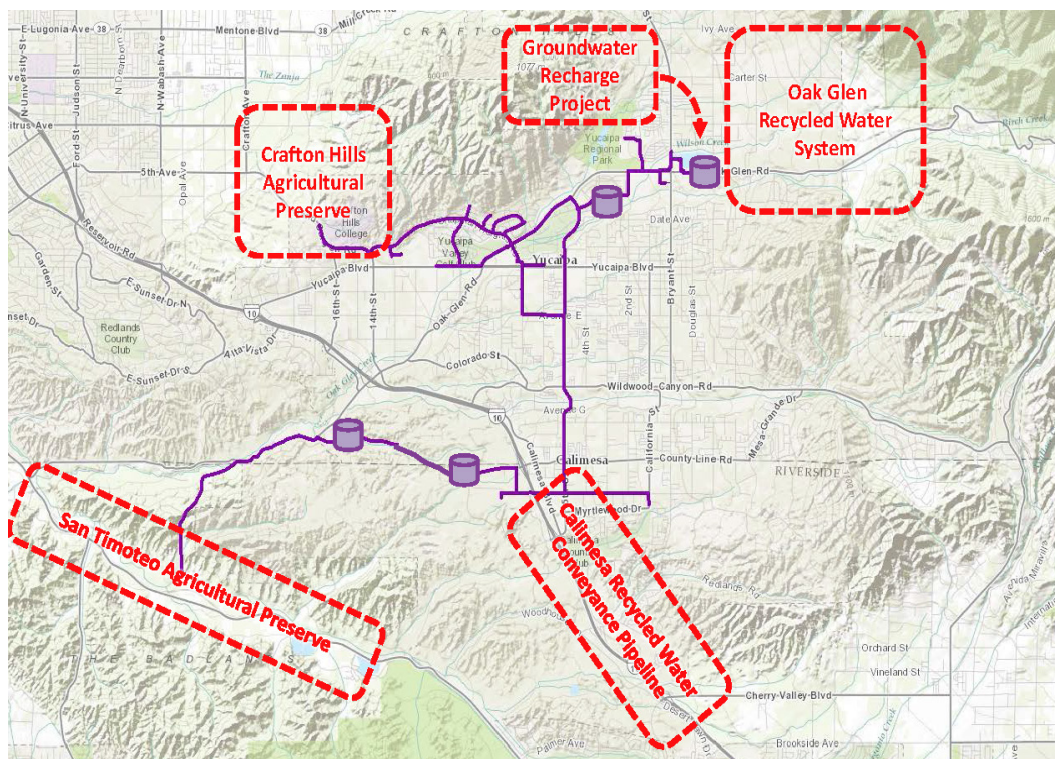
Sewer treatment plants are required to provide a level of treatment to protect beneficial uses downstream of discharge points. These requirements dictate that a sewer treatment plant located in Yucaipa, Calimesa or Beaumont discharge extremely high quality recycled water to protect downstream uses throughout the Santa Ana Watershed.

Over the past decade, the regulatory requirements have been significantly increased to require treatment processes that reduce minerals (salinity) and nitrogen. This level of treatment requires equipment and purification processes that are similar to those found in drinking water filtration facilities. The net effect is that the Yucaipa Valley Water District has to discharge extremely high quality recycled water, comparable to drinking water, without any compensation from water retailers downstream who receive a direct benefit from the pure water resources produced from the sewer treatment plant.

Recognizing that recycled water is a highly pure and reliable source of water, the Board of Directors approved the construction of several projects designed to maximize the use of recycled water throughout the Yucaipa Valley Water District's sphere of influence. These facilities are now largely completed.

On June 11, 2013, the District staff provided an overview of our existing recycled water system and proposed recycled water pipelines to further expand the use of recycled water [Workshop Memorandum No. 13-119]. The discussion focused primarily on the following five projects:

- The Oak Glen Recycled Water System;
- The Wilson Creek Groundwater Recharge Project;
- The Crafton Hills Agricultural Preserve;
- The Calimesa Recycled Water Conveyance Pipeline; and
- The San Timoteo Agricultural Preserve.



At the regular board meeting on December 3, 2014, the Board of Directors adopted Resolution No. 2014-20 regarding the expansion of the recycled water system to indicate support of the five proposed projects [Director Memorandum 14-098].

Currently the District staff is nearly complete with the design documents associated with the Wilson Creek Groundwater Recharge Project and the Calimesa Recycled Water Conveyance Pipeline. These two projects will likely be under construction in the near future and operational by 2016. Both projects will require additional permits by the Department of Public Health to become fully operational.

For planning purposes, the District staff recommends a refinement of Resolution No. 2014-20 to focus on the remaining three recycled water pipeline projects: one in San Timoteo Canyon; one in Oak Glen; and the other in Mentone. The goal of these projects would be to reduce the use of groundwater for irrigation purposes by utilizing recycled water produced by the Wochholz Regional Water Recycling Facility. In both cases, the quality of the recycled water will easily meet the Basin objectives established by the Regional Water Quality Control Board in each area.

In the Mentone area, the proposed recycled water pipeline would provide a drought-proof water supply to the farmers in the area that have solicited recycled water from the District due to the dropping groundwater levels associated with the current drought. While the proposed recycled water pipeline would not be promoted to compete with the irrigation customers served by Bear Valley Mutual Water Company (City of Redlands), it may provide a reasonable alternative water supply during a future drought. By reducing the amount of high quality drinking water extracted for agricultural use in the eastern Bunker Hill Basin, the groundwater levels should become more sustainable in the long-term for the local water retailers.

For all three proposed pipeline projects, the size of the recycled water pipelines will take into consideration: (1) the needs of customers; (2) existing and future sources of supply from other wastewater treatment plants; and (3) the full integration of a recycled water system for regional benefit. Additionally, based on the Board of Directors approval of the attached resolutions, the District staff would initiate efforts to secure funding for these projects from various sources including, but not limited to project partners, loans, and grants.

RESOLUTION NO 2015-06**A RESOLUTION OF THE YUCAIPA VALLEY WATER DISTRICT
SUPPORTING PHASE III OF THE INTEGRATED
RECYCLED WATER AND DROUGHT PREPAREDNESS PROJECT
(San Timoteo Canyon Recycled Water Pipeline Project)**

WHEREAS, on January 17, 2014, California Governor Edmund G. Brown Jr issued Proclamation No. 1 -17-2014 declaring a State of Emergency to exist in California due to severe drought conditions and calling on all Californian's to reduce their water usage by 20 percent.

WHEREAS, on April 25, 2014, Governor Edmund G. Brown Jr. issued an Executive Order calling on all Californian's to redouble their efforts to conserve water. The Executive Order finds that the continuous severe drought conditions present urgent challenges across the State including water shortages in communities and for agricultural production, increased wildfires, degraded habitat for fish and wildlife, threat of saltwater contamination, and additional water scarcity if drought conditions continue into 2015.

WHEREAS, the National Integrated Drought Information System reported that nearly 80% of the State was reported to be under "extreme" drought conditions at the end of June 2014.

WHEREAS, on April 25, 2014, the Governor suspended the California Environmental Quality Act's application to the State Water Board's adoption of emergency regulations pursuant to Water Code Section 1058.5 to prevent the waste, unreasonable use, unreasonable method of use, or unreasonable diversion of water, and to promote the use of recycled water and water conservation.

WHEREAS, Water Code section 1058.5 grants the State Water Board the authority to adopt emergency regulations in drought years in order to: "prevent the waste, unreasonable use, unreasonable method of use, or unreasonable diversion of water, to promote water recycling or water conservation, to require curtailment of diversions when water is not available under the diverter's priority of right, or in furtherance of any of the foregoing, to require reporting of diversion or use or the preparation of monitoring reports".

WHEREAS, over the past several years, the Yucaipa Valley Water District has taken bold steps to reduce drinking water use by implementing an extensive recycled water system that currently reduces the demand on drinking water supplies by 10% annually and up to 15% during peak summer months.

WHEREAS, the Yucaipa Valley Water District supports the expansion and further development of the recycled water system to further reduce dependency on imported water supplies and groundwater resources by using recycled water throughout the region.

WHEREAS, on June 11, 2013, November 25, 2014, and January 13, 2015, the District staff provided detailed presentations at public workshops identifying the implementation of recycled projects that would be regionally integrated to provide enhanced drought preparedness for the region.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors, that the Yucaipa Valley Water District is committed to support the Phase III Yucaipa Valley Water District Integrated Recycled Water and Drought Preparedness Project.

Furthermore, the Board of Directors directs District staff to coordinate the design and construction of the proposed recycled water pipeline with other recycled water purveyors to solicit recommendations on design alternatives, cost-sharing, financial plans, the protection of water quality objectives, and the exchange of water resources to enhance the long-term drought preparedness for the region.

PASSED, APPROVED and ADOPTED this 21st day of January 2015.

YUCAIPA VALLEY WATER DISTRICT

Lonni Granlund, President Board of Directors

ATTEST:

Joseph B. Zoba, General Manager

Exhibit "A"

**Phase III of the Yucaipa Valley Water District Integrated
Recycled Water and Drought Preparedness Project
San Timoteo Canyon Recycled Water Pipeline Project**



RESOLUTION NO 2015-07**A RESOLUTION OF THE YUCAIPA VALLEY WATER DISTRICT
SUPPORTING PHASE IV OF THE INTEGRATED
RECYCLED WATER AND DROUGHT PREPAREDNESS PROJECT
(Oak Glen Recycled Water Pipeline Project)**

WHEREAS, on January 17, 2014, California Governor Edmund G. Brown Jr issued Proclamation No. 1 -17-2014 declaring a State of Emergency to exist in California due to severe drought conditions and calling on all Californian's to reduce their water usage by 20 percent.

WHEREAS, on April 25, 2014, Governor Edmund G. Brown Jr. issued an Executive Order calling on all Californian's to redouble their efforts to conserve water. The Executive Order finds that the continuous severe drought conditions present urgent challenges across the State including water shortages in communities and for agricultural production, increased wildfires, degraded habitat for fish and wildlife, threat of saltwater contamination, and additional water scarcity if drought conditions continue into 2015.

WHEREAS, the National Integrated Drought Information System reported that nearly 80% of the State was reported to be under "extreme" drought conditions at the end of June 2014.

WHEREAS, on April 25, 2014, the Governor suspended the California Environmental Quality Act's application to the State Water Board's adoption of emergency regulations pursuant to Water Code Section 1058.5 to prevent the waste, unreasonable use, unreasonable method of use, or unreasonable diversion of water, and to promote the use of recycled water and water conservation.

WHEREAS, Water Code section 1058.5 grants the State Water Board the authority to adopt emergency regulations in drought years in order to: "prevent the waste, unreasonable use, unreasonable method of use, or unreasonable diversion of water, to promote water recycling or water conservation, to require curtailment of diversions when water is not available under the diverter's priority of right, or in furtherance of any of the foregoing, to require reporting of diversion or use or the preparation of monitoring reports".

WHEREAS, over the past several years, the Yucaipa Valley Water District has taken bold steps to reduce drinking water use by implementing an extensive recycled water system that currently reduces the demand on drinking water supplies by 10% annually and up to 15% during peak summer months.

WHEREAS, the Yucaipa Valley Water District supports the expansion and further development of the recycled water system to further reduce dependency on imported water supplies and groundwater resources by using recycled water throughout the region.

WHEREAS, on June 11, 2013, November 25, 2014, and January 13, 2015, the District staff provided detailed presentations at public workshops identifying the implementation of recycled projects that would be regionally integrated to provide enhanced drought preparedness for the region.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors, that the Yucaipa Valley Water District is committed to support the Phase IV Yucaipa Valley Water District Integrated Recycled Water and Drought Preparedness Project.

Furthermore, the Board of Directors directs District staff to coordinate the design and construction of the proposed recycled water pipeline with other recycled water purveyors to solicit recommendations on design alternatives, cost-sharing, financial plans, the protection of water quality objectives, and the exchange of water resources to enhance the long-term drought preparedness for the region.

PASSED, APPROVED and ADOPTED this 21st day of January 2015.

YUCAIPA VALLEY WATER DISTRICT

Lonni Granlund, President Board of Directors

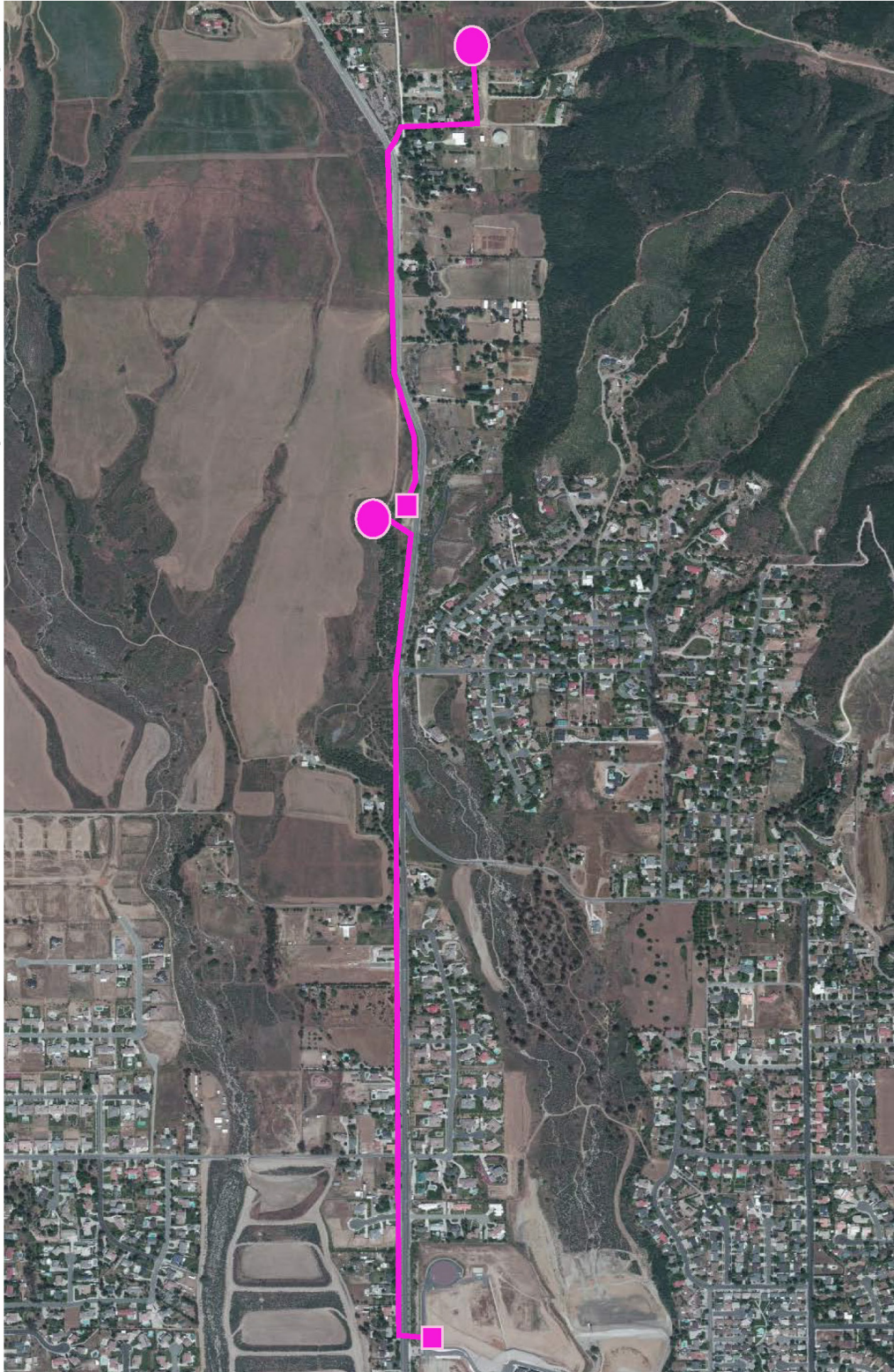
ATTEST:

Joseph B. Zoba, General Manager



**Phase IV of the Yucaipa Valley Water District Integrated
Recycled Water and Drought Preparedness Project
Oak Glen Recycled Water Pipeline Project**

Exhibit "A"



RESOLUTION NO 2015-08**A RESOLUTION OF THE YUCAIPA VALLEY WATER DISTRICT
SUPPORTING PHASE V OF THE INTEGRATED
RECYCLED WATER AND DROUGHT PREPAREDNESS PROJECT
(Mentone Recycled Water Pipeline Project)**

WHEREAS, on January 17, 2014, California Governor Edmund G. Brown Jr issued Proclamation No. 1 -17-2014 declaring a State of Emergency to exist in California due to severe drought conditions and calling on all Californian's to reduce their water usage by 20 percent.

WHEREAS, on April 25, 2014, Governor Edmund G. Brown Jr. issued an Executive Order calling on all Californian's to redouble their efforts to conserve water. The Executive Order finds that the continuous severe drought conditions present urgent challenges across the State including water shortages in communities and for agricultural production, increased wildfires, degraded habitat for fish and wildlife, threat of saltwater contamination, and additional water scarcity if drought conditions continue into 2015.

WHEREAS, the National Integrated Drought Information System reported that nearly 80% of the State was reported to be under "extreme" drought conditions at the end of June 2014.

WHEREAS, on April 25, 2014, the Governor suspended the California Environmental Quality Act's application to the State Water Board's adoption of emergency regulations pursuant to Water Code Section 1058.5 to prevent the waste, unreasonable use, unreasonable method of use, or unreasonable diversion of water, and to promote the use of recycled water and water conservation.

WHEREAS, Water Code section 1058.5 grants the State Water Board the authority to adopt emergency regulations in drought years in order to: "prevent the waste, unreasonable use, unreasonable method of use, or unreasonable diversion of water, to promote water recycling or water conservation, to require curtailment of diversions when water is not available under the diverter's priority of right, or in furtherance of any of the foregoing, to require reporting of diversion or use or the preparation of monitoring reports".

WHEREAS, over the past several years, the Yucaipa Valley Water District has taken bold steps to reduce drinking water use by implementing an extensive recycled water system that currently reduces the demand on drinking water supplies by 10% annually and up to 15% during peak summer months.

WHEREAS, the Yucaipa Valley Water District supports the expansion and further development of the recycled water system to further reduce dependency on imported water supplies and groundwater resources by using recycled water throughout the region.

WHEREAS, on June 11, 2013, November 25, 2014, and January 13, 2015, the District staff provided detailed presentations at public workshops identifying the implementation of recycled projects that would be regionally integrated to provide enhanced drought preparedness for the region.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors, that the Yucaipa Valley Water District is committed to support the Phase V Yucaipa Valley Water District Integrated Recycled Water and Drought Preparedness Project.

Furthermore, the Board of Directors directs District staff to coordinate the design and construction of the proposed recycled water pipeline with other recycled water purveyors to solicit recommendations on design alternatives, cost-sharing, financial plans, the protection of water quality objectives, and the exchange of water resources to enhance the long-term drought preparedness for the region.

PASSED, APPROVED and ADOPTED this 21st day of January 2015.

YUCAIPA VALLEY WATER DISTRICT

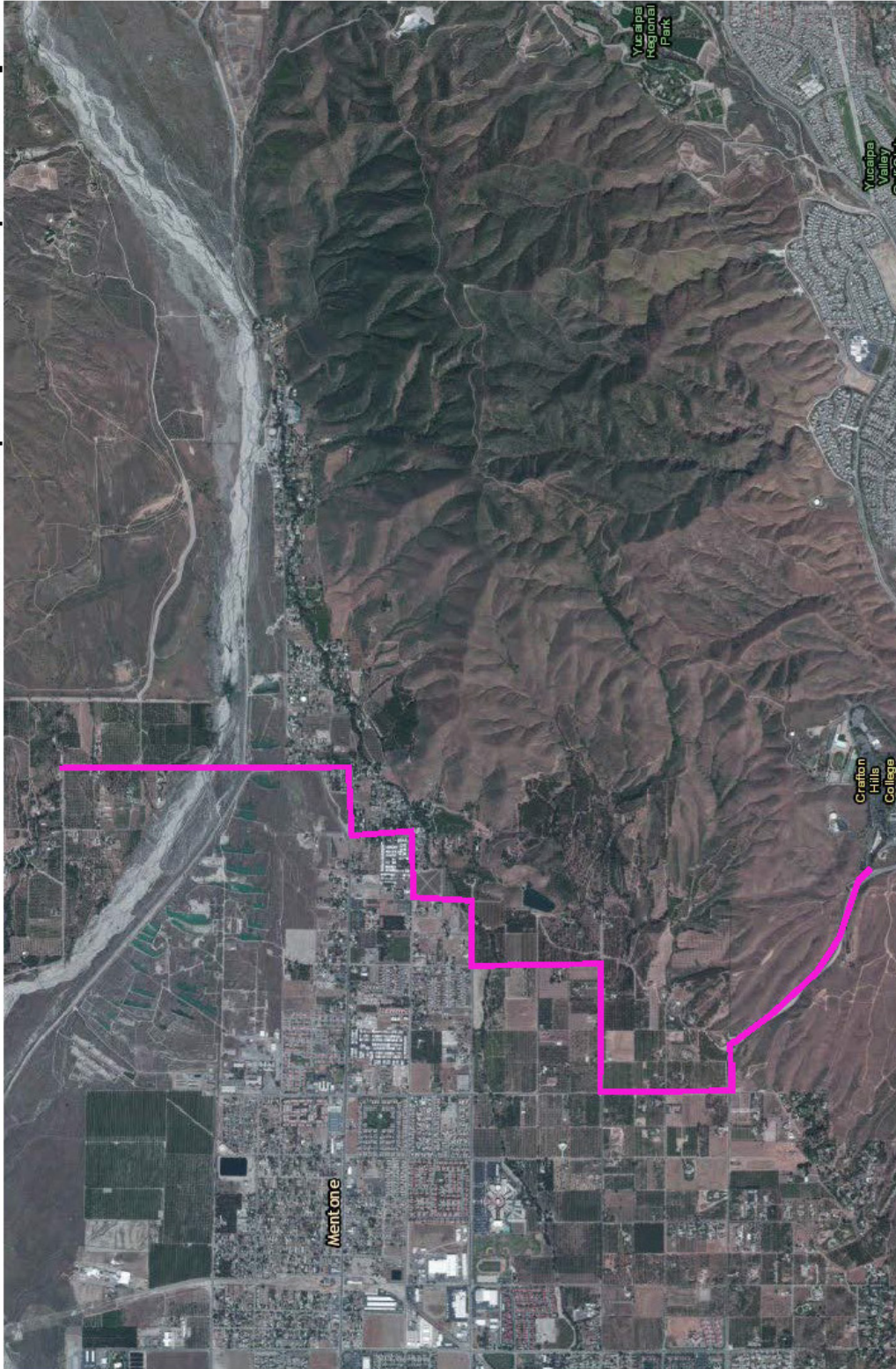
Lonni Granlund, President Board of Directors

ATTEST:

Joseph B. Zoba, General Manager

Exhibit "A"

**Phase V of the Yucaipa Valley Water District Integrated
Recycled Water and Drought Preparedness Project
Mentone Recycled Water Pipeline Project**





Director Memorandum 15-012

Date: January 21, 2015

Prepared By: Joseph Zoba, General Manager

Subject: Approval of a Professional Services Agreement with Fieldman Rolapp & Associates and a Terms of Retention Contract with Stradling, Yocca, Carlson & Rauth for the Refinancing of the 2004A Certificates of Participation

Recommendation: That the Board of Directors authorize the General Manager to execute the Professional Services Agreement and Terms of Retention Contract.

On May 24, 2004 the Yucaipa Valley Water District Financing Corporation became incorporated under the laws of the State of California as a nonprofit public benefit corporation. The purpose of the Corporation is to assist in the financing, refinancing, acquiring, constructing and rehabilitating of facilities, land and equipment, and in the sale or leasing of facilities, land and equipment (collectively, the "Facilities") for the use, benefit and enjoyment of the public served by the Yucaipa Valley Water District.

On June 29, 2004, the Corporation issued \$45,730,000 in bonds commonly referred to as the Water System Revenue Certificates of Participation, Series 2004A. The funds were used for the construction of the Yucaipa Valley Regional Water Filtration Facility.

The District is pursuing the refinancing of the 2004A Certificates of Participation to capture the benefits of low interest rates for the remaining term of the obligation. See Director Memorandum No. 15-004.

On October 15, 2014, the Board of Directors authorized the General Manager to:

- Enter into a contract with Fieldman Rolapp & Associates for financial advisor services related to the refinancing of the 2004A bonds;
- Enter into a contract with Stradling, Yocca, Carlson & Rauth, for bond counsel and disclosure counsel services;
- Request proposals and select an underwriter for a negotiated sale; and
- Refinance the 2004A Certificates of Participation for the Yucaipa Valley Regional Water Filtration Facility

With the authorization provided by the Board of Directors on October 15, 2014, the General Manager would have entered into the standard District prepared contract for professional services with the members of the financial team, specifically Fieldman Rolapp & Associates for financial advisor services and Stradling, Yocca, Carlson & Rauth for bond counsel services. However, the District's standard professional contract is designed more for engineering services than financial services. Therefore, the General Manager and District Legal Counsel have reviewed the attached standard contracts from the two firms and believe the language in the attached contracts are sufficient to execute for the proposed transaction. If the Board of Directors concur, a motion to execute the attached contracts would be appropriate.

**PROFESSIONAL SERVICES AGREEMENT
FOR FINANCIAL ADVISOR**

This agreement has been entered into this __ day of _____, 2015 by and between the Yucaipa Valley Water District, (the "District") and Fieldman, Rolapp & Associates, Inc. (herein, the "Consultant").

WHEREAS, the District desires independent financial advisory services to be performed in connection with refunding of the 2004 COPs (herein, the "Project"); and

WHEREAS, the District desires to retain the professional and technical services of the Consultant for the purpose of debt issuance and financial planning, (herein, the "Services");

WHEREAS, the Consultant is well qualified to provide professional financial advice to entities such as the District;

NOW, THEREFORE, in consideration of the above recitals and the mutual covenants and conditions hereinafter set forth, it is agreed as follows:

Section 1 Financial Advisory Services.

As directed by the District, Consultant will provide services in connection with the Project as such Services are fully described in Exhibit A attached to this Agreement. Consultant is engaged in an expert financial advisory capacity to the District only. It is expressly understood that the Services rendered hereunder are rendered solely to the Yucaipa Valley Water District. Consultant does not undertake any responsibility to review disclosure documents on behalf of owners or beneficial owners of bonds or debt which may arise from the Consultant's work hereunder.

- 1.01 Consultant has been engaged for a specific task and has not been engaged or undertaken to review alternatives to the decision made by the District.

Section 2 Additional Requested Services.

The District may request that Consultant provide additional services beyond the scope of those referenced in Section 1 above and specifically listed in Exhibit A to this Agreement. Services performed for the District by Consultant that are not otherwise specifically identified in Exhibit A to this Agreement shall be Additional Services. Additional Services include, but are not limited to, the following:

- 2.01 Assisting the District in obtaining enabling legislation or conducting referendum elections.
- 2.02 Extraordinary services and extensive computer analysis in the structuring or planning of any debt issue or financing program.
- 2.03 The repeat of any element of a service described in Exhibit A to this Agreement which is made necessary through no fault of Consultant.

- 2.04 Financial management services, including development of financial policies, capital improvement plans, economic development planning, credit analysis or review and such other services that are not ordinarily considered within the scope of services described in Exhibit A to this Agreement.
- 2.05 Services rendered in connection with any undertaking of the District relating to a continuing disclosure agreement entered into in order to comply with Securities and Exchange Commission Rule 15c2-12 or other similar rules.
- 2.06 Services rendered to the District in connection with calculations or determination of any arbitrage rebate liability to the United States of America arising from investment activities associated with debt issued to fund the Project.

Section 3 Compensation.

- 3.01 For Consultant's performance of Services as described in this Agreement, including Additional Services requested by the District, the Consultant's compensation will be as provided in of Exhibit B attached to this Agreement,
- 3.02 Payment of Consultant's expenses shall be made at the time and in the form as provided for in Exhibit B to this Agreement.
- 3.03 Unless otherwise specified, payment of Consultant's compensation and expenses is due thirty (30) days after submission of Consultant's invoice for services.
- 3.04 In the event the Services of the Consultant are abandoned prior to completion of Consultant's work, Consultant shall be compensated for Services performed to the point of abandonment.. An act of abandonment shall be deemed to have occurred when no action has been taken by the District relative to the services of the Consultant for a period of three (3) months from the date of the initial performance of a service, and there has been a written notification to the Consultant of an abandonment of the Project by the District.
- 3.06 The schedule of Consultant fees set forth in this Agreement and Exhibits is guaranteed by Consultant for a period of twelve (12) months from the date of this Agreement.

Section 4 Personnel.

Consultant has, or will secure, all personnel required to perform the services under this Agreement. Consultant shall make available other qualified personnel of the firm as may be required to complete Consultant's services. The District has the right to approve or disapprove any proposed changes in Consultant's staff providing service to the District. The District and Consultant agree that such personnel are employees only of Consultant and shall not be considered to be employees of the District in any way whatsoever.

Section 5 Term of Agreement.

This Agreement shall continue in full force and effect for a period of twenty-four (24) months from the date hereof unless terminated by either party by not less than thirty (30) days written notice to the other party except that the Agreement shall continue in full force and effect until completion of Consultant's services or until an abandonment shall

have occurred as described in Section 3.04 hereof. This Agreement may be extended from time to time as agreed by the District and the Consultant.

Section 6 Modification.

This Agreement contains the entire agreement of the parties. It may be amended in whole or in part from time to time by mutual consent of the parties. This shall not prohibit the District and Consultant from entering into separate agreements for other services.

Section 7 Work Products.

All work products or any form of property developed by the Consultant in providing the Services shall be provided to the District on request. Work products developed by the Consultant shall be the property of the District, provided that Consultant may use such work products developed for the District and may employ those work products to develop refinements or additional work products in the course of its business.

Section 8 Assignment.

The rights and obligations of the District under this Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of the District. This agreement may not be assigned by the Consultant without the consent of the District except for compensation due Consultant.

Section 9 Disclosure.

Consultant does not assume the responsibilities of the District, nor the responsibilities of the other professionals and vendors representing the District, in the provision of services and the preparation of the financing documents, including initial and secondary market disclosure, for financings undertaken by the District. Information obtained by Consultant and included in any disclosure documents is, by reason of experience, believed to be accurate; however, such information is not guaranteed by Consultant.

Section 10 Confidentiality.

The Consultant agrees that all financial, statistical, personal, technical and other data and information designated by the District as confidential shall be protected by the Consultant from unauthorized use or disclosure. The District acknowledges that the Consultant is required to comply with applicable laws governing disclosure of public information.

Section 11 Indemnification.

The District and Consultant shall each indemnify and hold harmless the other from and against any and all losses, claims, damages, expenses, including legal fees for defense, or liabilities, collectively, damages, to which either may be subjected by reason of the other's acts, errors or omissions, except however, neither will indemnify the other from or against damages by reason of changed events and conditions beyond the control of either or errors of judgment reasonably made.

Section 12 Insurance.

- 12.01 Consultant shall maintain workers' compensation and employer's liability insurance during the term of this Agreement.
- 12.02 Consultant, at its own expense, shall obtain and maintain insurance at all times during the prosecution of this contract. Such insurance must be written with a Best Guide "A"-rated or higher insurance carrier admitted to write insurance in the state where the work is located.
- 12.03 Insurance coverages shall not be less than the following:
- A. Workers' Compensation
 - 1. State worker's compensation statutory benefits
 - 2. Employer's Liability - policy limits of not less than \$1,000,000.
 - B. Comprehensive General Liability coverage with policy limits of not less than \$1,000,000 combined single limit for bodily injury and property damage and including coverage for the following:
 - 1. Premises operations
 - 2. Contractual liability
 - 3. Products
 - 4. Completed operation
 - C. Errors and omissions with policy limits of \$2,000,000.
- 12.04 Certificates of insurance naming the District as an additional insured shall be submitted to the District evidencing the required coverages, limits and locations of operations to which the insurance applies, and the policies of insurance shall contain a 30 day notice of cancellation or non-renewal.

Section 13 Permits/Licenses.

The Consultant shall obtain any permits or licenses, as may be required for it to complete the services required under this Agreement.

Section 14 Binding Effect.

- 14.01 A waiver or indulgence by the District of a breach of any provision of this Agreement by the Consultant shall not operate or be construed as a waiver of any subsequent breach by the Consultant.
- 14.02 All agreements contained herein are severable and in the event any of them shall be held to be invalid by any competent court, this Agreement shall be interpreted as if such invalid agreements or covenants were not contained herein, and the remaining provisions of this Agreement shall not be affected by such determination and shall remain in full force and effect. This Agreement shall not fail because any part or any clause hereof shall be held indefinite or invalid.

- 14.03 Each party hereto represents and warrants that this Agreement has been duly authorized and executed by it and constitutes its valid and binding agreement, and that any governmental approvals necessary for the performance of this Agreement have been obtained.

Section 15 Arbitration Requirement.

- 15.01 Any controversy, claim or dispute arising out of or relating to this Agreement shall be settled solely and exclusively by binding arbitration in Irvine, California.
- 15.02 Such arbitration shall be conducted in accordance with the then prevailing commercial arbitration rules of JAMS/Endispute ("JAMS"), with the following exceptions if in conflict: (a) one arbitrator shall be chosen by JAMS; (b) each party to the arbitration will pay its pro rata share of the expenses and fees of the arbitrator, together with other expenses of the arbitration incurred or approved by the arbitrator; and (c) arbitration may proceed in the absence of any party if written notice (pursuant to the JAMS rules and regulations) of the proceedings has been given to such party.
- 15.03 Each party shall bear its own attorneys fees and expenses.
- 15.04 The parties agree to abide by all decisions and awards rendered in such proceedings. Such decisions and awards rendered by the arbitrator shall be final and conclusive.
- 15.05 All such controversies, claims or disputes shall be settled in this manner in lieu of any action at law or equity; provided, however, that nothing in this Section shall be construed as precluding the bringing of an action for injunctive or other equitable relief.
- 15.06 The arbitrator shall not have the right to award punitive damages or speculative damages to either party and shall not have the power to amend this Agreement. The arbitrator shall be required to follow applicable law.
- 15.07 IF FOR ANY REASON THIS ARBITRATION CLAUSE BECOMES INAPPLICABLE OR INVALID, THEN EACH PARTY, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY AS TO ANY ISSUE RELATING HERETO IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER MATTER INVOLVING THE PARTIES HERETO.

Section 16 Conflict of Interest.

- 16.01 Compensation contingent on the completion of a financing or project is customary for municipal financial advisors. To the extent that compensation to the Consultant under this Agreement, specified in Exhibit B, is contingent on the issuance of debt or completion of a financing or project, a potential conflict of interest exists as Consultant would have an incentive to recommend to the District the completion of a transaction or project that might be unnecessary.

IN WITNESS Whereof, the parties have duly executed this Agreement as of the day and year first above set forth.

YUCAIPA VALLEY WATER DISTRICT
12770 SECOND STREET
P.O. BOX 730
YUCAIPA, CA 92399

By: _____
Joseph Zoba

Title: General Manager

Date: _____

FIELDMAN, ROLAPP & ASSOCIATES, INC.
19900 MacArthur Boulevard, Suite 1100
Irvine, CA 92612

By: 
Thomas M. DeMars

Title: Managing Principal/CEO

Date: 1/13/15

**EXHIBIT A
TO
PROFESSIONAL SERVICES AGREEMENT FOR FINANCIAL ADVISOR
BY AND BETWEEN THE
YUCAIPA VALLEY WATER DISTRICT
AND
FIELDMAN, ROLAPP & ASSOCIATES**

Scope of Services

A. General Services.

The Consultant shall perform all the duties and services described in Section 1 of this Agreement and shall provide such other services as it deems necessary or advisable to accomplish the Project, consistent with the standards and practice of professional financial advisors prevailing at the time such services are rendered to the District.

The District may, with the concurrence of Consultant, expand this Agreement to include Additional Services not specifically identified within the terms of this Agreement. Any Additional Services may be described in an addendum to this Exhibit A and are subject to compensation described in Exhibit B to this Agreement.

B. Transaction Services.

The Consultant shall assume primary responsibility for assisting the District in coordinating the planning and execution of each debt issue relating to the Project. Insofar as the Consultant is providing Services which are rendered only to the District, the overall coordination of the financing shall be such as to minimize the costs of the transaction coincident with maximizing the District's financing flexibility and capital market access. The Consultant's proposed debt issuance Services may include, but shall not be limited to, the following:

- Review and recommend financing alternatives that will assist the District in the successful refinancing of the Yucaipa Valley Regional Water Filtration Facility 2004A Certificates of Participation.
- Examine, evaluate, and formulate a sound and flexible financing program which may include short-term and/or long-term financing options, taking into account the District's objectives, strategic goals, and the climate in the capital markets.
- Advise and assist the District in the development of the structure and timing of the issuance of bonds in accordance with applicable laws, customs, and practices governing such issuance.
- Advise on the merits of competitive, negotiated, or private placement of a debt issuance.
- Assist in the preparation of appropriate information to prospective bond and note investors.
- Assist in the preparation of any presentation before rating agencies.
- Assist in the preparation of requests for proposals and in the evaluation of the selection of a bond underwriter, bond counsel, financial printing, and paying agent or trustee.
- Assume responsibility for preparing and advertising of requests for bids to private lenders, providing information as to the manner of bid procedures, and managing competitive bidding procedures in the event of the private placement of bonds.

- Attend Board of Director meetings, workshops and any other meetings as required involving the District's financial interests.
- Participate in staff meetings and/or conference calls relating to the issuance of debt.
- Prepare and maintain projected debt service, debt outstanding, and other schedules related to the debt issuance for use in annual budgeting processes and official statements.
- Provide other technical assistance on debt financings, bond ratings, and financing alternatives as requested by the District.
- Provide analysis and recommendations on investments for bond proceeds, including project, debt service reserve, and debt service funds.
- Provide post-issuance compliance services, including assistance with continuing disclosure statement and arbitrate rebate compliance, if required.
- Perform other tasks as may be requested or required to ensure a successful financial transaction on behalf of the District.

Specifically, Consultant will:

1. Establish the Financing Objectives.

At the onset of the financing transaction process for the Project, the Consultant shall review the District's financing needs and in conjunction with the District's management, outline the objectives of the financing transaction to be undertaken and its proposed form.

Unless previously determined, Consultant shall recommend the method of sale of debt and outline the steps required to achieve efficient market access.

2. Develop the Financing Timetable.

The Consultant shall take the lead role in preparing a schedule and detailed description of the interconnected responsibilities of each team member and update this schedule, with refinements, as necessary, as the work progresses.

3. Monitor the Transaction Process.

The Consultant shall have primary responsibility for the successful implementation of the financing strategy and timetable that is adopted for each debt issue relating to the Project. The Consultant shall coordinate (and assist, where appropriate) in the preparation of the legal and disclosure documents and shall monitor the progress of all activities leading to the sale of debt. The Consultant shall prepare the timetables and work schedules necessary to achieve this end in a timely, efficient and cost-effective manner and will coordinate and monitor the activities of all parties engaged in the financing transaction.

4. Review the Official Statement .

- a. Upon direction of the District, the Consultant shall review the official statement for each debt issue relating to the Project to insure that the District's official statement is compiled in a manner consistent with industry standards.
- b. The Consultant shall post the official statement on its website at www.fieldman.com.

5. Procure and Coordinate Additional Service Providers.

Should the District desire, the Consultant may act as District's representative in procuring the services of financial printers for the official statement and related documents, and for the printing of any securities. In addition, the Consultant may act as the District's representative in procuring the services of trustees, paying agents, fiscal agents, feasibility consultants, redevelopment consultants, or escrow verification agents or other professionals, if the District directs.

6. Provide Financial Advice to the District Relating to Financing Documents.

Simultaneous with the review of official statements for each debt issue relating to the Project, the Consultant shall assist the managing underwriters, bond counsel and/or other legal advisors in the drafting of the respective financing resolutions, notices and other legal documents. In this regard, the Consultant shall monitor document preparation for a consistent and accurate presentation of the recommended business terms and financing structure of each debt issue relating to the Project, it being specifically understood however that the Consultant's services shall in no manner be construed as the Consultant engaging in the practice of law.

7. Compute Sizing and Design Structure of Debt Issue.

The Consultant shall work with the District's staff to design a financing structure for each debt issue relating to the Project that is consistent with the District's objectives, that coordinates each transaction with outstanding issues and that reflects current conditions in the capital markets.

8. Plan and Schedule Rating Agency Presentation and Investor Briefings.

The Consultant shall develop a plan for presenting the financing program to the rating agencies and the investor community. The Consultant shall schedule rating agency visits, if appropriate, to assure the appropriate and most knowledgeable rating agency personnel are available for the presentation and will develop presentation materials and assist the District officials in preparing for the presentations.

9. Conduct Credit Enhancement Evaluation and Procurement.

Upon the District's direction, the Consultant will initiate discussions with bond insurers, letter of credit providers and vendors of other forms of credit enhancements to determine the availability of and cost benefit of securing financing credit support.

10. Conduct Market Analysis and Evaluate Timing of Market Entry.

The Consultant shall provide regular summaries of current municipal market conditions, trends in the market and how these may favorably or unfavorably affect the District's proposed financing.

a. Competitive Sales.

For all types of competitive sale of debt, the Consultant shall undertake such activities as are generally required for sale of securities by competitive bid including, but not limited to the following:

- Review and comment on terms of Notice of Sale Inviting Bids
- Provide advice on debt sale scheduling
- Provide advice on the use of electronic bidding systems
- Coordinate bid opening with the District officials

- Verify bids received and make recommendations for acceptance
- Provide confirmation of issue sizing, based upon actual bids received, where appropriate
- Coordinate closing arrangements with the successful bidder(s)

b. Negotiated Sales.

In the case of a negotiated sale of debt, the Consultant shall perform a thorough evaluation of market conditions preceding the negotiation of the terms of the sale of debt and will assist the District with the negotiation of final issue structure, interest rates, interest cost, reoffering terms and gross underwriting spread and provide a recommendation on acceptance or rejection of the offer to purchase the debt. This assistance and evaluation will focus on the following areas as determinants of interest cost:

- Size of financing
- Sources and uses of funds
- Terms and maturities of the debt issue
- Review of the rating in pricing of the debt issue
- Investment of debt issue proceeds
- Distribution mix among institutional and retail purchasers
- Interest rate, reoffering terms and underwriting discount with comparable issues
- Redemption provisions

11. Recommend Award of Debt Issuance.

Based upon activities outlined in Task 10(a) and 10(b) above, the Consultant will recommend accepting or rejecting offers to purchase the debt issue. If the District elects to award the debt issue, the Consultant will instruct all parties and help facilitate the actions required to formally consummate the award.

12. Provide Pre-Closing and Closing Activities.

The Consultant shall assist in arranging for the closing of each financing. The Consultant shall assist counsel in assuming responsibility for such arrangements as they are required, including arranging for or monitoring the progress of bond printing, qualification of issues for book-entry status, signing and final delivery of the securities and settlement of the costs of issuance.

**EXHIBIT B
TO
PROFESSIONAL SERVICES AGREEMENT FOR FINANCIAL ADVISOR
BY AND BETWEEN THE
YUCAIPA VALLEY WATER DISTRICT
AND
FIELDMAN, ROLAPP & ASSOCIATES**

Compensation and Expenses

Transaction Based Compensation

For Services referenced in Section 1 of this Agreement, [including Services performed after the adoption by the Governing Body of the Board of Directors, the Consultant will be compensated as described in the table below:

	<u>NEGOTIATED SALE</u>	<u>COMPETITIVE SALE</u>	<u>PRIVATE PLACEMENT</u>
Fee	\$42,500	\$47,500	\$32,500
Expenses	Not to Exceed \$4,500	Not to Exceed \$4,500	Not to Exceed \$2,500
Total Fixed Fee	Not to Exceed \$47,000	Not to Exceed \$52,000	Not to Exceed \$35,000

Payment of compensation earned by Consultant pursuant to this Part 1 shall be contingent on, and payable at the closing of the debt issue(s) undertaken to finance the Project.

Hourly Compensation

For Services referenced in Section 2 of this Agreement, the Consultant will be compensated at the then current hourly rates. The table below reflects the rates in effect as of the date of execution of this Agreement.

<u>Personnel Hourly Rate</u>	
Executive Officers	\$300.00
Principals	\$290.00
Senior Vice Presidents	\$275.00
Vice Presidents	\$225.00
Assistant Vice President	\$195.00
Senior Associate	\$150.00
Associates	\$125.00
Analyst	\$85.00
Administrative Assistants	\$65.00
Clerical	\$35.00

Hourly Compensation will be billed on a monthly basis.

Expenses

Expenses will not exceed \$4,500 and will be billed for separately and will cover, among other things, travel, lodging, subsistence, overnight courier, conference calls, computer, and fax transmission charges. Advances made on behalf of the District for costs of preparing, printing or distributing disclosure materials or related matter whether by postal services or electronic means, may also be billed through to the District upon prior authorization.

Limiting Terms and Conditions

The above compensation is based on completion of work orders within 12 months of the District's authorization to proceed, and assumes that the District will provide all necessary information in a timely manner.

The fee shown above in Part 1 presumes attendance at up to 4 meetings in the District's offices or such other location within a 25-mile radius of the District place of business as the District may designate. Preparation for, and attendance at Board of Directors meetings on any basis other than "by appointment" may be charged at our normal hourly rates as shown in Part 2, above.

Abandonment

If, once commenced, the services of the Consultant are terminated prior to completion of our final report for any reason, the Consultant will be compensated for professional services and reimbursed for expenses incurred through the time of receive notification of such termination at the standard hourly rates shown above.

STRADLING YOCCA CARLSON & RAUTH

A PROFESSIONAL CORPORATION
ATTORNEYS AT LAW
500 CAPITOL MALL, SUITE 1120
SACRAMENTO, CA 95814
TELEPHONE (916) 449-2350
FACSIMILE (916) 441-2034

DOUGLAS S. BROWN
DIRECT DIAL: (916) 449-2338
DBROWN@SYCR.COM

RENO
(775) 393-1950
SAN DIEGO
(619) 926-3000
SAN FRANCISCO
(415) 283-2240
SANTA BARBARA
(805) 730-6800
SANTA MONICA
(424) 214-7000
NEWPORT BEACH
(949) 725-4000

January 14, 2015

Mr. Joseph Zoba
General Manager
Yucaipa Valley Water District
12770 2nd Street
Yucaipa, California 92399

Dear Mr. Zoba:

We thank you for the opportunity to continue our representation of the Yucaipa Valley Water District (the "District") as bond counsel for the refunding of the District's 2004 Certificates of Participation, including drafting of the official statement and delivery of certain federal security law opinions to the underwriter. As is traditional for bond counsel matters, our fees will be contingent on the completion of the financing and will be payable from the proceeds of the relevant financing. Unless otherwise confirmed in writing, the terms of this letter and the enclosed Terms of Retention will govern our bond counsel representation of you in connection with the matters identified above.

We are attaching our normal Terms of Retention, which is an integral part of our retention agreement. If this letter, including the attached Terms of Retention, accurately reflects your understanding of our relationship, please acknowledge your approval and acceptance of these terms by signing and returning this letter to me. Copies of each are enclosed for your files. I would be pleased to answer any questions you might have.

Very truly yours,

STRADLING YOCCA CARLSON & RAUTH


Douglas S. Brown

Enclosure

The undersigned hereby agrees that the terms and conditions in this letter and the accompanying Terms of Retention shall apply to services rendered by Stradling Yocca Carlson & Rauth.

YUCAIPA VALLEY WATER DISTRICT

By: _____
General Manager

STRADLING YOCCA CARLSON & RAUTH

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 500 CAPITOL MALL, SUITE 1120
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**TERMS OF RETENTION
 OF
 STRADLING YOCCA CARLSON & RAUTH**

1. **Fees and Costs.** Stradling Yocca Carlson & Rauth (the "Firm") is compensated for its services based primarily on the value of the services and the time spent performing them. Such compensation may include the time spent on client conferences, travel, research, drafting documents, and other activities. The amount of fees charged on a statement is determined by the hours expended by the different attorneys and other professional personnel involved and the applicable rates.

Except for bond counsel matters described below, the payment is due within twenty-five days of the date of each fee and costs statement. Overdue statements will be charged interest of 10% per annum, compounded annually. If you wish to question any charge, you have agreed to do so within twenty-five days of the statement date. Please contact the partner in charge of your matters if you have any questions about any of your bills.

For bond counsel matters, payment is contingent on completion of the financing and is payable upon closing. A scope of service and the not-to-exceed fixed fee for the proposed refunding is set forth in Exhibit A.

The firm also charges for various costs such as copying, telephone charges, computerized legal research, word processing and/or other computer time, overtime costs, messenger services, travel, filing fees and other costs. Bills for some costs are passed on directly, such as bills for certified shorthand reporters, technical consultants, and other professional fees. For bond counsel matters, expenses are included in the fixed amount described above.

Services unrelated to specific transactions, including but not limited to post-closing compliance matters, arbitrage rebate compliance, continuing disclosure compliance and representation of the District in connection with Internal Revenue Service, federal or state securities law or other regulatory matters and other post-closing matters, will be billed in accordance with the provisions of the first paragraph above.

2. **Termination by Us.** We reserve the absolute right to withdraw from representing you if, among other things, you fail to honor the terms of our agreement, you fail to cooperate fully or follow our advice on a material matter, or any fact or circumstance occurs that would, in our view, render our continuing representation unlawful or unethical. If we elect to withdraw, you will take all steps necessary to free us of any obligation to perform further services, including the execution of any documents necessary to complete our withdrawal, and we will be entitled to be paid at the time of withdrawal for all services rendered and costs and expenses paid or incurred on your behalf. Notwithstanding the foregoing, no portion of any contingent bond counsel fee shall be payable in the

Yucaipa Valley Water District
January 14, 2015
Page 2

event we terminate our representation of you as discussed above prior to closing of the proposed transaction. If necessary in connection with litigation, we would request leave of court to withdraw.

3. **Termination by District.** We understand that we serve at the pleasure of the District and this Agreement may be terminated by the District at any time, upon 10 days written notification with or without cause. **In the event that our services are terminated prior to completion of a financing, no portion of any contingent bond counsel fee shall be payable to us.**

4. **Date of Termination.** Our representation of you will be considered terminated at the earlier of (i) your termination of our representation, (ii) our withdrawal from our representation of you, or (iii) the substantial completion of our substantive work for you.

5. **Related Activities.** If any claim or action is brought against us or any personnel or agents of the firm based on your negligence or misconduct, or if we are asked to testify as a result of our representation of you or must defend the confidentiality of your communications in any proceeding, you agree to pay us for any resulting fees, costs, or damages, including our time, even if our representation of you has ended.

6. **No Guarantee of Outcome.** The Firm will provide its services consistent with the level and quality of expertise expected of a nationally recognized firm specializing in securities law and the transactions contemplated by this agreement. We do not and cannot guarantee any outcome in a matter.

7. **Insurance.** We hereby advise you that this firm maintains professional errors and omissions insurance coverage applicable to the services to be rendered to you.

8. **Client.** This firm's client for the purpose of our representation is only the person or entity identified in the letter accompanying these Terms of Retention. Unless expressly agreed, we are not undertaking the representation of any related or affiliated person or entity, nor any parent, brother-sister, subsidiary, or affiliated corporation or entity, nor any of your or their officers, directors, agents, or employees.

9. **Payment Notwithstanding Dispute.** In the event of any dispute that relates to our entitlement to any payment from you, all undisputed amounts shall be paid by you. Any amounts in any client trust account held on your behalf, sufficient to pay the disputed amounts, shall continue to be held in such trust account until the final disposition of the dispute.

10. **Arbitration.** We appreciate the opportunity to serve as your attorneys and anticipate a productive and harmonious relationship. If you should feel for any reason that there is a problem with the services we have performed or with our charges, we encourage you to bring that to our attention immediately. If we perceive a problem with your representation, we likewise will endeavor to discuss it with you. Most problems should be rectified by communication and discussion. However, a dispute might arise between us which could not be resolved by negotiation. We believe that such attorney-client disputes are most satisfactorily resolved through final and binding arbitration rather than by litigation. Both the United States Supreme Court and the California

Yucaipa Valley Water District
January 14, 2015
Page 2

Supreme Court have endorsed arbitration as an accepted and favored method of resolving disputes, because it is economical and expeditious.

In arbitration, there is no right to a trial by jury and the arbitrator's legal and factual determinations are generally not subject to appellate review. Arbitration rules of evidence and procedure are often less formal and less rigid than the rules which apply in Court. Arbitration usually results in a decision much more quickly than proceedings in Court, and the attorneys' fees and other costs incurred by both sides may be substantially less. You are free to discuss the advisability of arbitration with us, or with your own independent counsel or any of your other advisors, and to ask any questions which you may have.

By signing this Terms of Retention, we agree that, in the event of any dispute or claim arising out of or relating to our engagement, our relationship, our charges, or our services (including but not limited to disputes or claims regarding our charges, professional malpractice, errors or omissions, breach of contract, breach of fiduciary duty, fraud, or violation of any statute), SUCH DISPUTE OR CLAIM SHALL BE RESOLVED BY SUBMISSION TO FINAL AND BINDING ARBITRATION IN ORANGE COUNTY, CALIFORNIA, BEFORE A RETIRED JUDGE OR JUSTICE. BY AGREEING TO ARBITRATE, YOU WAIVE ANY RIGHT YOU HAVE TO A COURT OR JURY TRIAL. Venue with regard to any ancillary proceedings arising out of such dispute or claim shall also be in Orange County. If we are unable to mutually agree on a retired judge or justice, then each side will name one retired judge or justice and the two named persons will select a neutral judge or justice who will act as the sole arbitrator. The fees of the arbitrator will be paid initially equally by both the Firm and you. However, the arbitrator shall have the right to order either party to pay all fees and costs as part of his award.

In arbitration, we shall both be entitled to conduct discovery in accordance with the provisions of the California Code of Civil Procedure, but either of us may request that the arbitrator limit the amount or scope of such discovery and, in determining whether to do so, the arbitrator shall balance the need for the discovery against the parties' mutual desire to resolve disputes expeditiously and inexpensively.

Under California law, you have the right, if you desire, to request arbitration of any fee dispute before an arbitrator or panel of arbitrators selected by a local bar association or the State Bar ("Bar Arbitration") and a trial de novo in court if dissatisfied with the result. If you do request a Bar Arbitration, the law provides that evidence of any claim of malpractice or professional misconduct is admissible only concerning the fees or costs in dispute and that the Bar Arbitrators shall not award any affirmative relief in the form of damages, offset or otherwise on account of such claim. By signing this Terms of Retention, you agree that if a Bar Arbitration is conducted, that Bar Arbitration or any trial de novo in Court thereafter shall determine only the issue of the amount of fees properly chargeable to you, if any, and that such Bar Arbitration or trial de novo in Court thereafter shall have no effect on the provisions set forth above which require arbitration before a retired judge or justice of any claims for affirmative relief based on alleged professional malpractice, errors or omissions, breach of conduct, breach of fiduciary duty, fraud or violation of any statute. Any such claims shall be solely determined in an arbitration proceeding by a retired judge or justice without regard to the result of any Bar Arbitration or trial de novo thereafter.

Yucaipa Valley Water District
January 14, 2015
Page 2

10. **Primary Attorney.** The primary attorney with responsibility for this representation will be Douglas S. Brown. The parties agree that the Firm is being retained based on the unique skill, experience, and expertise of Mr. Brown and no change will be made in the primary attorney without the prior, written consent of the District.

EXHIBIT A

SCOPE OF SERVICES

As Bond Counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation (the "Firm"), will undertake the following Scope of Services on the two initial transactions:

1. **Refunding of the 2004 Certificates of Participation – Preparation of Legal Documents.** Provide bond counsel services in connection with the proposed refunding of the District's outstanding certificates of participation executed and delivered in 2004, including but not limited to:

- advice and consultation with the general manager, finance director, general counsel, District financial advisor, underwriter(s) and the Board of Directors regarding the proposed refinancing, the revenues to be pledged, proposed financial covenants and the financing process;
- preparation of all legal proceedings in connection with the proposed financing;
- drafting various resolutions, documents and agreements for consideration by the Board of Directors of the District;
- participating in meetings, hearings or negotiations with the District staff, Board committees, Board of Directors, District financial advisor, underwriter(s) and other financing team members as the circumstances require;
- render a tax opinion that interest earned with respect to the District's debt obligation is exempt from State and Federal taxes (if applicable);and
- prepare final closing documents to be executed by the District to effect delivery of any financing (including the tax certificate) and coordinate the adoption and execution of all documents and of the closing.

The fixed fee for such services shall not exceed \$40,000.

2. **Drafting of Official Statement and Delivery of Security Law Opinions.**

- preparation of disclosure policies and procedures.
- assist the District in drafting the preliminary official statement and the final official statement.
- render a bond counsel supplemental opinion with respect to those portions of the final official statement which summarize the financing documents;

Yucaipa Valley Water District
January 14, 2015
Page 2

- render a 10b-5 opinion on certain sections of the official statements (not including the appendices thereto) addressed to the underwriter in our customary form.
- review three years of minutes of the board of directors and undertake the review of certain other documents necessary to render such 10b-5 opinion.

We understand that the District has engaged Applied Best Practices to review its compliance with its prior continuing disclosure undertaking and advise it with respect to any necessary supplemental filings.

The fixed fee for such services shall not exceed \$25,000. This fee proposal reflects the understanding that no disclosure document will be prepared in connection with the unsecured line of credit.

Director Comments



Yucaipa Valley Water District



FACTS ABOUT THE YUCAIPA VALLEY WATER DISTRICT

Service Area Size: 40 square miles (sphere of influence is 68 square miles)

Elevation Change: 3,140 foot elevation change (from 2,044 to 5,184 feet)

Number of Employees: 5 elected board members
57 full time employees

Operating Budget: Water Division - \$13,072,750
Sewer Division - \$11,689,000
Recycled Water Division - \$433,500
Total Annual Budget - \$25,195,250

Number of Services: 12,206 water connections serving 16,843 units
13,492 sewer connections serving 20,312 units
62 recycled water connections

Water System: 215 miles of drinking water pipelines
27 reservoirs - 34 million gallons of storage capacity
18 pressure zones
12,000 ac-ft annual water demand (3.9 billion gallons)
Two water filtration facilities:
- 1 mgd at Oak Glen Surface Water Filtration Facility
- 12 mgd at Yucaipa Valley Regional Water Filtration Facility

Sewer System: 8.0 million gallon treatment capacity - current flow at 4.0 mgd
205 miles of sewer mainlines
5 sewer lift stations
4,500 ac-ft annual recycled water prod. (1.46 billion gallons)

Recycled Water: 22 miles of recycled water pipelines
5 reservoirs - 12 million gallons of storage
1,200 ac-ft annual recycled demand (0.4 billion gallons)

Brine Disposal: 2.2 million gallon desalination facility at sewer treatment plant
1.108 million gallons of Inland Empire Brine Line capacity
0.295 million gallons of treatment capacity in Orange County



Yucaipa Valley Water District

THE MEASUREMENT OF WATER PURITY

One part per hundred is generally represented by the percent (%).
This is equivalent to about fifteen minutes out of one day.

One part per thousand denotes one part per 1000 parts.
This is equivalent to about one and a half minutes out of one day.

One part per million (ppm) denotes one part per 1,000,000 parts.
This is equivalent to about 32 seconds out of a year.

One part per billion (ppb) denotes one part per 1,000,000,000 parts.
This is equivalent to about three seconds out of a century.

One part per trillion (ppt) denotes one part per 1,000,000,000,000 parts.
This is equivalent to about three seconds out of every hundred thousand years.

One part per quadrillion (ppq) denotes one part per 1,000,000,000,000,000 parts.
This is equivalent to about two and a half minutes out of the age of the Earth (4.5 billion years).





GLOSSARY OF COMMONLY USED TERMS

Every profession has specialized terms which generally evolve to facilitate communication between individuals. The routine use of these terms tends to exclude those who are unfamiliar with the particular specialized language of the group. Sometimes jargon can create communication cause difficulties where professionals in related fields use different terms for the same phenomena.

Below are commonly used water terms and abbreviations with commonly used definitions. If there is any discrepancy in definitions, the District's Regulations Governing Water Service is the final and binding definition.

Acre Foot of Water - The volume of water (325,850 gallons, or 43,560 cubic feet) that would cover an area of one acre to a depth of 1 foot.

Activated Sludge Process – A secondary biological sewer treatment process where bacteria reproduce at a high rate with the introduction of excess air or oxygen, and consume dissolved nutrients in the wastewater.

Annual Water Quality Report - The document is prepared annually and provides information on water quality, constituents in the water, compliance with drinking water standards and educational material on tap water. It is also referred to as a Consumer Confidence Report (CCR).

Aquifer - The natural underground area with layers of porous, water-bearing materials (sand, gravel) capable of yielding a supply of water; see Groundwater basin.

Backflow - The reversal of water's normal direction of flow. When water passes through a water meter into a home or business it should not reverse flow back into the water mainline.

Best Management Practices (BMPs) - Methods or techniques found to be the most effective and practical means in achieving an objective. Often used in the context of water conservation.

Biochemical Oxygen Demand (BOD) – The amount of oxygen used when organic matter undergoes decomposition by microorganisms. Testing for BOD is done to assess the amount of organic matter in water.

Biosolids – Biosolids are nutrient rich organic and highly treated solid materials produced by the sewer treatment process. This high-quality product can be used as a soil amendment on farm land or further processed as an earth-like product for commercial and home gardens to improve and maintain fertile soil and stimulate plant growth.

Catch Basin – A chamber usually built at the curb line of a street, which conveys surface water for discharge into a storm sewer.

Capital Improvement Program (CIP) – Projects for repair, rehabilitation, and replacement of assets. Also includes treatment improvements, additional capacity, and projects for the support facilities.

Collector Sewer – The first element of a wastewater collection system used to collect and carry wastewater from one or more building sewer laterals to a main sewer.

Coliform Bacteria – A group of bacteria found in the intestines of humans and other animals, but also occasionally found elsewhere and is generally used as an indicator of sewage pollution.

Combined Sewer Overflow – The portion of flow from a combined sewer system, which discharges into a water body from an outfall located upstream of a wastewater treatment plant, usually during wet weather conditions.

Combined Sewer System– Generally older sewer systems designed to convey both sewage and storm water into one pipe to a wastewater treatment plant.

Conjunctive Use - The coordinated management of surface water and groundwater supplies to maximize the yield of the overall water resource. Active conjunctive use uses artificial recharge, where surface water is intentionally percolated or injected into aquifers for later use. Passive conjunctive use is to simply rely on surface water in wet years and use groundwater in dry years.

Consumer Confidence Report (CCR) - see Annual Water Quality Report.

Cross-Connection - The actual or potential connection between a potable water supply and a non-potable source, where it is possible for a contaminant to enter the drinking water supply.

Disinfection By-Products (DBPs) - The category of compounds formed when disinfectants in water systems react with natural organic matter present in the source water supplies. Different disinfectants produce different types or amounts of disinfection byproducts. Disinfection byproducts for which regulations have been established have been identified in drinking water, including trihalomethanes, haloacetic acids, bromate, and chlorite

Drought - a period of below average rainfall causing water supply shortages.

Dry Weather Flow – Flow in a sanitary sewer during periods of dry weather in which the sanitary sewer is under minimum influence of inflow and infiltration.

Fire Flow - The ability to have a sufficient quantity of water available to the distribution system to be delivered through fire hydrants or private fire sprinkler systems.

Gallons per Capita per Day (GPCD) - A measurement of the average number of gallons of water use by the number of people served each day in a water system. The calculation is made by dividing the total gallons of water used each day by the total number of people using the water system.

Groundwater Basin - An underground body of water or aquifer defined by physical boundaries.

Groundwater Recharge - The process of placing water in an aquifer. Can be a naturally occurring process or artificially enhanced.

Hard Water - Water having a high concentration of minerals, typically calcium and magnesium ions.

Hydrologic Cycle - The process of evaporation of water into the air and its return to earth in the form of precipitation (rain or snow). This process also includes transpiration from plants, percolation into the ground, groundwater movement, and runoff into rivers, streams and the ocean; see Water cycle.

Infiltration – Water other than sewage that enters a sewer system and/or building laterals from the ground through defective pipes, pipe joints, connections, or manholes. Infiltration does not include inflow. See *Inflow*.

Inflow - Water other than sewage that enters a sewer system and building sewer from sources such as roof vents, yard drains, area drains, foundation drains, drains from springs and swampy areas, manhole covers, cross connections between storm drains and sanitary sewers, catch basins, cooling towers, storm waters, surface runoff, street wash waters, or drainage. Inflow does not include infiltration. See *Infiltration*.

Inflow / Infiltration (I/I) – The total quantity of water from both inflow and infiltration.

Mains, Distribution - A network of pipelines that delivers water (drinking water or recycled water) from transmission mains to residential and commercial properties, usually pipe diameters of 4" to 16".

Mains, Transmission - A system of pipelines that deliver water (drinking water or recycled water) from a source of supply the distribution mains, usually pipe diameters of greater than 16".

Meter - A device capable of measuring, in either gallons or cubic feet, a quantity of water delivered by the District to a service connection.

Overdraft - The pumping of water from a groundwater basin or aquifer in excess of the supply flowing into the basin. This pumping results in a depletion of the groundwater in the basin which has a net effect of lowering the levels of water in the aquifer.

Peak Flow – The maximum flow that occurs over a specific length of time (e.g., daily, hourly, instantaneously).

Pipeline - Connected piping that carries water, oil or other liquids. See Mains, Distribution and Mains, Transmission.

Point of Responsibility, Metered Service - The connection point at the outlet side of a water meter where a landowner's responsibility for all conditions, maintenance, repairs, use and replacement of water service facilities begins, and the District's responsibility ends.

Potable Water - Water that is used for human consumption and regulated by the California Department of Public Health.

Pressure Reducing Valve - A device used to reduce the pressure in a domestic water system when the water pressure exceeds desirable levels.

Pump Station - A drinking water or recycled water facility where pumps are used to push water up to a higher elevation or different location.

Reservoir - A water storage facility where water is stored to be used at a later time for peak demands or emergencies such as fire suppression. Drinking water and recycled water systems will typically use concrete or steel reservoirs. The State Water Project system considers lakes, such as Shasta Lake and Folsom Lake to be water storage reservoirs.

Runoff - Water that travels downward over the earth's surface due to the force of gravity. It includes water running in streams as well as over land.

Sanitary Sewer System - Sewer collection system designed to carry sewage, consisting of domestic, commercial, and industrial wastewater. This type of system is not designed nor intended to carry water from rainfall, snowmelt, or groundwater sources. See *Combined Sewer System*.

Sanitary Sewer Overflow – Overflow from a sanitary sewer system caused when total wastewater flow exceeds the capacity of the system. See *Combined Sewer Overflow*.

Santa Ana River Interceptor (SARI) Line – A regional brine line designed to convey 30 million gallons per day of non-reclaimable wastewater from the upper Santa Ana River basin to the sewer treatment plant operated by Orange County Sanitation District.

Secondary Treatment – Biological sewer treatment, particularly the activated-sludge process, where bacteria and other microorganisms consume dissolved nutrients in wastewater.

Supervisory Control and Data Acquisition (SCADA) - A computerized system which provides the ability to remotely monitor and control water system facilities such as reservoirs, pumps and other elements of water delivery.

Service Connection - The water piping system connecting a customer's system with a District water main beginning at the outlet side of the point of responsibility, including all plumbing and equipment located on a parcel required for the District's provision of water service to that parcel.

Sludge – Untreated solid material created by the treatment of sewage.

Smart Irrigation Controller - A device that automatically adjusts the time and frequency which water is applied to landscaping based on real-time weather such as rainfall, wind, temperature and humidity.

Special District - A political subdivision of a state established to provide a public services, such as water supply or sanitation, within a specific geographic area.

Surface Water - Water found in lakes, streams, rivers, oceans or reservoirs behind dams.

Total Suspended Solids (TSS) – The amount of solids floating and in suspension in water or sewage.

Transpiration - The process by which water vapor is released into the atmosphere by living plants.

Trickling Filter – A biological secondary treatment process in which bacteria and other microorganisms, growing as slime on the surface of rocks or plastic media, consume nutrients in primary treated sewage as it trickles over them.

Underground Service Alert (USA) - A free service that notifies utilities such as water, telephone, cable and sewer companies of pending excavations within the area (dial 8-1-1 at least 2 working days before you dig).

Urban Runoff - Water from city streets and domestic properties that typically carries pollutants into the storm drains, rivers, lakes, and oceans.

Valve - A device that regulates, directs or controls the flow of water by opening, closing or partially obstructing various passageways.

Wastewater – Any water that enters the sanitary sewer.

Water Banking - The practice of actively storing or exchanging in-lieu surface water supplies in available groundwater basin storage space for later extraction and use by the storing party or for sale or exchange to a third party. Water may be banked as an independent operation or as part of a conjunctive use program.

Water cycle - The continuous movement water from the earth's surface to the atmosphere and back again; see Hydrologic cycle.

Water Pressure - Pressure created by the weight and elevation of water and/or generated by pumps that deliver water to the tap.

Water Service Line - The pipeline that delivers potable water to a residence or business from the District's water system. Typically the water service line is a 1" to 1½" diameter pipe for residential properties.

Watershed - A region or land area that contributes to the drainage or catchment area above a specific point on a stream or river.

Water Table - The upper surface of the zone of saturation of groundwater in an unconfined aquifer.

Water Transfer - A transaction, in which a holder of a water right or entitlement voluntarily sells/exchanges to a willing buyer the right to use all or a portion of the water under that water right or entitlement.

Water Well - A hole drilled into the ground to tap an underground water aquifer.

Wetlands - Lands which are fully saturated or under water at least part of the year, like seasonal vernal pools or swamps.

Wet Weather Flow – Dry weather flow combined with stormwater introduced into a combined sewer system, and dry weather flow combined with infiltration/inflow into a separate sewer system.





COMMONLY USED ABBREVIATIONS

AQMD	Air Quality Management District
BOD	Biochemical Oxygen Demand
CARB	California Air Resources Board
CCTV	Closed Circuit Television
CWA	Clean Water Act
EIR	Environmental Impact Report
EPA	U.S. Environmental Protection Agency
FOG	Fats, Oils, and Grease
GPD	Gallons per day
MGD	Million gallons per day
O & M	Operations and Maintenance
OSHA	Occupational Safety and Health Administration
POTW	Publicly Owned Treatment Works
PPM	Parts per million
RWQCB	Regional Water Quality Control Board
SARI	Santa Ana River Inceptor
SAWPA	Santa Ana Watershed Project Authority
SBVMWD	San Bernardino Valley Municipal Water District
SCADA	Supervisory Control and Data Acquisition system
SSMP	Sanitary Sewer Management Plan
SSO	Sanitary Sewer Overflow
SWRCB	State Water Resources Control Board
TDS	Total Dissolved Solids
TMDL	Total Maximum Daily Load
TSS	Total Suspended Solids
WDR	Waste Discharge Requirements
YVWD	Yucaipa Valley Water District