VICTORVILLE
California

Victorville City Council
Victorville Redevelopment Agency
Victor Valley Water District
Workshop- February 17th, 2009

SUBMITTED BY: Keith C. Metzler
Director of Economic Development

SUBJECT: SCLA Infrastructure Funding Program

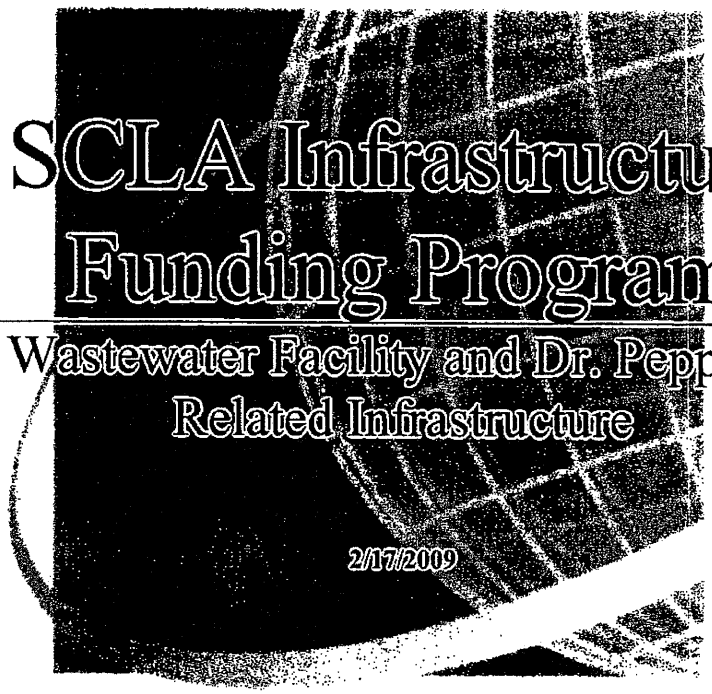
RECOMMENDATION: That the respective boards approve the SCLA Infrastructure Funding Program

DISCUSSION: The enclosed report provides an overview of the public infrastructure projects needing to be constructed at SCLA. The report addresses the public purpose for each of the infrastructure projects; it addresses economic feasibility and defines a specific approach to funding each of the improvements. Of the infrastructure improvements contained in the attached report, particular attention should be given to the SCLA Wastewater Treatment Facility. The SCLA Wastewater Treatment Facility has been designed to serve as a system wide improvement to the City's collection system, adding needed treatment and collection capacity.

The total funding program summarizes the expenditure of $67,911,961 and relies on the issuance of sewer revenue bonds of $35,869,083, sewer capital funds of $10,000,000, grants and connection fees of $13,378,251 and $8,664,627 in available redevelopment and restricted funds.

Upon approval, staff will immediately proceed in preparing necessary bond documents to facilitate the sewer revenue debt issuance. It will also bring back to the respective legislative body, appropriations request for the various construction items.

Staff will remain available for any questions or comments you might have.



SCLA Infrastructure Funding Program

SCLA Wastewater Facility and Dr. Pepper/Snapple Related Infrastructure

2/17/2009

VICTORVILLE

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EXHIBIT A – 55-ACRE DPSG SITE

EXHIBIT A-1 – AERIAL PERSPECTIVE

EXHIBIT A-2 –AERIAL PERSPECTIVE DPS SITE

EXHIBIT B – SLCA CAPITAL IMPROVEMENT COST ESTIMATE

EXHIBIT C- CONSOLIDATED CASH FLOW MODELS

PROGRAM PURPOSE

This program has been prepared to assist in providing a comprehensive overview as to how the City of Victorville (COV), the Victorville Redevelopment Agency (RDA) and the Victorville Water District (VVWD) plan to meet its financial obligations in constructing necessary infrastructure improvements at SCLA. This program is also intended to explain why the COV, the RDA and the VVWD are working together in pursuing the planned infrastructure improvements. This program should also be considered in guiding public policy as to why it is necessary for the COV to pursue treating wastewater generated from its jurisdictional limits and not continually relying on the services being provided by the Victor Valley Wastewater Reclamation Authority (VVWRA).

BACKGROUND

Since March of 2007, the COV has been working with the Dr. Pepper Snapple Group (DPSG) for the purposes of encouraging the ultimate build out of its west coast manufacturing and distribution facility at the Southern California Logistics Airport (SCLA). Resulting from this effort, the Victorville City Council and the RDA Board of Directors approved agreements on June 17th, 2008 that memorialized the transaction and responsibilities of all parties involved to fulfill the ultimate build out of the DPSG plant. Those agreements are generally described below:

- **Owner Participation Agreement (OPA)** - DPSG entered into an OPA with the RDA which requires DPSG to build an 850,000 square foot manufacturing and distribution facility capable of producing up to 40-million cases of beverage product to the western United States. The DPSG plant will be located on approximately 55-acres of property located along the western part of SCLA (Exhibit "A"). The cost to build the plant is estimated at $120 million and is expected to employ 210 employees. In exchange for building its plant, the OPA committed to provide needed public infrastructure (described below as Westside SCLA Public Infrastructure). The OPA further obligated the RDA to cause the construction of a high-strength industrial treatment facility capable of accepting, treating and discharging DPSG wastewater.

- **Wastewater Capacity and Treatment Agreement (WCTA)** – DPSG entered into a WCTA with the COV for the purpose of providing wastewater treatment services to the DPSG plant operation. The contract requires DPSG to pay $1,950,000 annually to the COV in exchange for the treatment of 585,000 gallons per day (avg. calendar day) of heavily concentrated industrial wastewater discharged from the DPSG plant. The initial term of the contract is for 20 years and guarantees an ability by the COV to collect the minimum annual payment of $1,950,000. The WCTA further permits DPSG to discharge an additional 165,000 gallons per day (avg. calendar day) when it expands its plant operations. This expansion revenue to the City of Victorville could be as much as $554,472 of additional revenue on an annual basis.

- **CONSTRUCTION MANAGEMENT AGREEMENT**- The COV entered into a construction management agreement with The Benham Companies (Benham) which will serve as the City's agent in coordinating the design and managing the construction of the wastewater

treatment facility. In approving the contract with Benham, the COV appropriated $3,750,000 from restricted sanitary funds to pay for the services provided under the construction management agreement.

- **PROFESSIONAL SERVICES AGREEMENT** - The COV entered into a professional services agreement with Woodard & Curran to provide design services for the wastewater treatment facility. The professional services agreement also provides operations and maintenance services for the plant operations once the plant becomes functional. The COV appropriated $1,600,000 from restricted sanitary funds to pay for the services provided under the professional services agreement. To date, 80% of the plant design is complete.

To date, the DPSG plant and the SCLA Wastewater Treatment Facility have been delayed principally due to environmental constraints affecting the DPSG construction. Particularly, asbestos tiles and a lead shot were discovered on the DPSG site and a lawsuit was filed by a group known as Grow Victorville Smart alleging that the City didn't adequately address requirements of the California Environmental Quality Act (CEQA). Despite the lawsuit, DPSG has been preparing for a close of escrow in the month of February, 2008 and expects to start construction as early as March 1st, 2009. Anticipating the close of escrow and the start of construction by DPSG, both the COV and RDA have to be prepared to start construction upon its various public infrastructure projects to fulfill its obligations to DPSG. The most critical piece of public infrastructure required in terms of timing is the SCLA Wastewater Treatment Facility, which is required to be complete within 14-months of the close of escrow by DPSG.

PROJECT DESCRIPTION

The SCLA infrastructure commitments have been generally categorized as the SCLA Westside Public Infrastructure project, the SCLA Wastewater Treatment Facility and the SCLA Water & Reclaimed Water Project.

SCLA WESTSIDE PUBLIC INFRASTRUCTURE

The DPSG plant is being located on what has commonly been referred to as Lot 43. Lot 43 is undeveloped real estate situated along the western boundary of SCLA, containing no public improvements and is bisected by a natural drainage course. The site generally requires public access via roadway system, drainage improvements, and underground utilities including water, gas, electric and telecommunications. Those improvements can be summarized in greater detail as the following:

Gateway Road

- Paving of Gateway Rd. from Air Expressway to Innovation, 26 ft wide and from Innovation to Momentum, 41 ft. wide. (Item P)
- Traffic signal at Gateway & Air Expressway (Item R)

Storm Drain

- 2,750 LF 36-inch storm drain along Gateway Rd from Dr. Pepper connection to Momentum Rd. (Item S)
- Drainage channel and box culverts. (Item T)

Electric

- Underground Substructure & Cabling from pick up point @ Innovation Way to site electrical service pick up point. (Item V)

Gas

- 20,000 LF of 10-inch HDPE gas distribution main from Kern River Gas meter southerly along Phantom West, west along Innovation and north along Gateway to Dr. Pepper incl. service to pad. (Item X)

Tel/Comm.

- TEL/COMM Substructure with tri-duct for fiber back-bone Innovation way pick up point to site. Plus 24-strand SMFO (Min.). (Item Y)

FAA Fence Relocation

- Grade and Install FAA fence on Gateway, between Air Expressway and Momentum. Install FAA fence on Momentum, between Gateway and Adelanto Road. Grade interior service road. Demo old fence as required. (Item AA)

SCLA Wastewater Treatment Facility

The wastewater treatment facility at SCLA has been designed to treat 2.5 million gallons per day (mgd) of wastewater (1 mgd industrial and 1.5 mgd sanitary). The wastewater treatment facility will include anaerobic and aerobic wastewater treatment utilizing membrane bioreactor (MBR) technology and UV disinfection. The wastewater treatment facility effluent will be discharged into the City's water reclamation system (purple pipe) and there will normally be no direct discharge to VVWRA. The intended use for the reclaimed water will be for cooling tower make up water at the two nearby power plants and irrigation of West Winds Golf Course. The ultimate reuse option for reclaimed water must be evaluated on a case-by-case basis to ensure public health protection. The use of reclaimed water for cooling tower makeup is a common practice in the industry, however, the end user must provide adequate cooling tower treatment conditioning and management practices to ensure public health protection. The waste bio-solids from the WWTP will either be dewatered at the WWTP and disposed of by the City or will be piped to VVWRA for conditioning, dewatering, and disposal. To help reduce operating cost, the SCLA plant has been designed to reuse the methane that is created as a result of the anaerobic digestion process and recycles the use of the biogas to be burned by electricity generating equipment already owned by the City. The SCLA treatment plant design will also recapture heat from the electrical generator and use that heat to raise the temperature of wastewater influent to create an optimal treatment condition. The SCLA treatment plant is currently designed to accommodate expansion in the event wastewater treatment demand increases.

The SCLA Wastewater Treatment Facility will provide immediate service to DPSG. The remaining 1.5 mgd will be diverted through the City's collection system from the Bureau of Prisons (.75 mgd) and from residential dwelling units (.75mgd). Improvements to the City's collection system are required to facilitate the diversion of flows. Those improvements principally include:

1. **Westside Trunk Sewer 27" Diameter**- This will intercept approximately 0.70 mgd. of existing domestic flows at approximately Tawney Ridge Lane and Brucite Road. The capacity of this system is 8.0 mgd., which will provide for the future growth of the southwest portion of

Victorville. This trunk line will flow in a northerly direction, through the City of Adelanto, before entering SCLA on the westerly side. As it continues through SCLA to the IWWTP, it will also serve the undeveloped areas of the west side of the City.

2. **The Eastside Trunk Sewer 21" Diameter**- This line is intended to intercept existing SCLA flows, including a portion of the FBOP flows, and direct them northwards to the IWWTP. The size will accommodate future growth on the Eastside of SCLA as well as the additional portion of the FBOP flows, which will be pumped through a lift station. The total flow from FBOP will be 0.75 mgd.
3. **Westside Industrial Trunk Sewer (12" – 21" Diameter)**-This line is designed to accept the industrial strength waste from the Westside of SCLA, to convey it to the anaerobic side of the IWWTP. It will serve DPSG (1.0 mgd) and has a capacity of an additional 3.0 mgd for the other future high strength industrial users.
4. **Federal Bureau of Prisons (FBOP) Lift Station-** Lift station is needed to carry FBOP waste to the existing line in Nevada Street which will be treated at the SCLA Wastewater Treatment Facility.

Among the improvements to the City's collection system, items 1-3, immediately above, are designed to accommodate future residential and commercial build out from the southwestern part of the City's jurisdictional limits, including users at SCLA. As growth is realized in the southwestern portion of the City's jurisdictional limits, that flow will be split at the point of diversion directly to the plant until the expansion of the SCLA plant is completed. The 2.5 mgd plant may be easily expanded utilizing its modular design and relying on the same operational facility built with the first (2.5 mdg) phase.

SCLA WATER & RECLAIMED WATER PROJECT

The Victorville Water Department is making system improvements to its potable water system within the City and at SCLA. It is also installing backbone reclaimed water improvements that will help in furthering the City's goal in reusing recycled water. Those improvements are better outlined as follows:

Water

- Westside Feed: 16,400 LF of 24-inch pipeline from Amethyst/Tawney Ridge north along Amethyst, west along Rancho Rd then north along Cobalt to Air Expressway.
- SCLA: 2,200 LF of 18-inch pipeline on Gateway from Air Expressway to Innovation and 3,500 LF of 24-inch pipeline on Gateway north of Innovation to Momentum.

Reclaimed Water

- Northern Reclaimed Water Main: Perimeter Road to IWWTP
- Elevated storage tank at SCLA
- VVWRA pump upgrade
- Service to VV2
- Pumping to VV2

PROJECT PURPOSE

SCLA Westside Public Infrastructure

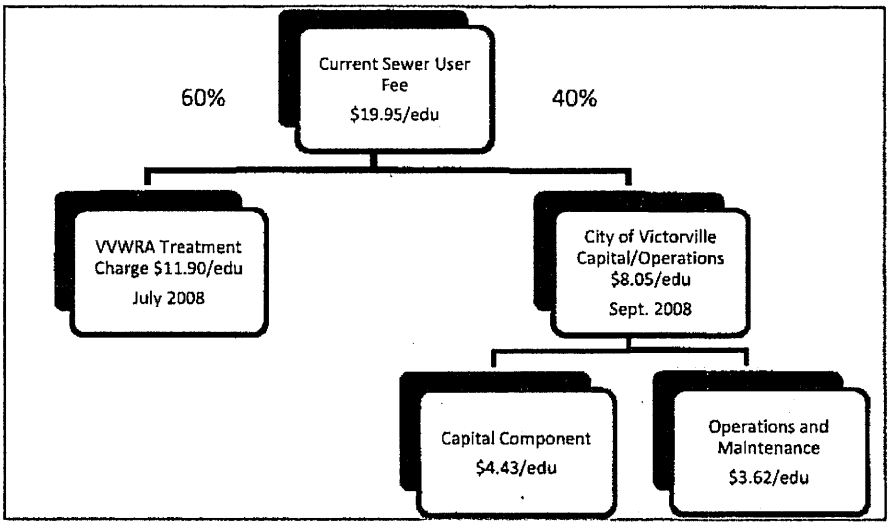
The RDA traditionally chooses to invest in public infrastructure to encourage development within its redevelopment project areas. The DPSG site is located within Victorville's portion of the VVEDA Project Area (the SCLA Project Area) and once the DPS facility is complete, the RDA will generate tax increment revenues that can either be used to repay itself for cost it may have fronted for initial improvements or it could leverage that tax increment revenue to fund the construction of additional public improvements. As the project is being developed at SCLA, the Council also has encouraged that the RDA investments be made in projects that generate employment opportunities for Victorville and the Victor Valley. The DPSG project is expected to generate a significant amount of tax increment (discussed below in the economic feasibility section) and directly employ 210 employees. It is also expected that the name recognition of DPSG will create a greater sense of awareness that SCLA is a location for companies to do business cost effectively. Already resulting from the DPSG commitment to locate at SCLA, a plastic bottle manufacturer is currently negotiating the lease of Building 13A so that it can produce plastic bottles for the DPSG operation. The plastic bottle manufacturer is expecting to employ an additional 200 employees.

SCLA Wastewater Treatment Facility

The requirement to satisfy industrial waste from the DPSG plant is very similar in nature to industrial development requirements the COV was unable to accommodate in the past due to the unfavorable fee structure adopted by the VVWRA for industrial (food and beverage) manufacturers. Because of this and due to concerns the COV has with respect to its continued reliance upon VVWRA to satisfy its wastewater treatment needs, the COV has pursued the design of a treatment facility capable of accommodating industrial waste generated at SCLA and the capture of domestic wastewater from residents of the COV.

The SCLA Wastewater Treatment Facility, described above, is designed as an improvement to the system already collecting wastewater throughout the City and has been identified in the City's ten-year capital improvement program budget. Treating its own wastewater, the COV will be able to position itself to better control the long term wastewater treatment costs and better represent accountability to its residents, which currently, Victorville residents are subject to decisions made exclusively by a regional board, the VVWRA. In that regard, rates adopted by the VVWRA have to be directly passed through to residents of the COV. The illustration below summarizes the flow of funds collected from residents in the COV.

Figure 1



The chart provided above identifies that Victorville currently collects $19.95 per edu. This amount contains $11.90 per edu that the COV passes through directly to the VVWRA to serve as treatment cost. The remaining amount or $8.05 per edu then gets retained by the COV to satisfy its system wide capital needs and its operating and maintenance costs. On July 1st, 2009, VVWRA is expected to effectuate its next rate increase, from $11.90 per edu to $18.76 per edu (a 58% increase).

Figure 2

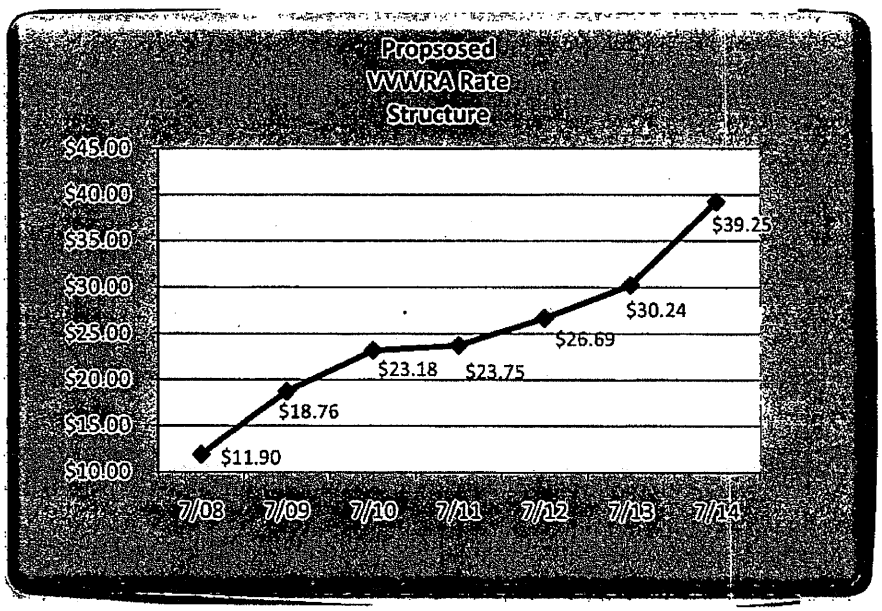


Figure 2 above goes on to demonstrate what is known by COV staff with respect to VVWRA's plan for future rate increases. The proposed VVWRA rate increase will cause the rate charged by the COV to

increase from $19.95 to $26.81 on a direct pass through basis in July 2009. This assumes the COV maintains its capital and operations/maintenance costs fixed at $8.05 per edu.

The SCLA Wastewater Treatment Facility will also permit the COV to be more competitive in attracting heavy industrial wastewater dischargers, such as those that operate as manufacturers of food and beverage. When first approached by the DPSG, staff assessed what VVWRA would charge in the form of a connection and a sewer use fee. Sewer connection and usage fees were critically important to DPSG as it was proposing to discharge a highly concentrated industrial waste, amounting to 585,000 gallons per day, with a chemical oxygen demand (COD) of 28,000 pounds per day. Based on the published rate structure for the VVWRA, connection fees and usage fees would have cost DPSG as much as $38,740,000 initially, and $1,020,000 annually, respectively. Because such charges rendered the DPSG economically infeasible, staff decided to research alternatives that could help in creating a more economically feasible industrial wastewater solution. Relying on the expertise of Woodard & Curran and the Benham Companies, a wastewater treatment model was developed that allowed the COV to charge the DPSG $1,950,000 annually. Included as a part of the annual charge, DPSG was required to pay an initial connection cost of $810,000 (already collected by the COV). It will also pay as a part of the annual $1,950,000 fee, its fair share of operations and maintenance cost of the plant currently estimated at $732,006 annually and the remaining amount of $1,217,994 will be available to repay debt obligations that may be necessary to build the industrial side of the SCLA Wastewater Treatment Facility. For comparison purposes, the connection cost that DPSG is paying to the City (with most of it being financed through the annual user charge) is $14,531,860.

If the COV chose to do nothing, it would not have been able to successfully negotiate the DPSG transaction. It would also preclude itself from successfully attracting similar industrial uses to SCLA or any other location in the COV. The COV would also be required to continue in being totally dependent on the VVWRA to provide all of its wastewater treatment needs, which as we currently know, can't continue to do so without passing on major cost increases to the residents of the COV.

SCLA WATER & RECLAIMED WATER PROJECT

The City of Victorville (City) is currently the only entity that uses VVWRA reclaimed water for something other than meeting the Fish & Game obligation to the Mojave River. The City prefers to use reclaimed water for industrial uses in lieu of irrigation. Industrial uses, similar to reclaimed water production, are fairly consistent year round. Irrigation uses fluctuate through the year, which create excesses during the winter months. Therefore, industrial uses tend to be the most efficient way to utilize reclaimed water.

The City has a 16-inch purple pipeline that delivers irrigation water from VVWRA to the West Winds Golf Course. The City ultimately plans on connecting the reclaimed system to the various hangers' fire protection systems. The hangers currently use potable water for fire protection. The City is also constructing a one million gallon elevated storage tank, which will provide pressurized (via gravity) reclaimed water. Additional purple pipe is currently under design to connect the existing 16-inch purple pipeline to the current and future power plants and other proposed industrial uses. The future Victorville 2 Power Project is already permitted to use reclaimed water as its primary source of cooling water.

The High Desert Power Project (HDPP) is currently revising their California Energy Commission permit to allow them to utilize reclaimed water for cooling in lieu of State Water Project Water. Once HDPP stops using State Water Project water for cooling, up to 4,000 acre feet per year of additional State Water Project water will be available for percolation in the Victor Valley area. 4,000-acre feet is enough water to supply about 5,000 homes. Both the Mojave Water Agency and the State Water Resources Control Board support using reclaimed water for cooling in lieu of State Water Project water.

ECONOMIC FEASIBILITY

SCLA WESTSIDE PUBLIC INFRASTRUCTURE

The DPSG site is located within Victorville's portion of the VVEDA Redevelopment Project Area (SCLA Project Area). Because of this, the RDA will receive property tax increment directly attributed to the DPSG build out. The DPSG OPA commits DPSG to build a facility that triggers an assessed valuation upon completion of $100,000,000. The assessed valuation of $100,000,000 is expected to yield two forms of tax increment to the RDA. The first form is tax increment to benefit the RDA's low-moderate income housing fund. The second form of tax increment is to benefit the RDA's general operating account. The low-moderate income housing fund is expected to benefit from the DPSG project in the amount of $200,000 annually. The RDA's general operating account is expected to generate an estimated $580,000 annually. For the purpose of this analysis, the amount generated to the RDA's general operating account is the amount that should be utilized to determine financial feasibility associated with investments made by the RDA.

Of the entire $67,911,961 that represents the cost for all of the SCLA Infrastructure Improvements contemplated under this plan, $10,508,340 can be attributed to the DPSG development. This is to mean if the DPSG wasn't to be built; the City/RDA wouldn't immediately be installing the subject improvements. Of the $10,508,340, $5,904,591 represents a cost that is the responsibility of the RDA. The remaining $4,603,749 is being funded through a combination of grant funds, connection fee revenues and Measure I funds. Combined, those costs consist of the items labeled as items P, R,S,T,V,W,X,Y, AA and are more particularly detailed in the Exhibit "B" entitled SCLA Capital Cost Estimate.

The immediate plan to fund the costs responsible to the RDA is from funds appropriated by the Board. At the June 17th 2008 RDA board meeting, the Board appropriated $6,500,000 which was made available as loan between the Bear Valley Road Redevelopment Project Area fund and the SCLA Project Area fund. This loan between project area's is intended to serve as a short term funding mechanism until such a time that the SCLA Project Area fund has adequate cash available to repay the Bear Valley Road Redevelopment Project Area fund or until it bonds against new growth within the SCLA Project Area. Staff believes that adequate cash to repay the Bear Valley Road Redevelopment Project Area fund will be available once the City recovers SCLA Project Area funds used in connection with the City's acquisition of generating equipment for the VV2 power plant. Absent the recapture by the City of money's used in connection with VV2, the SCLA Project Area fund should expect to issue long term debt against the DPSG tax increment revenue stream, along with any additional capacity that may be realized in the SCLA Project Area. For purposes of this discussion, if the SCLA Project Area fund was used to issue bonds against the DPSG tax increment alone, a tax exempt issue could be estimated to generate a gross amount of $6,386,881. This calculation assumes an interest rate of 6% and a debt service coverage ratio of 1.25.

Because the RDA is currently in a position to cash flow its public improvement costs, the Board shouldn't consider issuing a bond against the DPSG tax increment revenues until such a time that DPSG has completed the construction of its plant and/or after the Board has determined it is unable to reimburse the Bear Valley Road Project Area fund from VV2 proceeds.

Finally, the RDA's public infrastructure investment should be considered as necessary to facilitate future industrial growth along the west side of SCLA. Based on the remaining acreage of approximately 243-acres along the west side, the public infrastructure being installed as a part of the DPSG project will provide functional utility to an estimated 4,200,000 square feet of additional industrial space.

SCLA Wastewater Treatment Facility

The COV system primarily contains sewer lines throughout the City which serves as a collection system and discharges collected waste to a central interceptor line owned by the VVWRA. Once transmitted to the VVWRA interceptor line, Victorville wastewater is comingled with regional wastewater and sent to the VVWRA treatment plant for treatment. The SCLA Wastewater Treatment Facility should be considered as a system upgrade as it adds treatment capacity for the purposes of accommodating future growth and it adds overall line capacity to the system which will provide relief to older sewer lines throughout the City that are nearing capacity. To understand the financial relationship between the sewer systems current business model versus a business model that would include its own treatment component, Figure 3 below has been provided to give a sense of the net effect of revenues versus expenditures. Figure 4 below provides a similar sense of the net effect of revenues versus expenditures with the addition of a treatment component and an upgrade to the capacity of the collection system.

Figure 3, Cash Flow Statement Years Ending 2007 & 2008

	Unaudited	
	2007	2008
Receipts		
Operating revenues		
Total revenues	7,531,584	7,356,096
Nonoperating revenues (expenses)	145,681	161,603
Add revenues receivable at beginning of year	288,197	73,816
Less revenues receivable at end of year	(73,816)	(86,179)
Net increase (decrease) in unearned revenues	2,250	(102,103)
Net operating revenues received	7,893,896	7,403,233
Other revenues (expenses)		
Nonoperating revenues		
Total other revenues (expenses)	7,883,446	1,873,396
Add back non-cash expense - debt forgiven		3,402,057
Less developer contributions of property	(7,142,176)	(4,795,331)
Net other revenues	741,270	480,122
Total revenue based receipts	8,635,166	7,883,355
Other receipts		
Loan advances	-	-
Total other receipts	-	-
Total receipts	8,635,166	7,883,355
Disbursements		
Operating expenses		
Total operating expenses	5,654,714	7,363,720
Add beginning balance of accounts payable	351,674	79,044
Less ending balances of accounts payable	(79,044)	(460,903)
Less depreciation	(946,382)	(1,093,427)
Add accued interest at beginning of year	91,019	-
Less accrued interest at end of year	-	-
Total operating expenses	5,071,981	5,888,434
Capital expenditures		
Capital assets acquired - gross	7,409,487	5,295,193
Less developer contributions of property	(7,142,176)	(4,795,331)
Net cost of acquired assets	267,311	499,862
Debt and debt service		
Principal retirements	-	-
Rounding	-	5
Total disbursements	5,339,292	6,388,301
Net cash flow	3,295,874	1,495,054
Beginning cash balances	12,336,754	15,632,628
Ending cash balances	15,632,628	17,127,682

The primary revenue category identified in Figure 3 above is summarized as total revenues. The total revenues category consists of charges for service, which is the residential and commercial collection of $19.95 per monthly edu. In addition to the charges for service category, the sanitary fund also receives a share of the property taxes generated throughout the City which are restricted for sanitary purposes. On the expense side, the largest of expenditures is for treatment cost paid to VVWRA and for operations and maintenance related costs to the collection system. The most important point to draw from Figure 3 is the figures contained in the net cash flow category. The sanitary fund traditionally operates with a positive net cash flow which is in large result, due to the difference in what the COV collects in revenue from its users ($19.95/edu) and the amount passed through to the VVWRA for treatment costs ($11.90/edu). All net cash flows are required to supplement the capital fund so that improvements and enhancements can be made to the system. Equally important to note is that as the sanitary fund traditionally operates with a positive net cash flow, the expenditure side of the cash flow model includes a net cost of capital improvements made to the system from capital funds, which is to mean that developer contributions to the system have been greater than improvements directly paid by the City.

Figure 4 below provides for a cash flow projection starting in the current fiscal year and concluding at the end of the 2017 fiscal year. The cash flow projections going forward provide for a substantive change from the business model operated through the end of the 2008 fiscal year. The primary changes include the issuance of debt to finance the SCLA Wastewater Treatment Plant improvements (included in the non-operating revenues category). The projected cash flow model contemplates a cash infusion of $10,000,000 from the sanitary capital account and raising the remaining costs ($35,869,083) through the issuance of a debt instrument. Constructing the plant brings on a new set of revenue and cost opportunities. First, the plant operation is contracted to generate a minimum of $1,950,000 annually from DPSG. Broken down, this amount represents $1,218,000 to fund the financing of its capital share of the treatment plant. The remaining $732,000 is available to fund its share (40%) of operating costs for the treatment plant. Treatment of the DPSG wastewater represents new flow to the system. In addition to the new flow revenue from DPSG, the COV will divert flow (up to 1.5 mgd) within the City's collection system to the SCLA Treatment Plant by constructing upstream system improvements. The diversion of flows includes .75 mgd of flow from the Federal Bureau of Prisons. Doing so will permit the City to retain the full $19.95/edu (plus industrial strength surcharges) for flow up to 1.5 mgd, estimated at $1,465,714 and assist in offsetting the operating and capital costs of the plant.

In addition to the sewer user revenue mentioned immediately above, the SCLA treatment plant will produce reclaimed water to a Title 22 standard. This water can be reused and the projected business model contemplates the sale of reclaimed water principally to the VV1 and VV2 power plants. The projected cash flow contemplates the sale of reclaimed water for $300 per acre foot and the plant expects to generate an equivalent of approximately 6.4-acre feet per day. Annualized, this revenue source is projected to be valued at $700,800 in year one of operations.

The changes in the cost structure primarily include debt associated with the financing of capital improvements. Change in the cost structure also includes operating costs associated with the new plant operations, approximately $1.83 million per year.

The most important point to note in Figure 4 below is the positive trending ending cash balance, which is to mean, net cash flow is positive after accepting new plant revenues and new plant costs. Compelling in

Figure 4 is that the cash flow covers capital expenses not only associated with the construction of the treatment plant but it doesn't neglect capital improvements that are a part of the City's adopted capital improvement program. In fact, this cash flow includes an extremely aggressive capital expenditure towards capital upgrades to the collection system within the City. More specifically, the fiscal years ending 2009 and 2010 include approximately $12.86 million of system upgrades beyond the capital outlay for the SCLA treatment plant. This is particularly why it appears the fund balance drops so dramatically at the conclusion of the 2010 fiscal year. Even more compelling is the fact that the cash flow projection doesn't include user fee increases that are currently being contemplated by the VVWRA (See Figure 2 above). This is important to recognize because as the VVWRA raises its rates, the COV must do so as well so that it doesn't inherit a financial liability by not collecting enough from its customers. The net effect to the City's system if VVWRA raised its rates would be an increase to net revenue which could assist in further expanding its capital improvement plan. If it wasn't for the anticipated rate increases being proposed by the VVWRA, based on Figure 4 below, the City doesn't expect that it would have to raise its rates beyond the amount needed to keep pace with inflation.

Finally, so that the City can avoid an argument that might be suggestive of it exclusively using capital funds that should instead be spent on the master planned collection system, the City as a function of this plan, should direct that all connection fees collected by developers that tie into the SCLA Wastewater Treatment Facility (up to 6,122edu's) should be refunded to the sanitary capital fund to supplement capital expenditures to the citywide collection system. Figure 4 contemplates this refund.

Figure 4 Projected Cash Flows

	Projected								
	2009	2010	2011	2012	2013	2014	2015	2016	2017
Receipts									
Operating revenues									
Total revenues	8,202,044	10,317,223	11,151,042	11,266,387	11,414,505	11,566,065	11,721,148	11,879,837	12,042,217
Nonoperating revenues (expenses)	(23,011)	(2,503,317)	(2,733,698)	(2,708,828)	(2,681,894)	(2,652,725)	(2,621,134)	(2,586,922)	(2,549,870)
Add revenues receivable at beginning of year	86,179	85,000	90,000	86,000	85,000	90,000	86,000	86,000	86,000
Less revenues receivable at end of year	(85,000)	(90,000)	(86,000)	(85,000)	(90,000)	(86,000)	(86,000)	(86,000)	(86,000)
Net increase (decrease) in unearned revenues	-	-	-	-	-	-	-	-	-
Net operating revenues received	8,180,212	7,808,907	8,421,344	8,558,559	8,727,611	8,917,340	9,100,014	9,292,915	9,492,348
Other revenues (expenses)									
Nonoperating revenues									
Total other revenues (expenses)	3,000	2,446,000	3,671,000	3,846,000	4,021,000	4,196,000	4,371,000	4,546,000	3,384,000
Add back non-cash expense - debt forgiven	-	-	-	-	-	-	-	-	-
Less developer contributions of property	-	-	-	-	-	-	-	-	-
Net other revenues	3,000	2,446,000	3,671,000	3,846,000	4,021,000	4,196,000	4,371,000	4,546,000	3,384,000
Total revenue based receipts	8,183,212	10,254,907	12,092,344	12,404,559	12,748,611	13,113,340	13,471,014	13,838,915	12,876,348
Other receipts									
Loan advances	19,569,241	16,299,842	-	-	-	-	-	-	-
Total other receipts	19,569,241	16,299,842	-	-	-	-	-	-	-
Total receipts	27,752,453	26,554,748	12,092,344	12,404,559	12,748,611	13,113,340	13,471,014	13,838,915	12,876,348
Disbursements									
Operating expenses									
Total operating expenses	7,594,467	7,908,435	10,940,033	11,226,923	11,453,648	11,780,257	12,020,799	12,263,328	12,437,095
Add beginning balance of accounts payable	460,903	320,000	325,000	320,000	315,000	310,000	350,000	360,000	370,000
Less ending balances of accounts payable	(320,000)	(325,000)	(320,000)	(315,000)	(310,000)	(350,000)	(360,000)	(370,000)	(365,000)
Less depreciation	(1,468,027)	(1,607,707)	(3,608,390)	(3,820,390)	(3,970,390)	(4,218,390)	(4,378,390)	(4,538,390)	(4,627,590)
Add accued interest at beginning of year	-	-	-	-	-	-	-	-	-
Less accrued interest at end of year	-	-	-	-	-	-	-	-	-
Total operating expenses	6,267,343	6,295,728	7,336,643	7,411,533	7,488,258	7,521,866	7,632,409	7,714,937	7,814,505
Capital expenditures									
Capital assets acquired - gross	38,547,241	19,791,842	4,148,000	5,300,000	3,750,000	6,200,000	4,000,000	4,000,000	2,230,000
Less developer contributions of property	-	-	-	-	-	-	-	-	-
Net cost of acquired assets	38,547,241	19,791,842	4,148,000	5,300,000	3,750,000	6,200,000	4,000,000	4,000,000	2,230,000
Debt and debt service									
Principal retirements	-	-	299,637	324,507	351,441	380,611	412,201	446,413	483,466
Rounding	-	-	-	-	-	-	-	-	-
Total disbursements	44,814,584	26,087,570	11,784,280	13,036,040	11,589,699	14,102,477	12,044,610	12,161,351	10,527,970
Net cash flow	(17,062,131)	467,179	308,064	(631,482)	1,158,912	(989,137)	1,426,404	1,677,564	2,348,377
Beginning cash balances	17,127,682	65,551	532,730	840,793	209,312	1,368,224	379,087	1,805,491	3,483,055
Ending cash balances	65,551	532,730	840,793	209,312	1,368,224	379,087	1,805,491	3,483,055	5,831,432

SCLA WATER AND RECLAIMED WATER PROJECT

The potable water related improvements rely on the use of available cash in the water districts capital funds to pay the construction of the identified improvements. The water district fund will be required to cash flow the entire $4,125, 200 however, it will be reimbursed in the amount of $2,910,710 from an OEA/EDA grant once the improvements are complete. Connection fees collected from DPSG and future users at SCLA will serve as the recapture mechanism for the potable water related improvements.

The reclaimed water improvements also rely on the use of available cash in the water districts capital funds to pay for construction. Water district funds will be used to front the initial costs associated with reclaimed water improvements and its investment in the system will be repaid through the combination of an EPA grant ($1,111,300) and future connection fees. The VVWD will also preserve the ability to cover operating and maintenance related expenses through the sale of reclaimed water to end users. It is conservatively estimated that the VVWD will be able to resell reclaimed water to the power plants at a cost of $380 in 2010. The spread between $300 per acre foot being relied upon in the SCLA treatment plant model and the amount VVWD could sell the reclaimed water for ($380) is the amount that it could use to offset its capital and operations/maintenance costs.

FINANCIAL PLAN

The entire SCLA Infrastructure Funding Plan is currently estimated at $67,911,961. From that amount, $13,378,251 (or 19.7%) is estimated to be collected though a combination of grants and connection fees. Exhibit "B" entitled SCLA Capital Improvement Cost Estimate provides a summary of the larger scope of improvement costs and related funding sources.

SCLA WESTSIDE PUBLIC INFRASTRUCTURE ($10,508,340)

Memorialize through a formal loan agreement, the transfer of $5,904,591 from the Bear Valley Road Project Area Fund to the SCLA Project Area Fund. The RDA should expect to repay the Bear Valley Fund as funds become immediately available and those funds should include any amounts recovered by the SCLA Project Fund in connection with the City's sale of the GE equipment contract and from bond proceeds obtained in connection with a tax allocation bond secured by tax increment revenues. Because this program uses funds that would otherwise be used by the RDA for improvements within the Bear Valley Road Redevelopment Project Area and because the Bear Valley Road Redevelopment Project Area has capital requirements of its own, the RDA should expect to repay the inter-project area loan not later than June 30th, 2010. The RDA might also want to consider issuing a tax allocation bond against available capacity of the Bear Valley Project Area so that it doesn't have to delay capital investments of its own in the Bear Valley Project Area.

The natural gas pipeline (Item X) has been determined an eligible expenditure to be funded from an OEA/EDA grant obtained from the federal government. Natural gas connection fees collected from DPSG at the time DPSG pulls a permit shall also be used to fund natural gas pipeline costs. Any unspent natural gas connection fee shall be applied to offset the RDA's infrastructure obligation.

Gateway Road (Item P) has been determined an eligible expense from restricted Measure I funds and should be paid from said funding source.

Electricity improvements (Item V) should be funded first from connection fees received from DPSG and remaining costs shall be the obligation of the RDA.

SCLA WASTEWATER TREATMENT FACILITY ($46,129,081)

The City's restricted sanitary fund contains $17,127,682 (fiscal year ending 2008) and should be used on a short term basis to cash flow long lead contract items that require an appropriation of funds.

The City shall pursue the issuance of tax exempt bonds (in an amount that will yield $46,129,081to the capital fund) to be secured by the following sewer revenue sources:

- Sewer revenue receipts of $19.95/edu for the 1.5 mgd of wastewater diverted to the SCLA Wastewater Treatment Plant or an estimated $1,465,714 annually.
- Property taxes collected throughout the COV that are dedicated for sewer related purposes, or an estimated $1,500,000.

- The capital component of $4.43/edu generated from wastewater flows not diverted to the SCLA Wastewater Treatment Plant or an estimated $1,440,744 annually. In leveraging use of this capital charge for the treatment plant construction, the capital account should be reimbursed directly from the connection fees the City collects from new users connecting to the SCLA Wastewater Treatment Plant. The amount reimbursed should be the value of 6,122 edu's or, $19,682,000.
- Reclaimed water sales equivalent to $700,800 annually based on a $300/acre foot at 6.4-acre feet of water per day.

Bond proceeds should be used first to reimburse costs incurred against the restricted sanitary fund that are eligible as a tax exempt project. Bond proceeds should then be used next to cash flow the remaining tax exempt improvement needing to be constructed.

Cash available in the restricted sanitary fund shall be used to fund on an intermediate term, the taxable improvements until such a time that the financial markets recover and a more conventional financing mechanism becomes available to take out the non tax-exempt piece.

The City should direct all connection fees collected by developers that tie into the SCLA Wastewater Treatment Facility (up to 6,122edu's) to the sanitary capital fund to supplement capital expenditures to the citywide collection system.

SCLA WATER & RECLAIMED WATER PROJECT ($11,274,540)

Water Improvements (Items H & I) should be funded in the amount of $4,905,650 from cash available in the restricted water department capital fund.

Reclaimed water improvements (K-O) should be funded initially from available restricted capital funds of the water department in the amount of $6,368,890. The restricted capital fund shall be reimbursed in the amount of $1,111,300 from an EPA grant obtained from the federal government, and $4,637,640 through the collection of connection fees due from the VV1 and VV2 power plants.

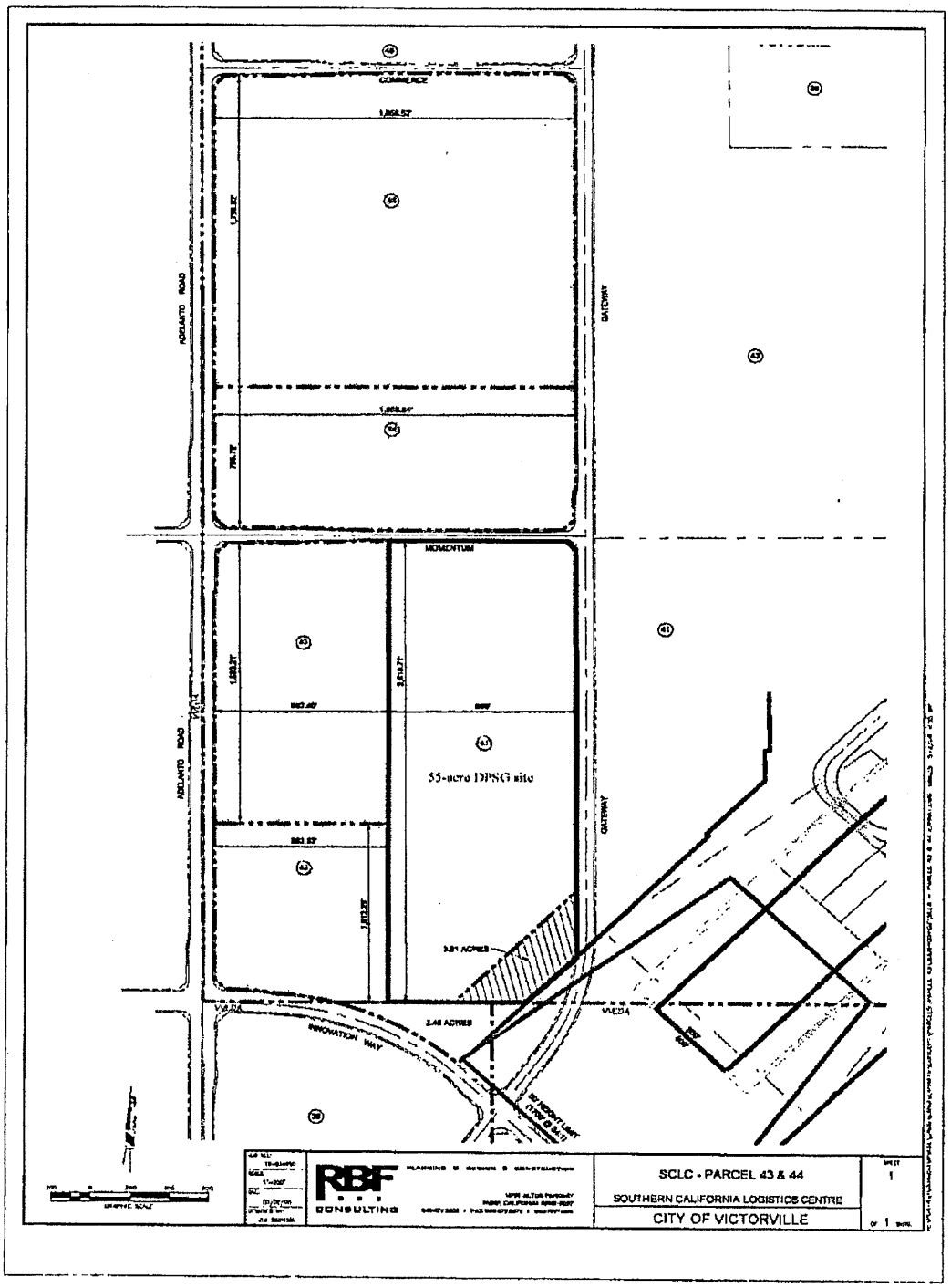
Figure 5, Total Cost Summary

DR. PEPPER SUBTOTAL	**$10,508,340**
IWWTP SUBTOTAL	**$46,129,081**
REMAINDER ITEMS H, I, K,L,M,N,O SUBTOTAL (WHITE)	**$11,274,540**
GRAND TOTAL	**$67,911,961**
TOTAL OF GRANTS ($6,312,541) plus CONNECTION FEES	**$13,378,251**
NET	**$54,533,710**

In summary, the respective projects discussed as a part of this funding program will cost the amounts provided for in Figure 5, above.

Finally, because the City Council and Boards of Directors will be requesting appropriations on an ongoing basis to fund related construction items, the Council and Boards should ensure first that appropriations requests are consistent with this funding plan.

Exhibit A



55-acre DPSG site SCLC - PARCEL 43 & 44SOUTHERN CALIFORNIA LOGISTICS CENTRE

Exhibit A-1Aerial Perspective (Subject to Change)

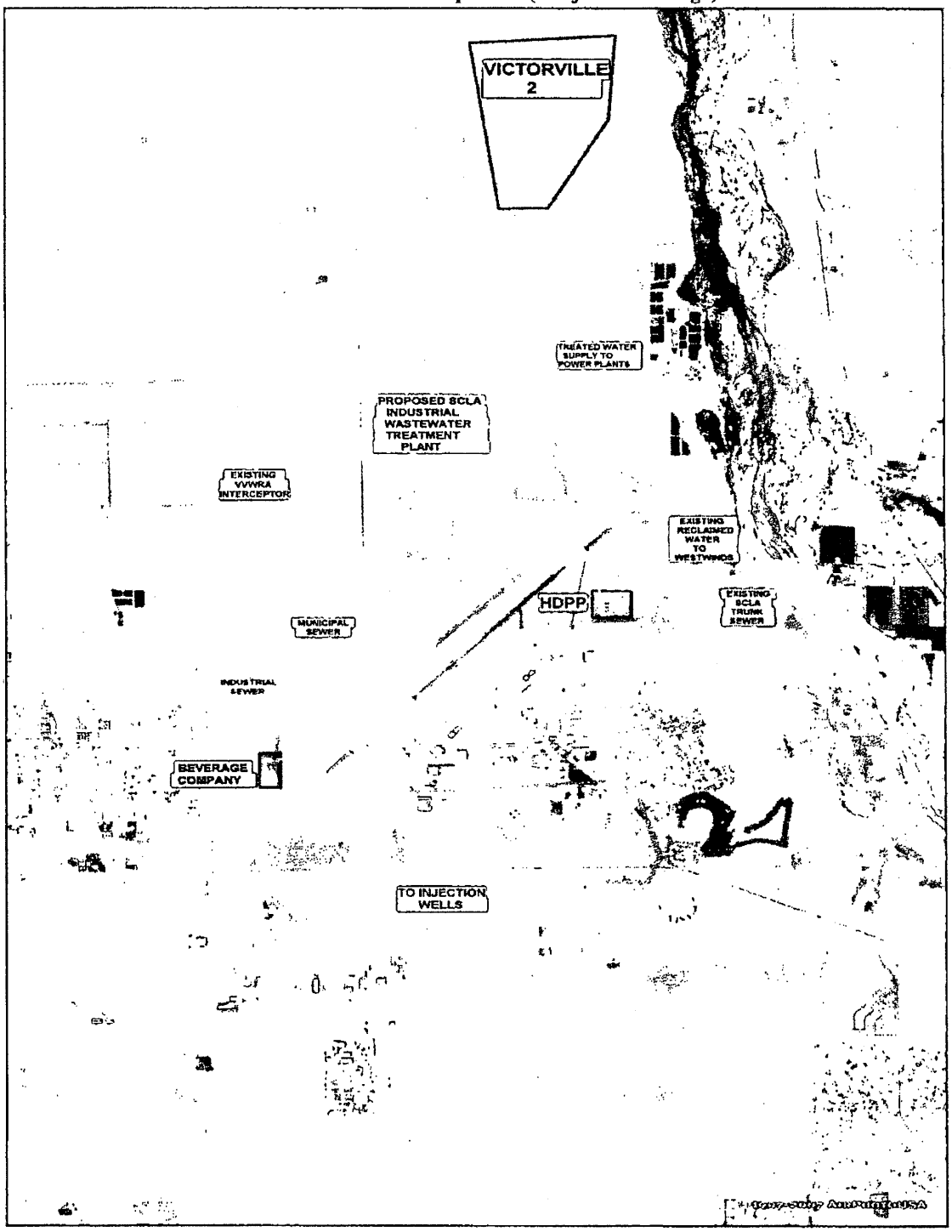


Exhibit A-2 Aerial Perspective DPS Site

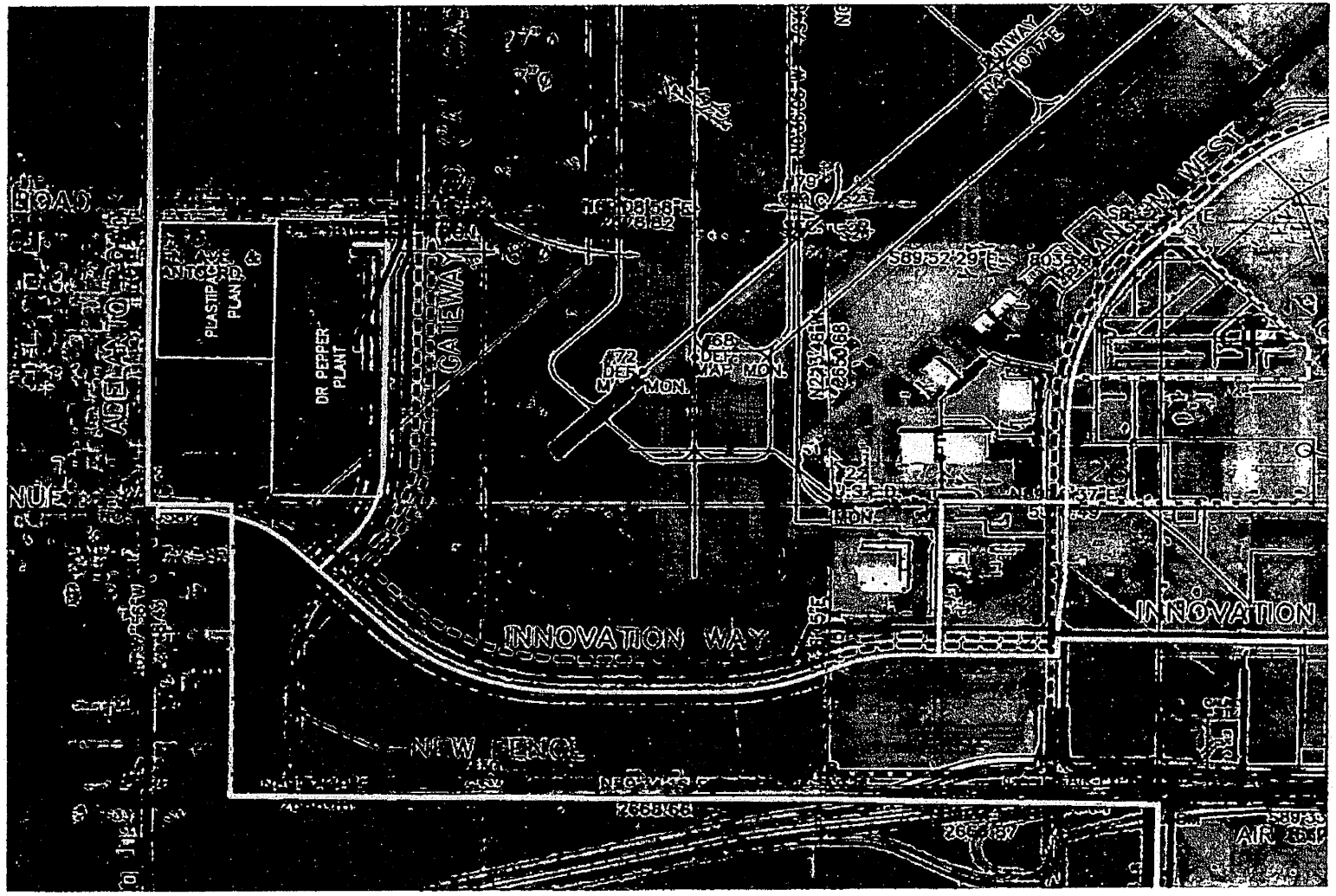


Exhibit B

SCLA Capital Improvement Cost Estimate

Step Label	Type of Improvement	Project	Description	Cost Estimate	Funding Sources (Including Grant Matches)											
					EDA/EDA Grant	SFA Grant	[illegible]	Water District Funds	Connection Fees: Sewer	Connection Fees: Water	Connection Fees: Reclaimed Water	Connection Fees: Electric	Connection Fees: Gas	SCLA Bond Proceeds	Grayson Bond Fee (1.5%)	
A	TREATMENT	IWWTP	Design, construction, and management of the industrial and domestic waste water treatment plant	$ 19,454,873					$ 810,000						$ 19,133,005	$ 13,721,868
B	TREATMENT	IWWTP Expansion*	+2.5 MGD	$ -											$ -	
C	TREATMENT	Sludge Line	5,500 LF of 12 inch pipeline to transport IWWTP sludge to VVWRA (incl. VVWRA fee $30%)	$ 545,984											$ 278,452	$ 267,532
D	SEWER	Industrial	20,000 LF of PVC/VCP from Gateway/Innovation to IWWTP to provide industrial sewer capacity to the industrial developments at SCLA.	$ 2,847,153											$ 2,455,669	$ 391,485
E	SEWER	Westside Trunk	45,000 LF of PVC/VCP from Bruckle/Tawney Ridge to IWWTP to collect flows from SCLA and west and north west Victorville and route to IWWTP.	$ 8,686,832											$ 8,596,585	$ 90,247
F	SEWER	Eastside Trunk	10,000 LF of PVC/VCP from S/O HDPP to IWWTP to intercept flows from the prison and SCLA and divert them to IWWTP.	$ 1,866,896											$ 1,866,896	$ -
G	SEWER	HDDP Lift Station	Lift station to carry HDDP waste to the line in Nevada which will be treated at IWWTP	$ 1,095,497											$ 1,095,497	$ -
H	WATER	Westside Road	16,400 LF of 24 inch pipeline from Amethyst/Tawney Ridge north along Amethyst, west along Rancho Rd then then north along Cobalt to Air Expressway	$ 4,124,390	$ 2,910,710			$ 1,214,490								
I	WATER	Dr Pepper Service	2,300 LF of 18 inch pipeline on Gateway from Air Expressway to Innovation and 1,500 LF of 24-inch pipeline on Gateway north of Innovation to Momentum.	$ 780,450				$ 480,450		$ 300,000				$ -		
J	SAS	IWWTP Service	4,921 LF 2" HDPE from Shay Rd, to be installed with sludge line	$ 96,877											$ 88,207	$ 87,670
K	RECLAIMED WATER	Ingraham Reclaimed Water Main; Perimeter Road to IWWTP	7,921 LF of 24 inch reclaimed waterline to transport IWWTP Title 22 discharge to the existing 18-inch reclaimed waterline north of HDPP that will serve as supply to the elevated storage tank	$ 1,355,200				$ 180,695			$ 1,174,507				$ -	
L	RECLAIMED WATER	Elevated Storage Tank	1,000,000 gallon spheroid style elevated storage tank adjacent to the golf course pond. Includes site grading, footing, connection to back-up domestic water supply and ECAS equipment.	$ 9,121,934		$ 1,111,921		$ (129,166)			$ 2,139,800				$ -	
M	RECLAIMED WATER	VVWRA Pump Upgrade	Increase pumping capacity at VVWRA delivery point to supply additional Title 22 water to the City's recycle water system and pump to the elevated tank instead of the pond.	$ 488,720				$ 500,000							$ (10,280)	
N	RECLAIMED WATER	Service to VV2	5,921 LF of 18 inch reclaimed waterline from IWWTP north along existing SWP row to Calvas Rd for service to VV2	$ 951,856							$ 960,000				$ (10,144)	
O	RECLAIMED WATER	Pumping to VV2	Additional booster pump at IWWTP to serve VV2	$ 268,181				$ 94,847			$ 173,334					
P	ROAD	Gateway Road	Pave Gateway Rd from Air Expressway to Innovation, 75 ft wide, and from Innovation to Momentum, 44 ft wide	$ 1,[illegible]			$ [illegible]									
Q	ROAD	Helendale Road	Pave 5,300 LF of Helendale Rd from Calvas Rd to IWWTP, 35 ft wide with turnaround every 25 mi.	$ 225,868											$ 114,998	$ 110,870
R	TRAFFIC SIGNALS	Gateway Road	Traffic signal at Gateway & Air Expressway	$ 682,000										$ 332,000		
S	STORM DRAIN	Dr Pepper Service	4,750 LF 48 inch storm drain along Gateway Rd from Dr Pepper connection to Momentum Rd	$ 793,464										$ 793,464		
T	STORM DRAIN	Dr Pepper Service	Drainage Channel and box culverts	$ 1,459,260										$ 1,459,260		
U	ELECTRIC	IWWTP Service	Underground Substructure & Cabling from pick up point at Ranger Rd to site for IWWTP (electric service pick up point to be by others pursuant to separate agreement)	$ 612,890											$ 334,184	$ 301,706
V	ELECTRIC	Dr Pepper Service	Underground Substructure & Cabling from pick up point at Innovation/Gateway to site (electrical service pick up point)	$ 1,[illegible]								$ 770,560		$ 644,940		
W	GAS	Existing Station 2	Gas and boring service lateral west of Perimeter Rd north of HDPP	$ 1,[illegible]										$ 500,000		
X	GAS	Dr Pepper Service	20,000 LF of 16 inch HDPE gas distribution main from Kane Road distribution piping, Phase 1 from Walnut/Lucky Investing and north along Gateway to Dr Pepper (incl service to site)	$ 3,[illegible]	$ 2,[illegible]								$ 647,[illegible]	$ [illegible]		
Y	TEL/COMM	Dr Pepper Service	TEL/COMM substructure with conduit for fiber back bone pick up point on site at Phase 24 street and Dr Pepper	$ 182,[illegible]										$ 182,[illegible]		
Z	TEL/COMM	IWWTP Service	TEL/COMM substructure with conduit for fiber back bone pick up point to site. Plus 24 street & HDPP (Min.)	$ 213,278											$ 107,752	$ 104,527
AA	AIRPORT	FAA Force Relocation	Grade and install FAA fence on Gateway between Air Expressway and Momentum. Install FAA fence on Momentum (between Gateway and Helendale Road) and Helendale Road. Remove existing FAA fence as required	$ 676,740										$ 676,740		
AB	IWWTP	Generator Set	Generator set for primary and back up power for IWWTP	$ 500,000											$ 255,000	$ 245,000
			TOTAL	$ [illegible]	$ 5,301,343	$ 1,111,921	$ 985,148	$ 3,341,354	$ 810,000	$ 300,000	$ 4,637,648	$ 770,560	$ 647,[illegible]	$ 5,804,381	$ [illegible]	

DR. PEPPER SUBTOTAL	$ 32,[illegible]
IWWTP SUBTOTAL	$ 46,129,061
REMAINDER ITEMS H, I, K, L, M, N, O SUBTOTAL (VVWTP)	$ 11,374,642
GRAND TOTAL	$ [illegible]
TOTAL OF GRANTS ($8,912,543) plus CONNECTION FEES	$ 13,976,251
NET	$ 54,565,[illegible]

15.7%

* Pending Successful Negotiations with Tenaska

	Connection Fees				
VV2			$ 2,598,334		
HDPP			$ 2,042,383		
DP-SD	$ [illegible]	$ [illegible]		$ 770,560	$ 647,[illegible]
	Sewer	Water	Reclaimed Water	Electric	Gas

Balance Check $ [illegible]

Exhibit C

Cash Flow Model and Supporting Financials

To Follow on Next Pages

City of Victorville
Municipal Sewer Operations
Financial Projections - Consolidated
Last Updated:

Statement of Net Assets

	Unaudited			Projected								
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Assets												
Current assets												
Cash and investments	12,336,754	15,632,628	17,127,682	65,551	532,730	840,793	209,312	1,368,224	379,087	1,805,491	3,483,055	5,831,432
Cash with fiscal agent	-											
Accounts receivable	288,197	73,816	86,179	85,000	90,000	86,000	85,000	90,000	86,000	86,000	86,000	86,000
Deposits and other	-	-	-	-	-	-	-	-	-	-	-	-
Total current assets	12,624,951	15,706,444	17,213,861	150,551	622,730	926,793	294,312	1,458,224	465,087	1,891,491	3,569,055	5,917,432
Non-current assets												
Capital assets, net of depreciation	24,348,847	30,811,952	35,013,718	72,092,932	90,277,067	90,816,677	92,296,286	92,075,896	94,057,506	93,679,115	93,140,725	90,743,135
Advances to other funds	3,402,052	3,402,052	-	-								
Prepaid connection fees	3,780,000	3,780,000	3,780,000	3,780,000	3,780,000	3,780,000	3,780,000	3,780,000	3,780,000	3,780,000	3,780,000	3,780,000
Total non-current assets	31,530,899	37,994,004	38,793,718	75,872,932	94,057,067	94,596,677	96,076,286	95,855,896	97,837,506	97,459,115	96,920,725	94,523,135
Total assets	44,155,850	53,700,448	56,007,579	76,023,483	94,679,797	95,523,470	96,370,598	97,314,120	98,302,593	99,350,606	100,489,780	100,440,567
Liabilities and Net Assets												
Current liabilities												
Accounts payable	351,674	79,044	460,903	320,000	325,000	320,000	315,000	310,000	350,000	360,000	370,000	365,000
Deposits payable	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000
Due to other funds	-			-								
Unearned revenues	99,853	102,103	-	-								
Due to other governments	-			-								
Interest payable	91,019	-	-	-	-	-	-	-	-	-	-	-
Total current liabilities	612,546	251,147	530,903	390,000	395,000	390,000	385,000	380,000	420,000	430,000	440,000	435,000
Long term liabilities												
Notes and bonds payable	-	-	-	19,569,241	35,869,083	35,569,446	35,244,938	34,893,497	34,512,887	34,100,686	33,654,272	33,170,807
Total long term liabilities	-	-	-	19,569,241	35,869,083	35,569,446	35,244,938	34,893,497	34,512,887	34,100,686	33,654,272	33,170,807
Total liabilities	612,546	251,147	530,903	19,959,241	36,264,083	35,959,446	35,629,938	35,273,497	34,932,887	34,530,686	34,094,272	33,605,807
Net assets												
Invested in capital assets, net of debt	24,348,847	30,811,952	35,013,718	72,092,932	90,277,067	90,816,677	92,296,286	92,075,896	94,057,506	93,679,115	93,140,725	90,743,135
Unrestricted	19,194,457	22,637,349	20,462,958	(16,028,690)	(31,861,353)	(31,252,652)	(31,555,627)	(30,035,273)	(30,687,799)	(28,859,195)	(26,745,217)	(23,908,375)
Total net assets	43,543,304	53,449,301	55,476,676	56,064,242	58,415,714	59,564,025	60,740,660	62,040,623	63,369,706	64,819,921	66,395,508	66,834,760
	-	-	-	-	-	-	-	-	-	-	-	-

City of Victorville
Municipal Sewer Operations
Financial Projections - Consolidated

Statement of Operations

	Unaudited			Projected								
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues												
Charges for services	5,757,381	5,889,131	5,484,118	6,702,044	8,116,423	8,932,722	9,030,109	9,129,820	9,231,913	9,336,445	9,443,476	9,553,065
Sales of reclaimed water	-	-	-	-	700,800	718,320	736,278	754,685	773,552	792,891	812,713	833,031
Property tax revenues	911,901	1,642,453	1,871,978	1,500,000	1,500,000	1,500,000	1,500,000	1,530,000	1,560,600	1,591,812	1,623,648	1,656,121
Total revenues	6,669,282	7,531,584	7,356,096	8,202,044	10,317,223	11,151,042	11,266,387	11,414,505	11,566,065	11,721,148	11,879,837	12,042,217
Operating expenses												
Personnel services	795,851	948,647	1,177,536	1,118,858	1,293,146	1,331,310	1,370,619	1,411,108	1,452,811	1,495,765	1,540,008	1,585,579
Maintenance and operations	163,144	160,578	273,644	263,125	263,125	271,019	279,149	287,524	296,150	305,034	314,185	323,611
Contract Expenses -other												
Subcontracted treatment - VVWRA	3,471,518	3,599,107	4,819,113	4,744,457	4,744,457	3,899,314	3,899,314	3,899,314	3,899,314	3,899,314	3,899,314	3,899,314
Subcontracted Plant Management	-				-	1,830,000	1,857,450	1,885,312	1,913,591	1,942,295	1,971,430	2,001,001
Depreciation	523,943	946,382	1,093,427	1,468,027	1,607,707	3,608,390	3,820,390	3,970,390	4,218,390	4,378,390	4,538,390	4,627,590
Total operating expenses	4,954,456	5,654,714	7,363,720	7,594,467	7,908,435	10,940,033	11,226,923	11,453,648	11,780,257	12,020,799	12,263,328	12,437,095
Nonoperating revenues (expenses)												
Investment income and other	143,285	145,681	161,603	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Interest expense	-	-	-	(148,011)	(2,628,317)	(2,858,698)	(2,833,828)	(2,806,894)	(2,777,725)	(2,746,134)	(2,711,922)	(2,674,870)
Total nonoperating revenues (expenses)	143,285	145,681	161,603	(23,011)	(2,503,317)	(2,733,698)	(2,708,828)	(2,681,894)	(2,652,725)	(2,621,134)	(2,586,922)	(2,549,870)
Income (loss) before transfers	1,858,111	2,022,551	153,979	584,566	(94,528)	(2,522,689)	(2,669,365)	(2,721,037)	(2,866,916)	(2,920,786)	(2,970,413)	(2,944,747)
Other revenues (expenses)												
Capital contributions (developers)	1,353,775	7,142,176	4,795,331	-	-	-	-	-	-	-	-	-
Grants	-	504	-	-								
Proceeds from sale of property	-	167,250	-	-								
Debt forgiveness - City General Fund	-	-	(3,402,057)	-								
Connection fees	1,279,943	570,563	475,536	-	2,443,000	3,668,000	3,843,000	4,018,000	4,193,000	4,368,000	4,543,000	3,381,000
Other	1,375	2,953	4,586	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Total other revenues (expenses)	2,635,093	7,883,446	1,873,396	3,000	2,446,000	3,671,000	3,846,000	4,021,000	4,196,000	4,371,000	4,546,000	3,384,000
Change in net assets	4,493,204	9,905,997	2,027,375	587,566	2,351,472	1,148,311	1,176,635	1,299,963	1,329,084	1,450,214	1,575,587	439,253
Net assets at beginning of year	39,050,100	43,543,304	53,449,301	55,476,676	56,064,242	58,415,714	59,564,025	60,740,660	62,040,623	63,369,706	64,819,921	66,395,508
Net assets at end of year	43,543,304	53,449,301	55,476,676	56,064,242	58,415,714	59,564,025	60,740,660	62,040,623	63,369,706	64,819,921	66,395,508	66,834,760
	-	-	-	-	-	-	-	-	-	-	-	-

City of Victorville
Municipal Sewer Operations
Financial Projections - Consolidated

Functional Cash Flow Statement

	Unaudited		Projected								
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Receipts											
Operating revenues											
Total revenues	7,531,584	7,356,096	8,202,044	10,317,223	11,151,042	11,266,387	11,414,505	11,566,065	11,721,148	11,879,837	12,042,217
Nonoperating revenues (expenses)	145,681	161,603	(23,011)	(2,503,317)	(2,733,698)	(2,708,828)	(2,681,894)	(2,652,725)	(2,621,134)	(2,586,922)	(2,549,870)
Add revenues receivable at beginning of year	288,197	73,816	86,179	85,000	90,000	86,000	85,000	90,000	86,000	86,000	86,000
Less revenues receivable at end of year	(73,816)	(86,179)	(85,000)	(90,000)	(86,000)	(85,000)	(90,000)	(86,000)	(86,000)	(86,000)	(86,000)
Net increase (decrease) in unearned revenues	2,250	(102,103)	-	-	-	-	-	-	-	-	-
Net operating revenues received	7,893,896	7,403,233	8,180,212	7,808,907	8,421,344	8,558,559	8,727,611	8,917,340	9,100,014	9,292,915	9,492,348
Other revenues (expenses)											
Nonoperating revenues											
Total other revenues (expenses)	7,883,446	1,873,396	3,000	2,446,000	3,671,000	3,846,000	4,021,000	4,196,000	4,371,000	4,546,000	3,384,000
Add back non-cash expense - debt forgiven		3,402,057	-	-	-	-	-	-	-	-	-
Less developer contributions of property	(7,142,176)	(4,795,331)	-	-	-	-	-	-	-	-	-
Net other revenues	741,270	480,122	3,000	2,446,000	3,671,000	3,846,000	4,021,000	4,196,000	4,371,000	4,546,000	3,384,000
Total revenue based receipts	8,635,166	7,883,355	8,183,212	10,254,907	12,092,344	12,404,559	12,748,611	13,113,340	13,471,014	13,838,915	12,876,348
Other receipts											
Loan advances	-	-	19,569,241	16,299,842	-	-	-	-	-	-	-
Total other receipts	-	-	19,569,241	16,299,842	-	-	-	-	-	-	-
Total receipts	8,635,166	7,883,355	27,752,453	26,554,748	12,092,344	12,404,559	12,748,611	13,113,340	13,471,014	13,838,915	12,876,348
Disbursements											
Operating expenses											
Total operating expenses	5,654,714	7,363,720	7,594,467	7,908,435	10,940,033	11,226,923	11,453,648	11,780,257	12,020,799	12,263,328	12,437,095
Add beginning balance of accounts payable	351,674	79,044	460,903	320,000	325,000	320,000	315,000	310,000	350,000	360,000	370,000
Less ending balances of accounts payable	(79,044)	(460,903)	(320,000)	(325,000)	(320,000)	(315,000)	(310,000)	(350,000)	(360,000)	(370,000)	(365,000)
Less depreciation	(946,382)	(1,093,427)	(1,468,027)	(1,607,707)	(3,608,390)	(3,820,390)	(3,970,390)	(4,218,390)	(4,378,390)	(4,538,390)	(4,627,590)
Add accued interest at beginning of year	91,019	-	-	-	-	-	-	-	-	-	-
Less accrued interest at end of year	-	-	-	-	-	-	-	-	-	-	-
Total operating expenses	5,071,981	5,888,434	6,267,343	6,295,728	7,336,643	7,411,533	7,488,258	7,521,866	7,632,409	7,714,937	7,814,505
Capital expenditures											
Capital assets acquired - gross	7,409,487	5,295,193	38,547,241	19,791,842	4,148,000	5,300,000	3,750,000	6,200,000	4,000,000	4,000,000	2,230,000
Less developer contributions of property	(7,142,176)	(4,795,331)	-	-	-	-	-	-	-	-	-
Net cost of acquired assets	267,311	499,862	38,547,241	19,791,842	4,148,000	5,300,000	3,750,000	6,200,000	4,000,000	4,000,000	2,230,000
Debt and debt service											
Principal retirements	-	-	-	-	299,637	324,507	351,441	380,611	412,201	446,413	483,466
Rounding	-	5	-	-	-	-	-	-	-	-	-
Total disbursements	5,339,292	6,388,301	44,814,584	26,087,570	11,784,280	13,036,040	11,589,699	14,102,477	12,044,610	12,161,351	10,527,970
Net cash flow	3,295,874	1,495,054	(17,062,131)	467,179	308,064	(631,482)	1,158,912	(989,137)	1,426,404	1,677,564	2,348,377
Beginning cash balances	12,336,754	15,632,628	17,127,682	65,551	532,730	840,793	209,312	1,368,224	379,087	1,805,491	3,483,055
Ending cash balances	15,632,628	17,127,682	65,551	532,730	840,793	209,312	1,368,224	379,087	1,805,491	3,483,055	5,831,432

City of Victorville
Municipal Sewer Operations
Financial Projections - Marginal Analysis on Plant
Last Updated:

Statement of Net Assets

	Projected								
	2009	2010	2011	2012	2013	2014	2015	2016	2017
Assets									
Current assets									
Cash and investments	(10,148,011)	(10,333,327)	(9,375,720)	(8,242,063)	(6,932,164)	(5,445,827)	(3,782,845)	(1,943,004)	(1,263,084)
Total current assets	(10,148,011)	(10,333,327)	(9,375,720)	(8,242,063)	(6,932,164)	(5,445,827)	(3,782,845)	(1,943,004)	(1,263,084)
Non-current assets									
Capital assets, net of depreciation	29,569,241	45,869,083	44,034,320	42,199,556	40,364,793	38,530,030	36,695,266	34,860,503	33,025,740
Total non-current assets	29,569,241	45,869,083	44,034,320	42,199,556	40,364,793	38,530,030	36,695,266	34,860,503	33,025,740
Total assets	19,421,230	35,535,756	34,658,600	33,957,494	33,432,629	33,084,203	32,912,422	32,917,499	31,762,655
Liabilities and Net Assets									
Current liabilities									
Accounts payable	-	-	-	-	-	-	-	-	-
Total current liabilities	-	-	-	-	-	-	-	-	-
Long term liabilities									
Notes and bonds payable	19,569,241	35,869,083	35,569,446	35,244,938	34,893,497	34,512,887	34,100,686	33,654,272	33,170,807
Total long term liabilities	19,569,241	35,869,083	35,569,446	35,244,938	34,893,497	34,512,887	34,100,686	33,654,272	33,170,807
Total liabilities	19,569,241	35,869,083	35,569,446	35,244,938	34,893,497	34,512,887	34,100,686	33,654,272	33,170,807
Net assets									
Invested in capital assets, net of debt	29,569,241	45,869,083	44,034,320	42,199,556	40,364,793	38,530,030	36,695,266	34,860,503	33,025,740
Unrestricted	(29,717,252)	(46,202,410)	(44,945,166)	(43,487,001)	(41,825,662)	(39,958,714)	(37,883,531)	(35,597,277)	(34,433,891)
Total net assets	(148,011)	(333,327)	(910,846)	(1,287,445)	(1,460,869)	(1,428,684)	(1,188,264)	(736,774)	(1,408,151)
	-	-	-	-	(0)	-	-	-	0

City of Victorville
Municipal Sewer Operations
Financial Projections - Marginal Analysis on Plant

Statement of Operations

	Projected								
	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues									
Charges for services - Dr. Pepper	-	-	732,000	742,980	754,125	765,437	776,918	788,572	800,400
Charges to system - diverted flows	-	-	845,143	845,143	845,143	845,143	845,143	845,143	845,143
Sales of reclaimed water	-	-	700,800	718,320	736,278	754,685	773,552	792,891	812,713
Total revenues	-	-	2,277,943	2,306,443	2,335,546	2,365,264	2,395,613	2,426,606	2,458,256
Operating expenses									
Subcontracted Plant Management		-	1,830,000	1,857,450	1,885,312	1,913,591	1,942,295	1,971,430	2,001,001
Depreciation	-	-	1,834,763	1,834,763	1,834,763	1,834,763	1,834,763	1,834,763	1,834,763
Total operating expenses	-	-	3,664,763	3,692,213	3,720,075	3,748,355	3,777,059	3,806,193	3,835,764
Nonoperating revenues (expenses)									
Interest expense	(148,011)	(2,628,317)	(2,858,698)	(2,833,828)	(2,806,894)	(2,777,725)	(2,746,134)	(2,711,922)	(2,674,870)
Total nonoperating revenues (expenses)	(148,011)	(2,628,317)	(2,858,698)	(2,833,828)	(2,806,894)	(2,777,725)	(2,746,134)	(2,711,922)	(2,674,870)
income (loss) before transfers	(148,011)	(2,628,317)	(4,245,519)	(4,219,599)	(4,191,424)	(4,160,815)	(4,127,580)	(4,091,509)	(4,052,378)
Other revenues (expenses)									
Connection fees	-	2,443,000	3,668,000	3,843,000	4,018,000	4,193,000	4,368,000	4,543,000	3,381,000
Total other revenues (expenses)	-	2,443,000	3,668,000	3,843,000	4,018,000	4,193,000	4,368,000	4,543,000	3,381,000
Change in net assets	(148,011)	(185,317)	(577,519)	(376,599)	(173,424)	32,185	240,420	451,491	(671,378)
Net assets at beginning of year	-	(148,011)	(333,327)	(910,846)	(1,287,445)	(1,460,869)	(1,428,684)	(1,188,264)	(736,774)
Net assets at end of year	(148,011)	(333,327)	(910,846)	(1,287,445)	(1,460,869)	(1,428,684)	(1,188,264)	(736,774)	(1,408,151)

City of Victorville
Municipal Sewer Operations
Financial Projections - Marginal Analysis on Plant

Functional Cash Flow Statement

	Projected								
	2009	2010	2011	2012	2013	2014	2015	2016	2017
Receipts									
Operating revenues									
Total revenues	-	-	2,277,943	2,306,443	2,335,546	2,365,264	2,395,613	2,426,606	2,458,256
Nonoperating revenues (expenses)	(148,011)	(2,628,317)	(2,858,698)	(2,833,828)	(2,806,894)	(2,777,725)	(2,746,134)	(2,711,922)	(2,674,870)
Net operating revenues received	(148,011)	(2,628,317)	(580,755)	(527,385)	(471,349)	(412,461)	(350,521)	(285,316)	(216,613)
Other revenues (expenses)									
Nonoperating revenues									
Total other revenues (expenses)	-	2,443,000	3,668,000	3,843,000	4,018,000	4,193,000	4,368,000	4,543,000	3,381,000
Net other revenues	-	2,443,000	3,668,000	3,843,000	4,018,000	4,193,000	4,368,000	4,543,000	3,381,000
Total revenue based receipts	(148,011)	(185,317)	3,087,245	3,315,615	3,546,651	3,780,539	4,017,479	4,257,684	3,164,387
Other receipts									
Loan advances	19,569,241	16,299,842	-	-	-	-	-	-	-
Total other receipts	19,569,241	16,299,842	-	-	-	-	-	-	-
Total receipts	19,421,230	16,114,525	3,087,245	3,315,615	3,546,651	3,780,539	4,017,479	4,257,684	3,164,387
Disbursements									
Operating expenses									
Total operating expenses	-	-	3,664,763	3,692,213	3,720,075	3,748,355	3,777,059	3,806,193	3,835,764
Less depreciation	-	-	(1,834,763)	(1,834,763)	(1,834,763)	(1,834,763)	(1,834,763)	(1,834,763)	(1,834,763)
Total operating expenses	-	-	1,830,000	1,857,450	1,885,312	1,913,591	1,942,295	1,971,430	2,001,001
Capital expenditures									
Capital assets acquired - gross	29,569,241	16,299,842	-	-	-	-	-	-	-
Net cost of acquired assets	29,569,241	16,299,842	-	-	-	-	-	-	-
Debt and debt service									
Principal retirements	-	-	299,637	324,507	351,441	380,611	412,201	446,413	483,466
Total disbursements	29,569,241	16,299,842	2,129,637	2,181,957	2,236,753	2,294,202	2,354,496	2,417,843	2,484,467
Net cash flow	(10,148,011)	(185,317)	957,607	1,133,657	1,309,898	1,486,337	1,662,982	1,839,840	679,920
Beginning cash balances	-	(10,148,011)	(10,333,327)	(9,375,720)	(8,242,063)	(6,932,164)	(5,445,827)	(3,782,845)	(1,943,004)
Ending cash balances	(10,148,011)	(10,333,327)	(9,375,720)	(8,242,063)	(6,932,164)	(5,445,827)	(3,782,845)	(1,943,004)	(1,263,084)

City of Victorville
Municipal Sewer Operations
Financial Projections - Consolidated
Supplemental Schedules

Residential and Commercial Revenues and costs - VVWRA flows

VVWRA charges the City on gross on flows. The City charges its customers on number of Equivalent Dwelling Units (EDU). The standard assumption for usage is that one EDU will consume approximately 245 gallons per month. Using this assumption and the charges for flows from VVWRA, it is possible to estimate the number of EDU's.

Using the above relationship, it is then possible to calculate revenues to the City and costs for services provided by VVWRA.

The following table presents revenues and costs using the above parameters, assuming no increases in EDU's for the projection period. Revenues and costs change as rates are changed during the period.

	Current Data
VVWRA Flow (million gallons per month)	8,140,000
Consumption per EDU per month	245
EDU's Monthly	33,224
EDU's Annualized	398,694
VVWRA Annualized Cost	4,744,457
VVWRA Monthly Cost Per EDU	11.90
Rate Charged by the City	19.95
Gross Margin Per EDU Per Month	8.05

The pricing plan for the City is to pass along all rate increases from VVWRA on a dollar for dollar basis and to increase the net margin of $8.05 on a basis close to cost of living, which is assumed to be 2.50% per year for the projection period. Increases are projected to take place as of the start of each fiscal year.

The following table is presented as a means to calculate VVWRA costs and City revenies using the above assumptions. For puroses of VVWRA rates, the table assumes no increases - this assumption has no effect on operating profitability as rate increases will be passed along at actual cost, increasing both revenue and costs in an identical amount.

City Billing Rate	19.95
Current VVWRA Cost per EDU	(11.90)
Gross Operating Margin per EDU	8.05

Using the above, the marginal profit will be increased over time in accordance with the following table:

Gross Margin and Rates					
From	To	% Increase	Margin	VVWRA	Total
Current - January 2009			8.05	11.90	19.95
2/2009	6/2009	2.50%	8.25	11.90	20.15
2009	2010	2.50%	8.46	11.90	20.36
2010	2011	2.50%	8.67	11.90	20.57
2011	2012	2.50%	8.89	11.90	20.79
2012	2013	2.50%	9.11	11.90	21.01
2013	2014	2.50%	9.34	11.90	21.24
2014	2015	2.50%	9.57	11.90	21.47
2015	2016	2.50%	9.81	11.90	21.71
2016	2017	2.50%	10.05	11.90	21.95
2017	2018	2.50%	10.30	11.90	22.20

Diverted Residential Flow

The plant will commence operations using 1.5 million gallons per day in flow that is to be diverted from VVWRA. Accordingly, the cost of services received from VVWRA will be reduced by this amount. The following table calculates this expected costs savings.

VVWRA Flow (million gallons per month)	8,140,000
Diverted Flows	(1,450,000)
Net	6,690,000
Consumption per EDU per month	245
Reduced EDU's	5,918
Reduced EDU's Annualized	71,020

For ease in financial projections, this change is expected to be implemented July 1, 2010.

City of Victorville
Municipal Sewer Operations
Financial Projections - Consolidated
Supplemental Schedules

Costs and Revenues	2009	2010	2011	2012	2013	2014	2015	2016	2017
Residential and Commercial Rvenues									
Annualized EDU's	398,694	398,694	398,694	398,694	398,694	398,694	398,694	398,694	398,694
Annualized Monthly Rate	16.81	20.36	20.57	20.79	21.01	21.24	21.47	21.71	21.95
Annualized Revenues	6,702,044	8,116,423	8,200,722	8,287,129	8,375,696	8,466,477	8,559,527	8,654,904	8,752,665
Costs									
Annualized EDU's	398,694	398,694	327,673	327,673	327,673	327,673	327,673	327,673	327,673
Annualized Monthly Rate	11.90	11.90	11.90	11.90	11.90	11.90	11.90	11.90	11.90
Annualized Cost - Tentative	4,744,457	4,744,457	3,899,314	3,899,314	3,899,314	3,899,314	3,899,314	3,899,314	3,899,314
Cost Savings from Diverted Flows	-	-	845,143	845,143	845,143	845,143	845,143	845,143	845,143

Industrial Revenues

The Dr. Pepper agreements provide for Dr. Pepper to pay a base annual cost of $1,950,000. This amount is broken down into two components:

a.	Deferred capital cost reimbursement	1,218,000	See Connection Fee Revenues Below
b.	Usage	732,000	
	Total	1,950,000	

The agreements provide for the deferred capital cost reimbursement to be fixed for a twenty year period. The usage costs are bsased on a percentage of the actual operating costs of the plant. For projections purposes, the usage percentage is 60% and the costs are estimated to increase at an annual rate of 1.50%.

Estimated cost of plant operations	1,830,000
Dr. Pepper Portion	40.00%
Base Year	732,000

			Dr. Pepper	
FYE	Cost Increase	New Cost	Portion	Amount
2011		1,830,000	40.00%	732,000
2012	1.50%	1,857,450	40.00%	742,980
2013	1.50%	1,885,312	40.00%	754,125
2014	1.50%	1,913,591	40.00%	765,437
2015	1.50%	1,942,295	40.00%	776,918
2016	1.50%	1,971,430	40.00%	788,572
2017	1.50%	2,001,001	40.00%	800,400

City of Victorville
Municipal Sewer Operations
Financial Projections - Consolidated
Supplemental Schedules

Sales of Reclaimed Water

The plant will produce reclaimed water which is to be sold to the High Desert Power Plant and to other users The expected revenues are calculated as follows:

Estimated reclaimed water produced	6.40	acre feet per day
Price per acre foot	300.00	
Annual revenue - base	700,800	

For projection purposes, this revenue is expected to increase at an annual rate of ± 2.50%

Connection Fees

the project plan is to divert 1,450,000 gallons per day to the plant to provide for the ability to mxi with the industrial strength flows from the Dr. Pepper Plant. This diveted flow will be taken from existing customers whose flow is presently being routed to VVWRA and whose connection fees and costs have already been paid, thus creating unused and ppaid for capacity. As new users come on line in the City, their flow will be routed to the plant and the diverted flow will be returned to VVWRA. Accordingly, connection fees assessed new users will be retained by the plant.

The diverted flow of 1,450,000 gallons per day equates to 5,918 EDU's using an average daily consumption of 245 gallons. Therefore, the City expects to receive connection fees for these EDU's without passing along the fees to VVWRA.

The following schedule presents EDU's for years ended June 30, 2005 through January 31, 2009, which is used as historical support for the estimate of new users coming on line during the projection period, followed by activity for the projection period. The historical data is derived from permits issued by the City and includes only residential data.

	2005	2006	2007	2008	Actual 1/31/2009	Estimated 2009
Residential EDU's - Actual	2,278	3,470	1,640	973	100	120

	2009	2010	2011	2012	2013	2014	2015	2016	2017
Residential EDU's	120	350	700	750	800	850	900	950	1,000
Cumulative Residential EDU's	-	350	1,050	1,800	2,600	3,450	4,350	5,300	6,300
Connection Fee Per EDU	n/a	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Connection Fee Revenues	-	1,225,000	2,450,000	2,625,000	2,800,000	2,975,000	3,150,000	3,325,000	2,163,000
Dr. Pepper Deferred Capital Costs		1,218,000	1,218,000	1,218,000	1,218,000	1,218,000	1,218,000	1,218,000	1,218,000
Total Connection Fee Revenues		2,443,000	3,668,000	3,843,000	4,018,000	4,193,000	4,368,000	4,543,000	3,381,000

City of Victorville
Municipal Sewer Operations
Financial Projections - Consolidated
Capital Costs - Plant Construction
Section 1 - Aggregate Capital Costs

Map Label	Fund Coding	Type of Improvement	Project	Description	Cost Estimate
A		TREATMENT	IWWTP	Design, construction, and management of the industrial and domestic waste water treatment plant.	29,656,873
B		TREATMENT	IWWTP Expansion*	+2.5 MGD	-
C		TREATMENT	Sludge Line	5,500 LF of 12-inch pipeline to transport IWWTP sludge to VVWRA (incl. VVWRA fee $100k).	545,984
D		SEWER	Industrial	20,000 LF of PVC/VCP from Gateway/Innovation to IWWTP to provide industrial sewer capacity to the industrial	2,847,152
E		SEWER	Westside Trunk	45,000 LF of PVC/VCP from Brucite/Tawney Ridge to IWWTP to collect flows from SCLA and west and north west	8,686,832
F		SEWER	Eastside Trunk	10,000 LF of PVC/VCP from S/O HDPP to IWWTP to intercept flows from the prison and SCLA and divert them	1,666,896
G		SEWER	FBOP Lift Station	Lift station to carry FBOP waste to the line in Nevada which will be treated at IWWTP.	1,095,930
J		GAS	IWWTP Service	4,300 LF 2" HDPE from Shay Rd, to be installed with sludge line	76,877
Q		ROAD	Helendale Road	Pave 5,800 LF of Helendale Rd from Cofusa Rd to IWWTP, 15 ft wide with turnarounds every .25 mi	225,368
U		ELECTRIC	IWWTP Service	Underground Substructure & Cabling from pick up point at Hangar #4 to site electrical service pick up point within	615,890
Z		TEL/COMM	IWWTP Service	TEL/COMM Substructure with tri-duct for fiber back-bone pick up point to site. Plus 24-strand SMFO (Min.)	211,279
AB		IWWTP	Generator Set	Generator set for primary and back up power for IWWTP	500,000
				Total Costs For Sewer Plant	46,129,081

City of Victorville
Municipal Sewer Operations
Financial Projections - Consolidated
Capital Costs - Plant Construction
Section 2 - Disbursement Schedule

			Expenditures														
Map Label	Project	Cost Estimate	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Total
A	IWWTP	29,656,873	557,000	825,376	1,608,460	1,946,157	2,700,878	3,014,543	8,815,963	2,448,982	2,248,356	1,907,039	1,174,318	1,165,652	737,355	246,794	29,656,875
B	IWWTP Expansion*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C	Sludge Line	545,984	-	-	-	55,748	55,748	55,748	55,748	55,748	55,748	55,748	155,748	-	-	-	545,984
D	Industrial	2,847,152	-	-	-	355,894	355,894	355,894	355,894	355,894	355,894	355,894	355,894	-	-	-	2,847,152
E	Westside Trunk	8,686,832	-	-	868,683	1,520,196	1,411,610	1,237,874	890,400	890,400	803,532	803,532	260,605	-	-	-	8,686,832
F	Eastside Trunk	1,666,896	-	-	-	166,690	250,034	166,690	166,690	166,690	250,034	250,034	250,034	-	-	-	1,666,896
G	FBOP Lift Station	1,095,930	-	-	109,593	109,593	109,593	109,593	109,593	109,593	109,593	109,593	109,593	109,593	-	-	1,095,930
J	IWWTP Service	76,877	-	-	-	9,610	9,610	9,610	9,610	9,610	9,610	9,610	9,610	-	-	-	76,877
Q	Hefendale Road	225,368	-	225,368	-	-	-	-	-	-	-	-	-	-	-	-	225,368
U	IWWTP Service	615,890	-	-	-	184,767	92,384	92,384	153,973	92,384	-	-	-	-	-	-	615,890
Z	IWWTP Service	211,279	-	-	84,512	31,692	31,692	21,128	21,128	21,128	-	-	-	-	-	-	211,279
AB	Generator Set	500,000	-	-	-	-	-	-	250,000	250,000	-	-	-	-	-	-	500,000
		46,129,081	557,000	1,050,744	2,671,248	4,380,346	5,017,443	5,063,462	10,828,998	4,400,428	3,832,767	3,491,450	2,315,802	1,275,245	737,355	246,794	46,129,083

City of Victorville
Municipal Sewer Operations
Financial Projections - Consolidated
Capital Expenditures - Detail
Non-Plant Capital Costs

This first schedule presents planned capital costs other than the Waste Treatment Plant. These cost estimates are subject to fluctuations in both cost and timing for expenditures. The data presented below is solely for expected costs of infrastructure for which no rate increases are expected. There are other costs that are expected to be incurred; however, all costs will be recovered through rate increases and connection fees. These costs are disregarded for projection purposes inasmuch as this projection is based on an assumption that rates will be adjusted for inflation only and not for new costs. The current construction plan is extended only to 2014.

Project Description	2009	2010	2011	2012	2013	2014
OLD TOWN VV AREA 31,000' LF SEWER REHAB	2,000,000.00	-				
OLD TOWN AREA REHAB (34,000 LF)	-	1,500,000.00	1,500,000.00	-	-	-
AMETHYST RD. SEWER TRENCH LINE REPAIR PROJECT	500,000.00	-	-	-	-	-
AMETHYST/LA MESA DIVERSION	375,000.00	-	-	-	-	-
AMETHYST/NORTHSTAR DIVERSION	562,500.00	-	-	-	-	-
RODEO DRIVE PARALLEL RELIEF SEWER (8")	1,000,000.00	-	-	-	-	-
EL EVADO 12"DIVERSION	-	187,500.00	-	-	-	-
LA PAZ/ARROWHEAD PARALLEL RELIEF SEWER	1,000,000.00	-	-	-	-	-
SOUTH MOJAVE PIPE REPLACEMENT	28,000.00	-	-	-	-	-
MOJAVE DR JERALDO DIVERSION LINE	-	-	450,000.00	-	-	-
CABRILLO/SENECA REPAIR CONSTRICTION	25,000.00	-	-	-	-	-
HESPERIA RD SEWER RELIEF - HESPERIA/CENTER STREET	-	-	200,000.00	-	-	-
VALLEY PARK 900' MAINLINE	-	-	200,000.00	-	-	-
REPLACEMENT VACTOR	400,000.00	-	-	500,000.00	-	-
SANITARY EQUIPMENT	75,000.00	-	-	-	-	-
SEWER MASTER PLAN	150,000.00	-	-	-	-	-
SEWER FLOW EVALUATION	200,000.00	-	20,000.00	-	-	-
CITY WIDE RECLAIMED WATER PROJECTS (Planning/Design/Const.)	1,122,000.00	1,122,000.00	500,000.00	1,250,000.00	1,250,000.00	2,500,000.00
SEWER ROOT TREATMENT	100,000.00	100,000.00	100,000.00	700,000.00	-	-
SURCHARGE MANHOLE - SEWER INSPECTIONS	-	120,000.00	-	-	-	-
SCLA WET WELL PUMP REPLACEMENT	150,000.00	-	-	-	-	-
TOTALS	7,687,500.00	3,029,500.00	2,970,000.00	2,450,000.00	1,250,000.00	2,500,000.00

City of Victorville
Municipal Sewer Operations
Financial Projections - Consolidated
Capital Expenditures - Detail
Non-Plant Capital Costs

The following schedule presents planned capital costs for projects that will be funded through future connection fees and useage fees, generically described as "new customer" projects. These costs are presented as a matter of information only, and these costs are not included in the financial projections because the projections are designed to reflect a static analysis. Funding for these projects may be derived from future bond issues. In some cases, these projects are linked to above projects and will, in commenced, be undertaken simultaneously.

Project Description	2009	2010	2011	2012	2013	2014
AMETHYST RD. SEWER TRENCH LINE REPAIR PROJECT	400,000.00					
AMETHYST/LA MESA DIVERSION	125,000.00					
AMETHYST/NORTHSTAR DIVERSION	187,500.00					
AMARGOSA DUNIA TO MESA ST NEW SEWER			-	2,550,000.00		
NISQUALLI RD/ARROWHEAD TO BALSAM NEW SEWER			650,000.00			
MOJAVE DR JERALDO DIVERSION LINE			150,000.00			
EL EVADO 12"DIVERSION		62,500.00				
CITY WIDE RECLAIMED WATER PROJECTS (Planning/Design/Const.)	578,000.00	200,000.00	378,000.00	300,000.00	2,500,000.00	2,200,000.00
FOXBOROUGH NORTH		200,000.00				
SCLA FUTURE PHASES		-	-	-	-	-
LIFT STATION - NORTHERN TRIANGLE	-	-	-	-	-	1,500,000.00
TOTALS	1,290,500.00	462,500.00	1,178,000.00	2,850,000.00	2,500,000.00	3,700,000.00

City of Victorville
Municipal Sewer Operations
Financial Projections - Consolidated
Funding and Debt Service

Funding for this project will be in the form of a construction loan covering a period of 15 months, followed by conversion of that instrument into a long term bond.

Funding Sources - Totals	Totals
Total Funding Required	45,869,083
Construction Loan Amount	35,869,083
Cash Infusion	10,000,000
Total	45,869,083

The assumptions as to the construction loan are as follows:
a. Interest only to June 30, 2010
b. Term is 30 years with monthly payments in arrears
c. Debt Service starts one month after completion
d. Multiple assumptions - to be selected

Interest Rate	Payment Factor
8.50%	0.007689
8.25%	0.007513
8.00%	0.007338

All costs of issuance are to be paid by the City.

Use of Funds

			Funding Source			
Year	Month	Amount	Cash Infusion	Cum Cash	Loan	Loan Balance
2008	12	557,000	557,000	557,000	-	-
2009	1	1,050,744	1,050,744	1,607,744	-	-
2009	2	2,671,248	2,671,248	4,278,992	-	-
2009	3	4,380,346	4,380,346	8,659,338	-	-
2009	4	5,017,443	1,340,662	10,000,000	3,676,781	3,676,781
2009	5	5,063,462	-	10,000,000	5,063,462	8,740,243
2009	6	10,828,998	-	10,000,000	10,828,998	19,569,241
2009	7	4,400,428	-	10,000,000	4,400,428	23,969,669
2009	8	3,832,767	-	10,000,000	3,832,767	27,802,436
2009	9	3,491,450	-	10,000,000	3,491,450	31,293,886
2009	10	2,315,802	-	10,000,000	2,315,802	33,609,689
2009	11	1,275,245	-	10,000,000	1,275,245	34,884,934
2009	12	737,355	-	10,000,000	737,355	35,622,289
2010	1	246,794	-	10,000,000	246,794	35,869,083
2010	2	-	-	10,000,000	-	35,869,083
Total		45,869,083	10,000,000		35,869,083	

City of Victorville
Municipal Sewer Operations
Financial Projections - Consolidated
Funding and Debt Service

Funding for this project will be in the form of a construction loan covering a period of 15 months, followed by conversion of that instrument into a long term bond.

Construction Period Interest Expense

For purposes of this projection, it is assumed that the construction period interest will be paid on a monthly basis and expensed, rather than capitalized as a part of the construction cost. In this manner, the cash flows are more easily divided between capital and expense. The following tabel calculates the cost of interest during the construction period. The assumed interest rate is set as: 8.00%

Monthly payments of interest are presented through June 30, 2010, at which point the loan will convert into a permanent, amortized loan. For purposes of calculating the average loan balance, it is assumed that all draws take place on the 15th of each month. Payments of interest are assumed to occur on the last day of the month.

		Loan Balances			Interest
Year	Month	Beginning	Advances	Ending	Amount
2008	12	-	-	-	-
2009	1	-	-	-	-
2009	2	-	-	-	-
2009	3	-	-	-	-
2009	4	-	3,676,781	3,676,781	12,256
2009	5	3,676,781	5,063,462	8,740,243	41,390
2009	6	8,740,243	10,828,998	19,569,241	94,365
2009	7	19,569,241	4,400,428	23,969,669	145,130
2009	8	23,969,669	3,832,767	27,802,436	172,574
2009	9	27,802,436	3,491,450	31,293,886	196,988
2009	10	31,293,886	2,315,802	33,609,689	216,345
2009	11	33,609,689	1,275,245	34,884,934	228,315
2009	12	34,884,934	737,355	35,622,289	235,024
2010	1	35,622,289	246,794	35,869,083	238,305
2010	2	35,869,083	-	35,869,083	239,127
2010	3	35,869,083	-	35,869,083	239,127
2010	4	35,869,083	-	35,869,083	239,127
2010	5	35,869,083	-	35,869,083	239,127
2010	6	35,869,083	-	35,869,083	239,127

City of Victorville
Municipal Sewer Operations
Financial Projections - Consolidated
Funding and Debt Service

Funding for this project will be in the form of a construction loan covering a period of 15 months, followed by conversion of that instrument into a long term bond.

Repayment of Debt

The following schedules present debt repayment using the assumed interest rates and assuming debt service

	8.00%			
FYE 6/30	Payments	Interest	Principal	Balance
2011	3,158,335	2,858,698	299,637	35,569,446
2012	3,158,335	2,833,828	324,507	35,244,938
2013	3,158,335	2,806,894	351,441	34,893,497
2014	3,158,335	2,777,725	380,611	34,512,887
2015	3,158,335	2,746,134	412,201	34,100,686
2016	3,158,335	2,711,922	446,413	33,654,272
2017	3,158,335	2,674,870	483,466	33,170,807

Debt Service Coverage Ratio

The Debt Service Coverage Ratio is defined as net operating revenues before debt service. This amount is calculated as follows:

	2011	2012	2013	2014	2015	2016	2017
Revenues	11,151,042	11,266,387	11,414,505	11,566,065	11,721,148	11,879,837	12,042,217
Operating expenses	(10,940,033)	(11,226,923)	(11,453,648)	(11,780,257)	(12,020,799)	(12,263,328)	(12,437,095)
Nonoperating revenues (expenses)	(2,733,698)	(2,708,828)	(2,681,894)	(2,652,725)	(2,621,134)	(2,586,922)	(2,549,870)
Net operating revenues	(2,522,689)	(2,669,365)	(2,721,037)	(2,866,916)	(2,920,786)	(2,970,413)	(2,944,747)
Add: Depreciation	3,608,390	3,820,390	3,970,390	4,218,390	4,378,390	4,538,390	4,627,590
Interest expense	2,858,698	2,833,828	2,806,894	2,777,725	2,746,134	2,711,922	2,674,870
Net operating revenues before debt service	3,944,399	3,984,854	4,056,248	4,129,199	4,203,739	4,279,899	4,357,713
Debt service	3,158,335	3,158,335	3,158,335	3,158,335	3,158,335	3,158,335	3,158,335
Coverage ratio	1.25	1.26	1.28	1.31	1.33	1.36	1.38

City of Victorville
Municipal Sewer Operations
Financial Projections - Consolidated
Debt Service Amortization

Loan Calculator

Loan amount	$ 35,869,083.00
Annual interest rate	8.000%
Loan period in years	30
Start date of loan	6/30/2010
Monthly payment	$ 263,194.62
Number of payments	360

Payment Factors	
8.000%	0.0073376457

Annual Debt Service Totals

FYE 6/30/	Payments	Interest	Principal	Balance
2011	$ 3,158,335.47	$ 2,858,698.09	$ 299,637.38	$ 35,569,445.62
2012	$ 3,158,335.47	$ 2,833,828.33	$ 324,507.14	$ 35,244,938.48
2013	$ 3,158,335.47	$ 2,806,894.40	$ 351,441.07	$ 34,893,497.41
2014	$ 3,158,335.47	$ 2,777,724.97	$ 380,610.51	$ 34,512,886.91
2015	$ 3,158,335.47	$ 2,746,134.48	$ 412,200.99	$ 34,100,685.92
2016	$ 3,158,335.47	$ 2,711,922.00	$ 446,413.47	$ 33,654,272.45
2017	$ 3,158,335.47	$ 2,674,869.91	$ 483,465.57	$ 33,170,806.88

Monthly debt service amounts are presented below but not included in this report summary.

VICTORVILLE
California

AGENDA ITEM

WRITTEN COMMUNICATION

JOINT POWERS FINANCE AUTHORITY
BOARD OF DIRECTORS MEETING OF: APRIL 7, 2009

SUBMITTED BY: Keith C. Metzler
Director of Economic Development
Reggie Lamson
Director of Water District

DATE: March 31, 2009

ATTACHED: Resolution No. JPFA-09-001

SUBJECT: Wastewater Revenue Notes – Resolution No. JPFA-09-001

RECOMMENDATION: That Your Honorable Board of Directors adopt Resolution No. JPFA-09-001 approving an Indenture of Trust, an Installment Sale Agreement, a Private Placement Memorandum and authorize the issuance of Wastewater Revenue Notes in an amount not to exceed $55,000,000.

FISCAL IMPACT: Not to exceed $55,000,000 in gross proceeds issued with a true interest cost not to exceed 12%, and a placement agent fee not to exceed 2.5% (Par amount).

Budget Amount:
Budget Acct. No.:

--Finance Department Use Only--
Additional Appropriation:

✓ No
___Yes/$ Amt.:

Finance Director Review and Approval

DISCUSSION: The capital structure that was developed to finance the design, construction management, and the build-out of the proposed SCLA Wastewater Treatment Plant requires an intermediate financing due to market conditions and due to the project not currently qualifying for tax exempt financing. The proposed issuance of notes will be purchased by the Victorville Water District and then sold through a Private

Placement Memorandum to a buyer, which is currently anticipated to be Deutsche Bank. Very generally, the structure calls for the notes to be issued becoming due and payable at the end of 5-years with a call provision permitting an early repayment not sooner than 3-years into the term. Because the financing does contain an intermediate term of 5-years, the Water District will be required to refinance those notes ideally through a long term tax exempt issue. The intermediate term of 5-years provides the Water District adequate time to cause the wastewater treatment project to become eligible for tax exempt proceeds. The documents being approved by Resolution No. JPFA-09-001 include an Indenture of Trust, an Installment and Sale Agreement, and a Private Placement Memorandum. The Resolution and related transactional documents also appoint Kinsell, Newcomb & De Dios to serve as the private placement agent, Fulbright & Jaworski to be bond counsel and co-disclosure counsel, and Green de Bortnowsky & Quintanilla to serve as co-disclosure counsel in connection with the issuance.

Because these documents provide a structure that is consistent with the capital structure previously approved by the City Council and slightly modified since that time, staff is recommending adoption of Resolution No. JPFA-09-001 subject to minor non-substantive changes. Staff remains available for any questions or comments you might have.

Attachments: Installment and Sale Agreement
Indenture of Trust
Private Placement Memorandum
Resolution No. JPFA-09-001

KCM/jrt

RESOLUTION NO. JPFA-09-001

RESOLUTION OF THE GOVERNING BOARD OF VICTORVILLE JOINT POWERS FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF NOT TO EXCEED $55,000,000 PRINCIPAL AMOUNT OF ITS WASTEWATER REVENUE NOTES, 2009 SERIES (TAXABLE); APPROVING AN INDENTURE OF TRUST, AN INSTALLMENT SALE AGREEMENT, AND A PRIVATE PLACEMENT MEMORANDUM RELATED THERETO; AND APPROVING THE TAKING OF CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, the Victorville Joint Powers Financing Authority (the "Authority"), is a joint exercise of powers agency duly created, established and authorized to transact business and exercise its powers, all under and pursuant to the Joint Exercise of Powers Act (Articles 1 through 4 of Chapter 5, Division 7, Title 1 of the California Government Code) (the "Act") and the powers of such Authority include the power to issue bonds for any of its corporate purposes; and

WHEREAS, the City of Victorville (the "City") owns and operates that certain wastewater collection system referred to herein as the "Wastewater Enterprise;" and

WHEREAS, the City desires to finance the construction of a wastewater treatment plant (with reclaimed water production capabilities) as well as certain other improvements to the Wastewater Enterprise (the "Improvements"); and

WHEREAS, it has been proposed that the Authority assist the City in providing funds to finance such Improvements by issuing taxable notes (the "Notes"), which will be privately placed with an accredited investor; and

WHEREAS, the Victor Valley Water District and the Baldy Mesa Water District were merged into Victorville Water District (the "Water District"), a subsidiary district of the City; and

WHEREAS, the Water District provides water service to service area/territory of the merged districts (the "Water Enterprise"); and

WHEREAS, the Water District functions under, and is authorized to carry out all authorized duties and responsibilities assigned to a county water district, which includes wastewater services; and

WHEREAS, the City Council previously made findings that administering the City's Wastewater Enterprise in the same manner and under the jurisdiction of the Water District together with the Water Enterprise will result in operational and administrative efficiencies and will enhance the Authority's ability to issue and sell the Notes; and

WHEREAS, the City Council previously directed staff to solicit a proposal from the Water District to lease the Wastewater Enterprise from the City; and

WHEREAS, the City Council has held a public hearing to examine the proposal and the staff recommendations relating to such proposal received by the City; and

WHEREAS, upon reviewing and examining the proposal received and the staff's recommendations and the views expressed at the public hearing, the City Council has determined that significant benefits will result from the lease of the Wastewater Enterprise; and

WHEREAS, simultaneously with the delivery of the Notes, the Water District will lease the Wastewater Enterprise from the City pursuant to a lease agreement; and

WHEREAS, the Notes will be used finance the Improvements which will be purchased by the Water District pursuant to an installment sale agreement; and

WHEREAS, the Authority, with the aid of its staff, has reviewed the documentation relating to the issuance of the Notes;

NOW, THEREFORE, THE GOVERNING BOARD OF THE VICTORVILLE JOINT POWERS FINANCING AUTHORITY DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. Pursuant to the Act, the Authority hereby approves the issuance of the Notes in the aggregate principal amount not to exceed $55,000,000 in accordance with the terms and conditions of the Indenture of Trust relating to the Notes, substantially in the form annexed hereto, with such revisions, amendments and completions as shall be approved by the President of the Authority, the Vice-President, the Executive Director, the Treasurer, the Secretary or any member of the Board or any designee of any of them (each, a "Responsible Officer"), with the advice of bond counsel to the Authority, such approval to be conclusively evidenced by the execution and delivery thereof. The true interest cost of the Notes shall not exceed 12.0%.

Section 2. The Authority hereby approves the Installment Sale Agreement relating to the Notes in substantially the form annexed hereto, with such revisions, amendments and completions as shall be approved by a Responsible Officer with the advice of bond counsel to the Authority, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. The Authority hereby approves the Private Placement Memorandum prepared in connection with the issuance of the Notes (the "PPM"), substantially in the form annexed hereto, with such revisions, amendments and completions as shall be approved by a Responsible Officer with the advice of bond counsel and co-disclosure counsel to the Authority. Any Responsible Officer is authorized and directed to execute and deliver the PPM with such additions and changes as may be approved by the Responsible Officer executing the same, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. The Authority hereby appoints Kinsell, Newcomb & De Dios, Inc., Carlsbad, California, as the private placement agent in connection with the issuance of the Notes. The private placement agent fee shall not exceed 2.50% of the aggregate principal amount of the Notes.

Section 5. The Authority hereby appoints Fulbright & Jaworski L.L.P., Los Angeles, California, as Bond Counsel and Co-Disclosure Counsel and appoints Green de Bortnowsky & Quintanilla, LLP, Calabassas, California, as Co-Disclosure Counsel in connection with the issuance of the Notes, pursuant to the terms of the engagement letter attached hereto.

Section 6. Any Responsible Officer is 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 this resolution.

Section 7. The Secretary of the Authority shall certify to the adoption of this resolution, and thenceforth and thereafter the same shall be in full force and effect.

Section 8. This Resolution shall become effective immediately upon adoption.

PASSED, APPROVED AND ADOPTED this ____ day of _____, 2009.

_____
Rudy Cabriales, President

I, Carolee Bates, Secretary of the Victorville Joint Powers Financing Authority do hereby certify that the foregoing Resolution was duly and regularly passed and adopted by the Governing Board of the Victorville Joint Powers Financing Authority at its regular meeting held on the ___ day of _____, 2009, by the following vote:

AYES:	AUTHORITY MEMBERS:
NOES:	AUTHORITY MEMBERS:
ABSENT:	AUTHORITY MEMBERS:
ABSTAINED:	AUTHORITY MEMBERS:

_____
Carolee Bates, Secretary
Victorville Joint Powers Financing Authority

FULBRIGHT & JAWORSKI L.L.P.
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March 27, 2009

Honorable Rudy Cabriales
Mayor
City of Victorville
14343 Civic Drive
Victorville, CA 92392

Re: Wastewater Financing

Dear Mayor Cabriales:

We are pleased to provide a proposal to serve as Bond Counsel and Co-Disclosure Counsel with Green, de Bortnowsky & Quintanilla, LLP to the City in connection with the issuance of tax-exempt or taxable bonds, notes or other obligations involving the City water system and/or and wastewater system.

Fulbright & Jaworski L.L.P., which is one of the largest law firms in the United States, has consistently been among the leading law firms in the United States in terms of number of public finance transactions for which it has acted as bond counsel and ranked fifth nationally in 2008 for the principal amount of bonds for which we acted as bond counsel and ranked 8th nationally for the principal amount of bonds for which we acted as Disclosure Counsel.

As Bond Counsel, Fulbright will assist in developing the structure of the financing and provide customary Bond Counsel services necessary to enable the City to authorize, issue, sell and deliver bonds or other obligations under existing laws, as more fully set forth below. In addition, we would make our offices available to the City for the purpose of conducting meetings with regard to the documents relating to an offering of bonds or other obligations, and for all bid openings, pre-closings and closings of any transactions.

To the extent necessary, we will undertake statutory, decisional and constitutional law research inquiries as to the validity and legal authority of any method of financing chosen by the City or related public entity. We will prepare, where necessary, the various resolutions, ordinances, trust indentures, notices inviting bids and security agreements required for each transaction. Where necessary, the Firm will prepare or review agreements for any credit support facility, escrow deposit, trustee, paying agent or registrar, and we would discuss and comment

upon such agreements with financial officers and the financial advisors engaged by the City in connection therewith. The Firm will also be available to discuss and comment upon any aspect of the transaction related to its role as Bond Counsel, including any issues concerning the rating agencies or any other participant to the transaction. With regard to the printing of the Bonds, if the Bonds are printed, we will examine and clear the proofs and the form of the executed obligations. We will prepare or review all documents of the City necessary for the closing and delivery of the Bonds to the purchasers. The Firm will also prepare or review the various closing certificates and opinions required of trustees, accountants, consulting engineers, and other interested parties. At the closing, the Firm would deliver a final approving opinion in respect of the bonds or other obligations, stating, among other things, that such obligations are valid and binding obligations of the City and, if applicable, that interest on such obligations is exempt from personal income taxes under the laws of the United States and the State of California.

The proposed financing for a particular issuance of tax-exempt obligations will be reviewed by the Firm's Tax Department to assure that all aspects of the financing are in compliance with the requirements of the Internal Revenue Code, relevant Internal Revenue Service rulings and Treasury Department regulations so that the federal tax exemption of interest paid on the obligations is applicable. More specifically, such a review would entail an analysis of the financing structure to determine if such obligations are "arbitrage bonds" within the meaning of the Internal Revenue Code. In connection with such review, our Tax Department would prepare a certificate as to arbitrage which would be delivered at the closing. In addition, the Firm would review the applicable requirements under California tax laws, regulations and procedures to insure the availability of State tax-exempt status.

As Disclosure Counsel we will draft the Preliminary Official Statement, the final Official Statement or other disclosure document (including a Private Placement Memorandum in the event the obligations are privately placed) to be used in connection with the offering of the obligations, including the summaries of the basic financing documents for inclusion therein. We will also draft the Continuing Disclosure Agreement if necessary. We will render an opinion as to the adequacy of the disclosure document for any publicly offered obligations.

Subject to completion of all legal proceedings and issuance of the bonds to our satisfaction, Fulbright & Jaworski L.L.P. will issue its approving legal opinion with respect to the authorization, sale and delivery of the bonds and, if applicable, the exclusion of the interest on the bonds from gross income for Federal and State income tax purposes. We will issue appropriate supplemental opinions and certificates as may be necessary or appropriate.

Our fees for services as Bond Counsel for enterprise financings for the City or related public entities would be calculated as follows:

> 1½% of the first $2,000,000 principal amount of each series of bonds or other obligations issued;

½% of the next $10,000,000 principal amount of each series of bonds or other obligations issued;

1/4% of the balance of the principal amount of each series of bonds or other obligations issued.

Our fees as Co-Disclosure Counsel (fees for each Co-Disclosure Counsel Firm), including preparation of the Preliminary Official Statement, the Official Statement and the Continuing Disclosure Agreement (or in the case of private placement, the Private Placement Memorandum only) would be calculated as follows:

$40,000 for issues of less than $7,500,000;

$46,000 for issues of more than $7,500,000 but less than $12,000,000;

$52,000 for issues of more than $12,000,000 but less than $20,000,000;

$58,000 for issues of more than $20,000,000 but less than $30,000,000;

$64,000 for issues of more than $30,000,000 but less than $40,000,000;

$70,000 for issues of more than $40,000,000 but less than $50,000,000.

We will also perform the following services to implement the proposed long term lease of the City's wastewater enterprise to the Victorville Water District:

1. Preparation of the Lease Agreement for the wastewater enterprise;

2. Consultation with City staff and officials with respect to necessary revisions of the Lease Agreement;

3. Preparation of revised drafts as required through execution of the Lease Agreement;

4. Review as to form and content the wastewater enterprise system valuation;

5. Attendance at meetings and participation in telephone conferences requested by staff and at City Council meetings to explain documentation presented for approval.

6. Preparation of transcript of proceedings.

Our fees for providing the above described services will be $42,000, with $25,000 payable upon submission of documents in substantially final form to the City Council for

approval, and the final $17,000 payable upon delivery of the transcripts documenting the transaction. These fees are not contingent on the delivery of bonds or other obligations.

For services as Special Counsel with respect to matters other than those customarily performed as Bond Counsel or Disclosure Counsel, we propose to bill the City at our regular hourly rates for all attorneys.

Such fees are entirely contingent on the successful delivery of the bonds. In the event the bonds are not sold and delivered, the City shall not be liable for any legal services provided or costs incurred by the Firm.

The provisions herein for payment of fees on a fixed fee basis or a capped fee basis pertain to the ordinary and customary services rendered in connection with transactions of the type described herein. Services performed which are occasioned by unforeseen delays, litigation, adverse litigation, validation actions, the need to obtain federal tax rulings, the use of derivative products, investment agreements, guaranteed investment contracts, or other similar matters are to be billed at regular hourly rates.

The City shall also pay to the Firm $2,200 for each series of bonds or other obligations issued as reimbursement for the Firm's out-of-pocket expenses incurred and preparation of transcripts in connection with legal services rendered by the Firm under this Agreement.

You are advised that the firm maintains Professional Errors and Omissions insurance coverage applicable to the services which we would be rendering.

If this arrangement is satisfactory to you, please return to us a copy of this letter executed by an authorized officer of the City.

Respectfully submitted,

Fulbright & Jaworski L.L.P.

By: _____
Donald L. Hunt, Partner

Terms of Bond Counsel,
Disclosure Counsel and Special Counsel Employment
Approved This ____ Day
of _____, 2009

CITY OF VICTORVILLE

Name: _____
Title: _____

VICTORVILLE
California

AGENDA ITEM

CITY COUNCIL AND
VICTORVILLE WATER DISTRICT
BOARD OF DIRECTORS MEETING OF: APRIL 7, 2009

SUBMITTED BY: Keith C. Metzler
Director of Economic Development
Reggie Lamson RAL
Director of Water District

DATE: March 31, 2009

ATTACHED: City of Victorville Resolution No. 09-015
Victorville Water District Resolution No. VWD-09-001

SUBJECT: Wastewater Enterprise Lease Agreement

RECOMMENDATION: That Your Honorable City Council adopt Resolution No. 09-015 approving the Wastewater Enterprise Lease Agreement.

That Your Honorable Board of Directors adopt Resolution No. VWD-09-001 approving the Wastewater Enterprise Lease Agreement

FISCAL IMPACT: None at this time
Revenues to City as surplus revenues are realized from wastewater enterprise and shall be a part of annual budgeting process.

Budget Amount:
Budget Acct. No.:

--Finance Department Use Only--
Additional Appropriation:

__X_No
____Yes/$ Amt.:

Finance Director Review and Approval____

DISCUSSION: On February 17, 2009, the Victorville Water District (District) and the City approved a funding program that among other things, established a capital structure that would facilitate the build-out of the SCLA Wastewater Treatment Plant. Since that

time, staff has determined it appropriate to slightly modify the business model for the plant operation which requires a change in the ownership structure of the wastewater plant. Very generally, the business model, which previously relied on the use of property taxes (approximately $1.5 million annually) to fulfill the plant's revenue needs, was modified to eliminate property tax support so that revenue could be freed up to support City general fund purposes. The ownership structure was also modified to exercise the Districts legal authority in providing wastewater services causing the District to become the owner of the treatment facility. To further its ownership interest in the treatment plant, the District must become the issuer of debt that was contemplated as a part of the original capital structure. Securing that debt will be net revenues generated by the plant, including reclaimed water revenues and net revenues generated by the system.

To further the Districts ability in fulfilling the security obligation for the proposed debt issuance, a lease agreement that will permit the District to collect system related revenues and operate and maintain the City's sanitary system is necessary.

The attached Lease Agreement permits the Victorville Water District to operate and maintain the City's existing collection system in the same manner the City currently operates and maintains the system. This is to include utilizing the Public Works Department to satisfy O&M needs in the same way they do today. Consideration for the lease shall be "surplus revenues" which is to mean revenues that are net of O&M costs, debt service obligations and capital replacement/improvement costs until such a time that the consideration paid by the District equals the fair value of existing collection system. The fair value consideration will be determined as a function of note closing.

Staff remains available for any questions or comments you might have.

Attachments: Wastewater Lease Agreement
City of Victorville Resolution No. 09-015
Victorville Water District Resolution No. VWD-09-001

KCM/jrt

WASTEWATER ENTERPRISE LEASE AGREEMENT

Dated as of April 1, 2009

by and between

VICTORVILLE WATER DISTRICT,
as Lessee

and the

CITY OF VICTORVILLE
as Lessor

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WASTEWATER ENTERPRISE LEASE AGREEMENT

THIS WASTEWATER ENTERPRISE LEASE AGREEMENT, dated as of April 1, 2009 (the "Lease Agreement"), is by and between the VICTORVILLE WATER DISTRICT, a subsidiary district of the City of Victorville duly organized and existing under the laws of the State of California (the "Water District"), and the CITY OF VICTORVILLE, a charter city and municipal corporation duly organized and existing under the laws of the State of California (the "City"),

W I T N E S S E T H:

WHEREAS, the City owns, operates and controls the City's wastewater enterprise (the "Enterprise") and has further established certain funds and accounts which relate to the Enterprise; and

WHEREAS, the Water District wishes to lease the Enterprise from the City, and the City wishes to lease the Enterprise to the Water District, and the Water District is authorized to lease the Enterprise and to operate the Enterprise; and

WHEREAS, the Water District and the City have duly authorized the execution and delivery of this Lease Agreement;

NOW, THEREFORE, for and in consideration of the premises and the material covenants hereinafter contained, the parties hereto hereby formally covenant, agree and bind themselves as follows:

ARTICLE 1

DEFINITIONS

Section 1.1 Definitions. The terms defined in this Section shall have the meanings ascribed to them in this Section for purposes of this Lease Agreement unless the context clearly indicates some other meaning. All capitalized terms used herein which are defined in the Installment Sale Agreement and not defined herein shall have the meanings specified in the Installment Sale Agreement.

"Agreement" means this Lease Agreement, together with any duly authorized and executed amendments hereto.

"Closing Date" means _____, 2009.

"Discount Rate" means [6.0%].

"Enterprise" means the entire wastewater system owned or operated by the City, including but not limited to all facilities, properties and improvements at any time owned or operated by the City for the collection and treatment of wastewater, and any necessary lands, rights, entitlements and other property useful in connection therewith, together with all

extensions thereof and improvements thereto hereafter acquired, constructed or installed by the City or the Water District.

"Event of Default" means any of the events described in Section 8.1.

"Financing Authority" means the Victorville Joint Powers Financing Authority.

"Gross Revenues" means all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Enterprise, including, without limiting the generality of the foregoing, (1) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the Water District from the sale, furnishing and supplying of wastewater treatment 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 Enterprise including, without limitation, reclaimed water, plus (2) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, or other moneys, including Water District reserves, but excluding in all cases customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the Water District and excluding any proceeds of taxes required by law to be used by the Water District to pay bonds hereafter issued

"Installment Sale Agreement" means the Installment Sale Agreement, dated as of April 1, 2009, by and between the Financing Authority and the City, or such other installment sale agreement executed in connection with the refunding the Installment Sale Agreement.

"Lease" means the lease of the Enterprise pursuant to this Agreement.

"Lease Payments" means the amounts payable by the Water District pursuant to Section 4.2, including any prepayments thereof pursuant to Article 9.

"Operation and Maintenance Costs" means the reasonable and necessary costs and expenses paid by the Water District for maintaining and operating the Enterprise, including but not limited to (a) the cost of utilities, including electricity and other forms of energy supplied to the Enterprise, and (b) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Enterprise in good repair and working order, but in all cases excluding (i) depreciation, replacement and obsolescence charges or reserves therefor and (ii) amortization of intangibles or other bookkeeping entries of a similar nature.

"Payment Date" means the tenth day of each _____ and _____.

"Net Revenues" means, for any period, an amount equal to all of the Gross Revenues received during such period minus the amount required to pay all Operation and Maintenance Costs becoming payable during such period.

"Surplus Revenues" means, for any period, an amount equal to all of the Net Revenues minus (i) the amount required to be paid under the Installment Sale Agreement during such period, (ii) the amount required to pay debt service on any obligations incurred by the Water District with respect to the Enterprise becoming payable during such period, and (iii) amounts set aside for capital replacements and improvements.

"Term of this Agreement" means the time during which this Lease Agreement is in effect, as provided in Section 4.1.

"Total Rent" shall mean the total rent having an aggregate present value, when computed as of the Closing Date, of an amount to be agreed upon by the parties hereto subsequent to the Closing Date that represent the fair value of the Enterprise as of June 30, 2008.

"Wastewater Enterprise Fund" means the City's existing Wastewater Enterprise Fund to be held by the Water District.

ARTICLE 2

COVENANTS AND REPRESENTATIONS

Section 2.1 Covenants and Representations of the City. The City makes the following covenants and representations to the Water District that as of the Closing Date:

(a) The City is a charter city and municipal corporation duly organized and validly existing under the laws of the State, has full legal right, power and authority to enter into this Agreement and to carry out and consummate all transactions contemplated hereby, and by proper action has duly authorized the execution and delivery of this Agreement.

(b) The representatives of the City executing this Agreement are fully authorized to execute the same.

(c) This Agreement has been duly authorized, executed and delivered by the City, and constitutes the legal, valid and binding agreement of the City, enforceable against the City in accordance with its terms.

(d) The execution and delivery of this Agreement, the consummation of the transactions herein contemplated and the fulfillment of or compliance with the terms and conditions hereof, will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the City is a party or by which it or its Enterprise are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the City, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Agreement, or the financial condition, assets, property or operations of the Enterprise.

(e) No consent or approval of any trustee or holder of any indebtedness of the City or of the voters of the City, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Agreement or the consummation of any transaction herein and therein contemplated, except as have been obtained or made and as are in full force and effect.

(f) There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or threatened against or affecting the City or the Enterprise which, if determined adversely to the City or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Agreement or upon the financial condition or operation of the Enterprise, and the City is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Agreement, or the financial conditions or operations of the Enterprise.

Section 2.2 Covenants and Representations of the Water District. The Water District makes the following covenants and representations as the basis for its undertakings herein contained:

(a) The Water District is a subsidiary district of the City, duly organized and existing under the laws of the State. The Water District has the full right, authority and power to enter into the transactions contemplated by this Agreement and to carry out and consummate all transactions contemplated hereunder. By proper action of its governing body, the Water District has been duly authorized to execute, deliver and duly perform this Agreement.

(b) The Water District is not in default under any of the provisions of the laws of the State, which default would affect its existence or its powers referred to in subsection (a) of this Section 2.2.

(c) This Agreement has been duly authorized, executed and delivered by the Water District, and constitutes the legal, valid and binding agreement of the Water District, enforceable against the Water District in accordance with its terms.

ARTICLE 3

LEASE AND OPERATION OF ENTERPRISE

Section 3.1 Lease of the Enterprise. The Water District agrees to lease the Enterprise from the City, and the City agrees to lease, and hereby does lease, such Enterprise to the Water District, for the Total Rental.

Section 3.2 Operation of the Enterprise. The Water District assumes all rights, liabilities, duties and responsibilities of the City regarding the operation and maintenance of the Enterprise. The Water District shall assume, enter into, administer and enforce all contracts or other agreements relating to the operation and maintenance of the Enterprise. All contracts relating to the acquisition, operation and maintenance of the Enterprise shall be subject to all applicable provisions of law relating to like property operated by municipal corporations.

ARTICLE 4

LEASE PAYMENTS

Section 4.1 Term. The Term of this Agreement shall commence on the Closing Date, and shall end on June 30, 2063. The provisions of this Section 4.1 are subject in all respects to any other provisions of this Agreement relating to the termination hereof.

Section 4.2 Lease Payments.

(a) Obligation to Pay. The Water District agrees to pay to the City, its successors and assigns, but solely from the Surplus Revenues and other funds pledged hereunder, Lease Payments totaling the Total Rental. Lease Payments shall be paid by the Water District to the City, on each Payment Date in an amount determined by agreement of the City and the Water District from time to time.

(b) Effect of Prepayment. In the event that the Water District prepays all remaining Lease Payments in full pursuant to Article 9, only the Water District's obligations under this Agreement to pay Lease Payments therefor under this Section 4.2 shall cease and terminate.

Section 4.3 Pledge and Application of Surplus Revenues.

(a) Pledge of Surplus Revenues. All of the Surplus Revenues are hereby irrevocably pledged, charged and assigned by the Water District to the punctual payment of the Lease Payments and the Surplus Revenues and such other funds shall not be used for any other purpose (except capital improvements, including debt service on bonded indebtedness or other obligations incurred by the Water District in connection with the Enterprise, and other lawful purposes related to the Enterprise) so long as any of the Lease Payments remain unpaid. Such pledge, charge and assignment shall constitute a first lien on the Surplus Revenues and such other moneys for the payment of the Lease Payments in accordance with the terms hereof.

(b) Deposits Into Wastewater Enterprise Fund. There is hereby established the Wastewater Enterprise Fund, which is to be held and administered by the Water District. The Water District shall deposit all of the Gross Revenues immediately upon receipt in the Wastewater Enterprise Fund. The Water District shall, from the moneys in the Wastewater Enterprise Fund, make disbursements as required under Section 4.5 (or such comparable section) of the Installment Sale Agreement. Amounts constituting Surplus Revenues in the Wastewater Enterprise Fund shall be used to make Lease Payments as such payments become due and payable.

(c) Budget and Appropriation of Lease Payments. During the Term of this Agreement, the Water District, with the assistance of the City, shall adopt and make all necessary budgets and appropriations of the Lease Payments from the Surplus Revenues. In the event any Lease Payment requires the adoption by the Water District of any supplemental budget or appropriation, the Water District shall promptly adopt the same. The covenants on the part of the Water District contained in this subsection (c) shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the Water District to take such action and do such things as are required by law in the performance of the

official duty of such officials to enable the Water District to carry out and perform the covenants and agreements in this subsection (c).

Section 4.4 Special Obligation of the Water District; Obligations Absolute. The Water District's obligation to pay the Lease Payments hereunder shall be a special obligation of the Water District limited solely to the Surplus Revenues. Under no circumstances shall the Water District be required to advance moneys derived from any source of income other than the Surplus Revenues and other sources specifically identified herein for the payment of the Lease Payments, nor shall any other funds or property of the Water District be liable for the payment of the Lease Payments and any other amounts coming due and payable hereunder.

The obligations of the Water District to make the Lease Payments from the Surplus Revenues and to perform and observe the other agreements contained herein shall be absolute and unconditional and shall not be subject to any defense or any right of setoff, counterclaim or recoupment arising out of any breach of the City of any obligation to the Water District or otherwise with respect to the Enterprise, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the Water District by the City. Until such time as all of the Lease Payments and all other amounts coming due and payable hereunder shall have been fully paid or prepaid, the Water District (a) will not suspend or discontinue payment of any Lease Payments or such other amounts, and (b) will perform and observe all other agreements contained in this Agreement.

In the event the City shall fail to perform any of its agreements contained herein, the Water District may institute such action against the City as the Water District may deem necessary to compel performance so long as such action does not abrogate the obligations of the Water District contained in the preceding paragraph. The Water District may, however, at the Water District's own cost and expense and in the Water District's own name or in the name of the Water District prosecute or defend any action or proceeding or take any other action involving third persons which the Water District deems reasonably necessary in order to secure or protect the Water District's rights hereunder, and in such event the Water District hereby agrees to cooperate fully with the City and to take such action necessary to effect the substitution of the City for the Water District in such action or proceeding, if the Water District shall so request.

Section 4.5 Rates, Fees and Charges. The Water District, through the actions of the City, shall fix, prescribe, revise and collect rates, fees and charges for the Enterprise as a whole for the service and improvements furnished by the Enterprise during each Fiscal Year that are at least sufficient, after making allowances for contingencies and error in the estimates to yield Surplus Revenues that are sufficient to pay scheduled Lease Payments.

ARTICLE 5

MAINTENANCE; TAXES, INSURANCE; AND OTHER MATTERS

Section 5.1 Maintenance, Utilities, Taxes and Assessments. Throughout the Term of this Agreement, all improvement, repair and maintenance of the Enterprise shall be the responsibility of the Water District, and the Water District shall pay for or otherwise arrange for

RESOLUTION NO. 09-015

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF VICTORVILLE APPROVING A WASTEWATER ENTERPRISE LEASE AGREEMENT FOR THE LEASE OF THE CITY'S WASTEWATER ENTERPRISE TO THE VICTORVILLE WATER DISTRICT, AND APPROVING THE TAKING OF CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, the Victorville Joint Powers Financing Authority (the "Authority"), is a joint exercise of powers agency duly created, established and authorized to transact business and exercise its powers, all under and pursuant to the Joint Exercise of Powers Act (Articles 1 through 4 of Chapter 5, Division 7, Title 1 of the California Government Code) (the "Act") and the powers of such Authority include the power to issue bonds for any of its corporate purposes; and

WHEREAS, the City of Victorville (the "City") owns and operates that certain wastewater collection system referred to herein as the "Wastewater Enterprise;" and

WHEREAS, the City desires to finance the construction of a wastewater treatment plant (with reclaimed water production capabilities) as well as certain other improvements to the Wastewater Enterprise (the "Improvements"); and

WHEREAS, it has been proposed that the Authority assist the City in providing funds to finance such Improvements by issuing taxable notes (the "Notes"), which will be privately placed with an accredited investor; and

WHEREAS, the Victor Valley Water District and the Baldy Mesa Water District were merged into Victorville Water District (the "Water District"), a subsidiary district of the City; and

WHEREAS, the Water District provides water service to service area/territory of the merged districts (the "Water Enterprise"); and

WHEREAS, the Water District functions under, and is authorized to carry out all authorized duties and responsibilities assigned to a county water district, which includes wastewater services; and

WHEREAS, the City Council previously made findings that administering the City's Wastewater Enterprise in the same manner and under the jurisdiction of the Water District together with the Water Enterprise will result in operational and administrative efficiencies and will enhance the Authority's ability to issue and sell the Notes; and

WHEREAS, the City Council finds that it is important to the long term growth of the City that the Water District secure the availability of significantly more reclaimed water; and

WHEREAS, the City Council previously directed staff to solicit a proposal from the Water District to lease the Wastewater Enterprise from the City; and

WHEREAS, the City Council has held a public hearing to examine the proposal and the staff recommendations relating to such proposal received by the City; and

WHEREAS, upon reviewing and examining the proposal received and the staff's recommendations and the views expressed at the public hearing, the City Council has determined that significant benefits will result from the lease of the Wastewater Enterprise; and

WHEREAS, the City Council desires to lease the Wastewater Enterprise to the Water District pursuant to a lease agreement; and

WHEREAS, the City Council, with the aid of its staff, has reviewed the documentation relating to the lease.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF VICTORVILLE DOES RESOLVE AS FOLLOWS:

Section 1. The City hereby approves the Wastewater Enterprise Lease Agreement, substantially in the form annexed hereto, with such revisions, amendments and completions as shall be approved by the Mayor, the Mayor Pro-Tem, the City Manager, the Finance Director or their designees (each a "Responsible Officer") with the advice of counsel to the City, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 2. Any Responsible Officer is hereby authorized and directed to execute and deliver any and all documents and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by this Resolution.

Section 3. The City Clerk shall certify to the adoption of this Resolution, and thenceforth and thereafter the same shall be in full force and effect.

PASSED, APPROVED AND ADOPTED this ___ day of _____, 2009.

_____

Rudy Cabriales, Mayor

I, CAROLEE BATES, City Clerk of the City of Victorville, California do hereby certify that the foregoing Resolution was duly and regularly passed and adopted by the City Council of the City of Victorville, California at its regular meeting held on the ___ day of _____, 2009, by the following vote:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ABSTAINED: COUNCIL MEMBERS:

_____

Carolee Bates, City Clerk
City of Victorville

REGULAR MEETING OF THE
CITY COUNCIL OF THE
CITY OF VICTORVILLE
May 5, 2009

The regular meeting of the City Council of the City of Victorville was called to order by the Mayor at 7:00 p.m. in the City Council Chambers, Victorville City Hall, 14343 Civic Drive, Victorville, California.

ROLL CALL

ROLL CALL

PRESENT: Rudy Cabriales, Mike Rothschild, JoAnn Almond, Terry E. Caldwell, and Ryan McEachron.

LATE: None

ABSENT: None.

INVOCATION WAS GIVEN BY PASTOR DOUG STORY FROM THE HIGH DESERT CHURCH FOLLOWED BY THE PLEDGE OF ALLEGIANCE, LED BY VICTORVILLE POLICE CAPTAIN TAYLOR.

PUBLIC COMMENT

1. PUBLIC COMMENT ON ITEMS OF INTEREST TO THE PUBLIC

1) Sharonda Gates - Miss Victorville - gave a brief resume of her high school accomplishments and her aspirations for the future.
2) Alan Shekarchi - Apple Valley - told council he would like to put a temporary fruit stand on his land at the corner of Hesperia Rd. and Center St. but cannot afford permits or to put in the necessary improvements
3) Dorothy Miller - said she has not had any answer on her trash bill or water bill and also is still paying the Baldy Mesa tax assessment; complained about two trucks and three men coming to change the water meter - a waste;

LIBRARY BOARD OF TRUSTEES

REVISIONS TO AGENDA

2. PRESENTATION OF REVISIONS TO AGENDA

CONSENT CALENDAR

3. REQUEST TO APPROVE THE CONSENT CALENDAR AS FOLLOWS:

   A. MINUTES FROM THE FOLLOWING MEETINGS:

      1. REGULAR MEETING HELD FEBRUARY 3, 2009

      2. REGULAR MEETING HELD FEBRUARY 17, 2009

      3. REGULAR MEETING HELD MARCH 3, 2009

   B. STAFF REPORT - MARCH 2009

It was moved by Mike Rothschild, seconded by Terry E. Caldwell to approve CONSENT CALENDAR. Motion Carried unanimously.

ADJOURNMENT OF MEETING

SCLRA

REVISIONS TO AGENDA

2. PRESENTATION OF REVISIONS TO AGENDA

CONSENT CALENDAR

3. REQUEST APPROVAL OF THE FOLLOWING MINUTES:

   A. REGULAR MEETING HELD FEBRUARY 3, 2009

   B. REGULAR MEETING HELD FEBRUARY 17, 2009

   C. REGULAR MEETING HELD MARCH 3, 2009

It was moved by JoAnn Almond, seconded by Ryan McEachron to approve CONSENT CALENDAR. Motion Carried unanimously.

CLOSED SESSION

4. CONFERENCE WITH LEGAL COUNSEL REGARDING POTENTIAL LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(b) CONFERENCE WITH LEGAL COUNSEL: Potential - One case

ADJOURNMENT OF MEETING

SCLAA

REVISIONS TO AGENDA

2. PRESENTATION OF REVISIONS TO AGENDA

CONSENT CALENDAR

3. REQUEST APPROVAL OF THE FOLLOWING MINUTES:

   A. REGULAR MEETING HELD FEBRUARY 3, 2009

   B. SPECIAL MEETING HELD FEBRUARY 17, 2009

   C. REGULAR MEETING HELD FEBRUARY 17, 2009

   D. REGULAR MEETING HELD MARCH 3, 2009

It was moved by JoAnn Almond, seconded by Mike Rothschild to approve CONSENT CALENDAR. Motion Carried unanimously.

CLOSED SESSION

4. CONFERENCE WITH LEGAL COUNSEL REGARDING POTENTIAL LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(b) CONFERENCE WITH LEGAL COUNSEL: Potential - Two cases

5. CONFERENCE WITH LEGAL COUNSEL REGARDING EXISTING LITIGATION PURSUANT

TO GOVERNMENT CODE SECTION 54956.9(a) CMB Export LLC: CMB Infrastructure Investment Group v. City of Victorville; Victorville Redevelopment Agency; SCLAA; Reassigned as San Bernardino Superior Court Case No. CIVVS 901467

6. CONFERENCE WITH REAL PROPERTY NEGOTIATORS PURSUANT TO GOVERNMENT CODE SECTION 54956.8 CONFERENCE WITH REAL PROPERTY NEGOTIATORS: Property Location: Located at Southern California Logistics Airport Negotiating Parties: SCLAA and Victorville Aerospace

ADJOURNMENT OF MEETING

RDA

REVISIONS TO AGENDA

2. PRESENTATION OF REVISIONS TO AGENDA

A) Item #4 reference to City Council agenda Item #11 should be Item #12

CONSENT CALENDAR

3. REQUEST TO APPROVE THE FOLLOWING MINUTES:

A. REGULAR MEETING HELD FEBRUARY 3, 2009

B. SPECIAL MEETING HELD FEBRUARY 17, 2009

C. REGULAR MEETING HELD FEBRUARY 17, 2009

D. REGULAR MEETING HELD MARCH 3, 2009

It was moved by JoAnn Almond, seconded by Ryan McEachron to approve 3. REQUEST TO APPROVE THE FOLLOWING MINUTES: . Motion Carried unanimously.

WRITTEN COMMUNICATIONS

4.RE QUEST TO APPROVE THE SUBRECIPIENT AGREEMENT BETWEEN THE CITY OF VICTORVILLE AND THE VICTORVILLE REDEVELOPMENT AGENCY TO ADMINISTER THE NEIGHBORHOOD STABILIZATION PROGRAM (NSP) AND TO AUTHORIZE THE DIRECTOR OF ECONOMIC DEVELOPMENT TO EXECUTE THE AGREEMENT AND THE NECESSARY DOCUMENTATION FOR IMPLEMENTATION OF THE PROGRAM (COMPANION ITEM TO CITY COUNCIL WRITTEN COMMUNICATIONS ITEM #11)

Change reference to city council Item #11 to Item #12

It was moved by JoAnn Almond, seconded by Ryan McEachron to approve 4.REQUEST TO APPROVE THE SUBRECIPIENT AGREEMENT BETWEEN THE CITY OF VICTORVILLE AND THE VICTORVILLE REDEVELOPMENT AGENCY TO ADMINISTER THE NEIGHBORHOOD STABILIZATION PROGRAM (NSP) AND TO AUTHORIZE THE DIRECTOR OF ECONOMIC DEVELOPMENT TO EXECUTE THE AGREEMENT AND THE NECESSARY DOCUMENTATION FOR IMPLEMENTATION OF THE PROGRAM (COMPANION ITEM TO CITY COUNCIL WRITTEN COMMUNICATIONS ITEM #11). Motion Carried unanimously.

CLOSED SESSION

5. CONFERENCE WITH LEGAL COUNSEL REGARDING POTENTIAL LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(b) CONFERENCE WITH LEGAL COUNSEL: Potential - Two cases

6. CONFERENCE WITH LEGAL COUNSEL REGARDING EXISTING LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(a) CMB Export LLC: CMB Infrastructure

Investment Group v. City of Victorville; Victorville Redevelopment Agency; SCLAA; Reassigned as San Bernardino Superior Court Case No. CIVVS 901467

ADJOURNMENT OF MEETING

VICTORVILLE WATER DISTRICT

REVISIONS TO AGENDA

2. PRESENTATION OF REVISIONS TO AGENDA

CONSENT CALENDAR

3. REQUEST TO APPROVE THE FOLLOWING MINUTES:

   A. REGULAR MEETING HELD FEBRUARY 3 2009

   B. SPECIAL MEETING HELD FEBRUARY 17, 2009

   C. REGULAR MEETING HELD FEBRUARY 17, 2009

   D. REGULAR MEETING HELD MARCH 3, 2009

It was moved by Ryan McEachron, seconded by JoAnn Almond to approve CONSENT CALENDAR. Motion Carried unanimously.

ADJOURNMENT OF MEETING

CITY COUNCIL

REVISIONS TO AGENDA

2. PRESENTATION OF REVISIONS TO AGENDA

   A) Request to continue Public Hearing Items 3 and #4 to June 16, 2009

PUBLIC HEARINGS

3. A PUBLIC HEARING WAS CALLED TO ADOPT RESOLUTION NOS. 09-019 THROUGH 09-031 WHICH WOULD APPROVE THE ANNUAL ASSESSMENTS FOR LANDSCAPE MAINTENANCE ASSESSMENT DISTRICTS, DRAINAGE FACILITY ASSESSMENT DISTRICTS AND MAINTENANCE ASSESSMENT DISTRICTS AT THE MAY 5, 2009 MEETING IN ERROR. THIS ITEM WILL BE HEARD AT THE JUNE 16, 2009 CITY COUNCIL MEETING AND THE PUBLIC HEARING SHOULD BE CONTINUED ACCORDINGLY.

   1) Continue to June 16, 2009

4. REQUEST TO CONTINUE THE PUBLIC HEARING ESTABLISHING PARKING REGULATIONS OF RECREATIONAL VEHICLES ON PUBLIC STREETS AS SET FORTH IN ORDINANCE NO. 2218 ENTITLED: AN ORDINANCE OF THE CITY OF VICTORVILLE AMENDING CHAPTER 12.28 OF THE VICTORVILLE MUNICIPAL CODE BY ADDING A NEW SECTION 12.28.065 TITLED "STOPPING OR STANDING PROHIBITED FOR RECREATIONAL VEHICLES, OVERSIZED VEHICLES, AND TRAILERS ON PUBLIC STREETS, RIGHT OF WAYS, HIGHWAYS OR ALLEYS"

   1) Continue to June 16, 2009

5. A PUBLIC HEARING CALLED TO HEAR ARGUMENTS FOR OR AGAINST APPROVING THE NOTICE OF INTENT TO ADOPT THE FINAL MITIGATED NEGATIVE DECLARATION FOR THE SCLA EAST SEWER TRUNK LINE AND APPROVE THE FINDINGS CONTAINED IN THE NOTICE OF INTENT

It was moved by Mike Rothschild, seconded by Ryan McEachron to approve 5. A PUBLIC HEARING CALLED TO HEAR ARGUMENTS FOR OR AGAINST APPROVING THE NOTICE OF INTENT TO ADOPT THE FINAL MITIGATED NEGATIVE DECLARATION FOR THE SCLA EAST SEWER TRUNK LINE AND APPROVE THE FINDINGS CONTAINED IN THE NOTICE OF INTENT. Motion Carried unanimously.

6. A PUBLIC HEARING CALLED TO HEAR ARGUMENTS FOR OR AGAINST APPROVING THE NOTICE OF INTENT TO ADOPT THE FINAL MITIGATED NEGATIVE DECLARATION FOR THE SCLA NORTHERN RECLAIMED WATER LINE AFTER APPROVING THE FINDINGS CONTAINED IN THE NOTICE OF INTENT AND RESCIND THE PREVIOUS APPROVAL AT THE JANUARY 20, 2009 PUBLIC HEARING

It was moved by JoAnn Almond, seconded by Mike Rothschild to approve 6. A PUBLIC HEARING CALLED TO HEAR ARGUMENTS FOR OR AGAINST APPROVING THE NOTICE OF INTENT TO ADOPT THE FINAL MITIGATED NEGATIVE DECLARATION FOR THE SCLA NORTHERN RECLAIMED WATER LINE AFTER APPROVING THE FINDINGS CONTAINED IN THE NOTICE OF INTENT AND RESCIND THE PREVIOUS APPROVAL AT THE JANUARY 20, 2009 PUBLIC HEARING. Motion Carried unanimously.

7. A PUBLIC HEARING CALLED TO HEAR ARGUMENTS FOR OR AGAINST APPROVING THE NOTICE OF INTENT TO ADOPT THE FINAL MITIGATED NEGATIVE DECLARATION FOR THE SCLA WEST SIDE SEWER AND INDUSTRIAL SEWER TRUNK LINES AFTER APPROVING THE FINDINGS CONTAINED IN THE NOTICE OF INTENT AND RESCIND THE PREVIOUS APPROVAL AT THE JANUARY 20, 2009 PUBLIC HEARING.

It was moved by Mike Rothschild, seconded by Ryan McEachron to approve 7. A PUBLIC HEARING CALLED TO HEAR ARGUMENTS FOR OR AGAINST APPROVING THE NOTICE OF INTENT TO ADOPT THE FINAL MITIGATED NEGATIVE DECLARATION FOR THE SCLA WEST SIDE SEWER AND INDUSTRIAL SEWER TRUNK LINES AFTER APPROVING THE FINDINGS CONTAINED IN THE NOTICE OF INTENT AND RESCIND THE PREVIOUS APPROVAL AT THE JANUARY 20, 2009 PUBLIC HEARING.. Motion Carried unanimously.

8. A PUBLIC HEARING CALLED TO HEAR ARGUMENTS FOR OR AGAINST APPROVING THE NOTICE OF INTENT TO ADOPT THE FINAL MITIGATED NEGATIVE DECLARATION FOR THE SCLA WEST SIDE WATER LINE AFTER REVIEWING THE FINDINGS CONTAINED IN THE NOTICE OF INTENT AND RESCIND THE PREVIOUS APPROVAL AT THE OCTOBER 21, 2008 PUBLIC HEARING

It was moved by Ryan McEachron, seconded by JoAnn Almond to approve 8. A PUBLIC HEARING CALLED TO HEAR ARGUMENTS FOR OR AGAINST APPROVING THE NOTICE OF INTENT TO ADOPT THE FINAL MITIGATED NEGATIVE DECLARATION FOR THE SCLA WEST SIDE WATER LINE AFTER REVIEWING THE FINDINGS CONTAINED IN THE NOTICE OF INTENT AND RESCIND THE PREVIOUS APPROVAL AT THE OCTOBER 21, 2008 PUBLIC HEARING. Motion Carried unanimously.

9. A PUBLIC HEARING CALLED TO 1) RECEIVE CITIZEN AND AGENCY COMMENTS REGARDING THE DRAFT ACTION PLAN FOR FY 2009-2010 ANNUAL ACTION PLAN; 2) TO ADOPT THE HOUSING AND COMMUNITY DEVELOPMENT (HCD) PROJECTS SET FORTH BY COUNCIL AT ITS MARCH 17, 2009 MEETING; 3) APPROVE AND ADOPT THE PLANS AS PRESENTED FOR SUBMITTAL TO DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) AND 4) AUTHORIZE THE CITY MANAGER TO EXECUTE ALL NECESSARY DOCUMENTS FOR SUBMITTAL TO HUD

It was moved by JoAnn Almond, seconded by Mike Rothschild to approve 9. A PUBLIC HEARING CALLED TO 1) RECEIVE CITIZEN AND AGENCY COMMENTS REGARDING THE DRAFT ACTION PLAN FOR FY 2009-2010 ANNUAL ACTION PLAN; 2) TO ADOPT THE HOUSING AND COMMUNITY DEVELOPMENT (HCD) PROJECTS SET FORTH BY COUNCIL AT ITS MARCH 17, 2009 MEETING; 3) APPROVE AND ADOPT THE PLANS AS PRESENTED FOR SUBMITTAL TO DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) AND 4) AUTHORIZE THE CITY MANAGER TO EXECUTE ALL NECESSARY DOCUMENTS

FOR SUBMITTAL TO HUD. Motion Carried unanimously.

CONSENT CALENDAR

10. PRESENTATION OF REQUEST TO APPROVE THE CONSENT CALENDAR AS FOLLOWS:

    A. COMMERCIAL DEMAND SCHEDULE NO. 20 IN THE AMOUNT OF $4,494,888.91 COVERING WARRANT NOS. 611623, 616549 AND 617902 THROUGH 618467 INCLUSIVE

    B. PAYROLL DEMAND SCHEDULE NO. 10A FOR PAYROLL PERIOD MARCH 21, 2009 THROUGH APRIL 3, 2009 IN THE AMOUNT OF $1,388,268.04 COVERING WARRANT NOS. 24806 THROUGH 24847 AND ADVICE NOS. 145569 THROUGH 146147 INCLUSIVE

    C. REQUEST TO APPROVE THE FOLLOWING MINUTES:

    1. REGULAR MEETING HELD FEBRUARY 3, 2009

    2. SPECIAL MEETING HELD FEBRUARY 17, 2009

    3. REGULAR MEETING HELD FEBRUARY 17, 2009

    4. SPECIAL MEETING HELD MARCH 3, 2009

    5. REGULAR MEETING HELD MARCH 3, 2009

    D. STAFF REPORT FROM COMMUNITY SERVICES DEPARTMENT - MARCH 2009

    E. FEDERAL STIMULUS UPDATE - PUBLIC WORKS DEPARTMENT

    F. RELEASE AN ADDITIONAL 20% OF THE FAITHFUL PERFORMANCE BONDS OF THE OFFSITE STREET BOND FOR TRACT 16982 - WOODSIDE HOMES

    G. RELEASE OF THE LABOR / MATERIALS PORTION OF THE STREET / SEWER BONDS FOR TRACT 15501 - D.R. HORTON

    H. RELEASE OF LABOR / MATERIALS PORTION OF THE STREET /SEWER BONDS FOR TRACT 15503 - D.R. HORTON

    I. AN 80% LETTER OF CREDIT RELEASE FOR STREET / SEWER OF TRACT 15394-1 - CNC LAND & DEVELOPMENT

    It was moved by Mike Rothschild, seconded by JoAnn Almond to approve 10. PRESENTATION OF REQUEST TO APPROVE THE CONSENT CALENDAR AS FOLLOWS:. Motion Carried unanimously.

WRITTEN COMMUNICATIONS

11. REQUEST TO RATIFY THE EXPENDITURE PLAN FOR THE 2009 BYRNE JUSTICE ASSISTANCE GRANT (JAG) ALLOCATION FOR 2009/2010 AND TO AUTHORIZE THE CITY MANAGER OR HIS DESIGNEE TO PROCESS ALL DOCUMENTS REQUIRED FOR THE PROGRAM ADMINISTRATION

    It was moved by Mike Rothschild, seconded by JoAnn Almond to approve 11. REQUEST TO RATIFY THE EXPENDITURE PLAN FOR THE 2009 BYRNE JUSTICE ASSISTANCE GRANT (JAG) ALLOCATION FOR 2009/2010 AND TO AUTHORIZE THE CITY MANAGER OR HIS DESIGNEE TO PROCESS ALL DOCUMENTS REQUIRED FOR THE PROGRAM ADMINISTRATION. Motion Carried unanimously.

12. REQUEST TO APPROVE THE SUBRECIPIENT AGREEMENT BETWEEN THE CITY OF

VICTORVILLE AND THE VICTORVILLE REDEVELOPMENT AGENCY TO ADMINISTER THE NEIGHBORHOOD STABILIZATION PROGRAM (NSP) AND AUTHORIZE THE DIRECTOR OF ECONOMIC DEVELOPMENT TO EXECUTE THE AGREEMENT AND THE NECESSARY DOCUMENTATION FOR IMPLEMENTATION OF THE PROGRAM (COMPANION ITEM TO RDA WRITTEN COMMUNICATIONS ITEM #4)

It was moved by JoAnn Almond, seconded by Ryan McEachron to approve 12. REQUEST TO APPROVE THE SUBRECIPIENT AGREEMENT BETWEEN THE CITY OF VICTORVILLE AND THE VICTORVILLE REDEVELOPMENT AGENCY TO ADMINISTER THE NEIGHBORHOOD STABILIZATION PROGRAM (NSP) AND AUTHORIZE THE DIRECTOR OF ECONOMIC DEVELOPMENT TO EXECUTE THE AGREEMENT AND THE NECESSARY DOCUMENTATION FOR IMPLEMENTATION OF THE PROGRAM (COMPANION ITEM TO RDA WRITTEN COMMUNICATIONS ITEM #4) . Motion Carried unanimously.

13. REQUEST TO APPROVE THE CONSULTANT/PROFESSIONAL SERVICES AGREEMENT WITH ITM ASSOCIATES, INC.

It was moved by Mike Rothschild, seconded by Terry E. Caldwell to approve 12. REQUEST TO APPROVE THE SUBRECIPIENT AGREEMENT BETWEEN THE CITY OF VICTORVILLE AND THE VICTORVILLE REDEVELOPMENT AGENCY TO ADMINISTER THE NEIGHBORHOOD STABILIZATION PROGRAM (NSP) AND AUTHORIZE THE DIRECTOR OF ECONOMIC DEVELOPMENT TO EXECUTE THE AGREEMENT AND THE NECESSARY DOCUMENTATION FOR IMPLEMENTATION OF THE PROGRAM (COMPANION ITEM TO RDA WRITTEN COMMUNICATIONS ITEM #4). Motion Carried unanimously.

14. PRESENTATION OF AN OUT OF AGENCY SERVICE AGREEMENT FOR AREAS PREVIOUSLY SERVED BY THE VICTORVILLE RECREATION AND PARK DISTRICT

Deputy City Manager Robertson gave a brief explanation of this item.

It was moved by Mike Rothschild, seconded by Ryan McEachron to approve 14. PRESENTATION OF AN OUT OF AGENCY SERVICE AGREEMENT FOR AREAS PREVIOUSLY SERVED BY THE VICTORVILLE RECREATION AND PARK DISTRICT. Motion Carried unanimously.

15. PRESENTATION OF FIRE DISTRICT RESOLUTION NUMBER 09-033, INITIATING PROCEEDINGS FOR THE SPHERE OF INFLUENCE EXPANSION OF THE SAN BERNARDINO COUNTY FIRE DISTRICT AND ANNEXATION TO THE SAN BERNARDINO COUNTY FIRE DISTRICT

A. RESOLUTION NO. 09-033 ENTITLED: A RESOLUTION OF APPLICATION BY THE BOARD OF DIRECTORS OF THE VICTORVILLE FIRE PROTECTION DISTRICT INITIATING PROCEEDINGS FOR THE SPHERE OF INFLUENCE EXPANSION OF THE SAN BERNARDINO COUNTY FIRE PROTECTION DISTRICT AND ANNEXATION TO THE SAN BERNARDINO COUNTY FIRE PROTECTION DISTRICT AND ITS NORTH DESERT SERVICE ZONE FOR THE TERRITORY OF THE I-15 FREEWAY CORRIDOR

It was moved by JoAnn Almond, seconded by Ryan McEachron to approve 15. PRESENTATION OF FIRE DISTRICT RESOLUTION NUMBER 09-033, INITIATING PROCEEDINGS FOR THE SPHERE OF INFLUENCE EXPANSION OF THE SAN BERNARDINO COUNTY FIRE DISTRICT AND ANNEXATION TO THE SAN BERNARDINO COUNTY FIRE DISTRICT. Motion Carried unanimously.

COUNCIL REPORTS

16. PRESENTATION OF REPORTS FROM COUNCIL MEMBERS

1) Councilmember McEachron - acknowledged Nancy Jackson, from SCE helped coordinate a solution to a possible power outage with Johnny Rebs; has been promised to have financial statements available at the next, 5-19-09 city council meeting
2) Councilmember Almond - stated that it seemed to be a consensus with Council that meeting

earlier to discuss closed session items was much preferred - it will be looked into to start at 5pm for closed session
3) Councilmember Caldwell - last Thursday, had a monumental event in the City of Victorville...the National Rail System conducted it's public meeting regarding the Desert Express...the environmental aspects...not reported in the press...reported that there was a substantial turnout of people interested in this...Congressman McKeon, 1st. Dist. Sup. Mitzelfelt, Assemblyman Knight, etc...not one person spoke in opposition to the proposed speed train.
4) Mayor Pro Tem Rothschild - gave a further report regarding the speed train.
5) Mayor Cabriales - also thanked Ms. Jackson for her help with the outage situation with Johnny Rebs; thanked the COV for their support of Cinco de Mayo day; reiterated the importance of receiving the financial statement;

CLOSED SESSION

17. CONFERENCE WITH LEGAL COUNSEL REGARDING POTENTIAL LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(b) CONFERENCE WITH LEGAL COUNSEL: Potential - Five cases

18. CONFERENCE WITH LEGAL COUNSEL REGARDING EXISTING LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(a)

A) Victorville v. Nunez, Case No.: CIVVS 802634

B) Carter & Burgess v. City of Victorville, Case No.: RIC 503565 CITY COUNCIL AGENDA May 5, 2009

C) Will Graven v. Kinsell, Welch, et at. Bankruptcy Court Case No. 2:09-B-05273-GBN-11-Will Graven Adversary Proceeding Case No. 2:09-AP-00343-GBN

D) CMB Export LLC: CMB Infrastructure Investment Group v. City of Victorville; Victorville Redevelopment Agency; SCLAA; Reassigned as San Bernardino Superior Court Case No. CIVVS 901467

ADJOURNMENT OF MEETING

VWD/JPFA/CC SPECIAL AGENDA

WRITTEN COMMUNICATIONS

2. REQUEST TO ADOPT THE FOLLOWING RESOLUTIONS:

A. RESOLUTION NO. VWD-09-003 ENTITLED:
RESOLUTION OF THE BOARD OF DIRECTORS OF THE VICTORVILLE WATER DISTRICT APPROVING A LEASE AGREEMENT, AN INDENTURE OF TRUST, AN INSTALLMENT SALE AGREEMENT, AND A PRIVATE PLACEMENT MEMORANDUM IN CONNECTION WITH THE ISSUANCE BY THE VICTORVILLE JOINT POWERS FINANCING AUTHORITY OF ITS WASTEWATER REVENUE NOTES, 2009 SERIES (TAXABLE), AND APPROVING THE TAKING OF CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

It was moved by Terry E. Caldwell, seconded by Mike Rothschild to approve A, B and C. RESOLUTION NO. VWD-09-003 ENTITLED:
RESOLUTION OF THE BOARD OF DIRECTORS OF THE VICTORVILLE WATER DISTRICT APPROVING A LEASE AGREEMENT, AN INDENTURE OF TRUST, AN INSTALLMENT SALE AGREEMENT, AND A PRIVATE PLACEMENT MEMORANDUM IN CONNECTION WITH THE ISSUANCE BY THE VICTORVILLE JOINT POWERS FINANCING AUTHORITY OF ITS WASTEWATER REVENUE NOTES, 2009 SERIES (TAXABLE), AND APPROVING THE TAKING OF CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH . Motion Carried unanimously.

B. RESOLUTION NO. JPFA-09-003 ENTITLED: RESOLUTION OF THE GOVERNING

BOARD OF VICTORVILLE JOINT POWERS FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF NOT TO EXCEED $55,000,000 PRINCIPAL AMOUNT OF ITS WASTEWATER REVENUE NOTES, 2009 SERIES (TAXABLE); APPROVING AN INDENTURE OF TRUST, AN INSTALLMENT SALE AGREEMENT, AND A PRIVATE PLACEMENT MEMORANDUM RELATED THERETO; AND APPROVING THE TAKING OF CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

C. RESOLUTION NO. 09-036 ENTITLED: RESOLUTION OF THE CITY COUNCIL OF THE CITY OF VICTORVILLE APPROVING A WASTEWATER ENTERPRISE LEASE AGREEMENT FOR THE LEASE OF THE CITY'S WASTEWATER ENTERPRISE TO THE VICTORVILLE WATER DISTRICT, AND APPROVING THE TAKING OF CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH D. RESOLUTION NO. 09-037 ENTITLED: RESOLUTION OF THE CITY COUNCIL OF THE CITY OF VICTORVILLE DESIGNATING THE CITY RECLAIMED WATER CONVEYANCE SYSTEM FOR RECLAIMED WATER FROM VVWRA AS LEASED PROPERTY UNDER THE WASTEWATER ENTERPRISE LEASE AGREEMENT TO THE VICTORVILLE WATER DISTRICT, AND APPROVING THE TAKING OF CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

THERE WAS REPORTABLE ACTION TAKEN AT THE SPECIAL MEETING HELD AT 4PM. THE REPORTABLE ACTION IS IN THE CITY COUNCIL SPECIAL MINUTES OF 5-5-09 HELD AT 4PM. FOR INFORMATION PURPOSES THE RESULTS ARE REPORTED AS FOLLOWS:
1) CITY TO NEGOTIATE A LEASE WITH FLORIDA BASED AERSALE TO OVER OPERATIONS OF BANKRUPT VICTORVILLE AEROSPACE
2) CITY TO PURSUE LITIGATION AGAINST A COMPANY OVER THE NOW ABANDONED FOXBOROUGH PROJECT

ADJOURNMENT

_____

MAYOR OF THE CITY OF VICTORVILLE

ATTEST:

_____

CITY CLERK

RESOLUTION NO. VWD-09-003

RESOLUTION OF THE BOARD OF DIRECTORS OF THE VICTORVILLE WATER DISTRICT APPROVING A LEASE AGREEMENT, AN INDENTURE OF TRUST, AN INSTALLMENT SALE AGREEMENT, AND A PRIVATE PLACEMENT MEMORANDUM IN CONNECTION WITH THE ISSUANCE BY THE VICTORVILLE JOINT POWERS FINANCING AUTHORITY OF ITS WASTEWATER REVENUE NOTES, 2009 SERIES (TAXABLE), AND APPROVING THE TAKING OF CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, the Victorville Joint Powers Financing Authority (the "Authority"), is a joint exercise of powers agency duly created, established and authorized to transact business and exercise its powers, all under and pursuant to the Joint Exercise of Powers Act (Articles 1 through 4 of Chapter 5, Division 7, Title 1 of the California Government Code) (the "Act") and the powers of such Authority include the power to issue bonds for any of its corporate purposes; and

WHEREAS, the City of Victorville (the "City") owns and operates that certain wastewater collection system referred to herein as the "Wastewater Enterprise;" and

WHEREAS, the City desires to finance the construction of a wastewater treatment plant (with reclaimed water production capabilities) as well as certain other improvements to the Wastewater Enterprise (the "Improvements"); and

WHEREAS, it has been proposed that the Authority assist the City in providing funds to finance such Improvements by issuing taxable notes (the "Notes"), which will be privately placed with an accredited investor; and

WHEREAS, the Victor Valley Water District and the Baldy Mesa Water District were merged into Victorville Water District (the "Water District"), a subsidiary district of the City; and

WHEREAS, the Water District provides water service to service area/territory of the merged districts (the "Water Enterprise"); and

WHEREAS, the Water District functions under, and is authorized to carry out all authorized duties and responsibilities assigned to a county water district, which includes wastewater services; and

WHEREAS, the City Council previously made findings that administering the City's Wastewater Enterprise in the same manner and under the jurisdiction of the Water District together with the Water Enterprise will result in operational and administrative efficiencies and will enhance the Authority's ability to issue and sell the Notes; and

WHEREAS, the City Council previously directed staff to solicit a proposal from the Water District to lease the Wastewater Enterprise from the City; and

WHEREAS, the City Council has held a public hearing to examine the proposal and the staff recommendations relating to such proposal received by the City; and

WHEREAS, upon reviewing and examining the proposal received and the staff's recommendations and the views expressed at the public hearing, the City Council has determined that significant benefits will result from the lease of the Wastewater Enterprise; and

WHEREAS, simultaneously with the delivery of the Notes, the Water District will lease the Wastewater Enterprise from the City pursuant to a lease agreement; and

WHEREAS, the Notes will be used finance the Improvements which will be purchased by the Water District pursuant to an installment sale agreement; and

WHEREAS, the Water District, with the aid of its staff, has reviewed the documentation relating to the lease of the Wastewater Enterprise and the issuance of the Notes; and

WHEREAS, the Water District has previously adopted Resolution No. VWD-09-001, which resolution has been rescinded; and

WHEREAS, since the date of adoption of Resolution No. VWD-09-001, no changes have occurred with respect the Notes;

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE VICTORVILLE WATER DISTRICT DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. The Water District hereby approves the Wastewater Enterprise Lease Agreement, substantially in the form annexed hereto, with such revisions, amendments and completions as shall be approved by the Chairman, Executive Director, Director of Water District or their designees (each a "Responsible Officer") with the advice of counsel to the Water District, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 2. The Water District hereby approves the Indenture of Trust relating to the Notes, substantially in the form annexed hereto, with such revisions, amendments and completions as shall be approved by a Responsible Officer with the advice of counsel to the City, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. The Water District hereby approves the Installment Sale Agreement relating to the Notes, substantially in the form annexed hereto, with such revisions, amendments and completions as shall be approved by a Responsible Officer with the advice of counsel to the City, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. The Water District hereby approves the Private Placement

Memorandum prepared in connection with the issuance of the Notes (the "PPM"), substantially in the form annexed hereto, with such revisions, amendments and completions as shall be approved by a Responsible Officer with the advice of bond counsel and co-disclosure counsel to the Authority. Any Responsible Officer is authorized and directed to execute and deliver the PPM with such additions and changes as may be approved by the Responsible Officer executing the same, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 5. Any Responsible Officer is hereby authorized and directed to execute and deliver any and all documents and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by this Resolution.

Section 6. The Secretary shall certify to the adoption of this Resolution, and thenceforth and thereafter the same shall be in full force and effect.

PASSED, APPROVED AND ADOPTED this 5th day of MAY 2009

CHAIRMAN OF THE BOARD OF DIRECTORS

ATTEST:

BOARD SECRETARY

APPROVED AS TO FORM:

LEGAL COUNSEL FOR VICTORVILLE WATER DISTRICT

I, CAROLEE BATES, City Clerk of the City of Victorville and ex-officio Clerk to the Victorville Water District of said City, DO HEREBY CERTIFY that the foregoing is a true and correct copy of Resolution No. VWD 09-003 and was adopted at a meeting held on the 5th day of May 2009, by the following roll call vote, to wit:

AYES: Board Members Almond, Cabriales, Caldwell, McEachron and Rothschild

NOES: None

ABSENT: None

ABSTAIN: None

CITY CLERK OF THE CITY OF VICTORVILLE

WASTEWATER ENTERPRISE LEASE AGREEMENT

Dated as of April __, 2009

by and between

VICTORVILLE WATER DISTRICT,
as Lessee

and the

CITY OF VICTORVILLE
as Lessor

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WASTEWATER ENTERPRISE LEASE AGREEMENT

THIS WASTEWATER ENTERPRISE LEASE AGREEMENT, dated as of April __, 2009 (the "Lease Agreement"), is by and between the VICTORVILLE WATER DISTRICT, a county water district and a subsidiary district of the City of Victorville duly organized and existing under the laws of the State of California (the "Water District"), and the CITY OF VICTORVILLE, a charter city and municipal corporation duly organized and existing under the laws of the State of California (the "City"),

W I T N E S S E T H:

WHEREAS, the City owns, operates and controls the wastewater collection system within the City (the "Leased Property") and has further established certain funds and accounts which relate to the Leased Property; and

WHEREAS, the Water District wishes to lease the Leased Property from the City, and the City wishes to lease the Leased Property to the Water District, and the Water District is authorized to lease and operate the Leased Property; and

WHEREAS, the Water District and the City have duly authorized the execution and delivery of this Lease Agreement;

NOW, THEREFORE, for and in consideration of the promises and the material covenants hereinafter contained, the parties hereto hereby formally covenant, agree and bind themselves as follows:

ARTICLE 1

DEFINITIONS

Section 1.1 Definitions. The terms defined in this Section shall have the meanings ascribed to them in this Section for purposes of this Lease Agreement unless the context clearly indicates some other meaning. All capitalized terms used herein which are defined in the Installment Sale Agreement and not defined herein shall have the meanings specified in the Installment Sale Agreement.

"Agreement" means this Lease Agreement, together with any duly authorized and executed amendments hereto.

"Closing Date" means _____, 2009.

"Discount Rate" means [6.0%].

"Enterprise" means the entire wastewater system owned, leased or operated by the Water District, including but not limited to all facilities, properties and improvements at any time owned, leased or operated by the Water District for the collection and treatment of wastewater, and any necessary lands, rights, entitlements and other property useful in connection therewith,

together with all extensions thereof and improvements thereto hereafter acquired, constructed or installed by the City or the Water District, including the Leased Property.

"Event of Default" means any of the events described in Section 8.1.

"Financing Authority" means the Victorville Joint Powers Financing Authority.

"Gross Revenues" means all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Enterprise, including, without limiting the generality of the foregoing, (1) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the Water District from the sale, furnishing and supplying of wastewater treatment 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 Enterprise including, without limitation, reclaimed water, plus (2) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, or other moneys, including Water District reserves as it relates to the Enterprise, but excluding in all cases customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the Water District and accounted for as revenues and excluding any proceeds of taxes required by law to be used by the Water District to pay bonds hereafter issued.

"Installment Sale Agreement" means the Installment Sale Agreement, dated as of May 1, 2009, by and between the Financing Authority and the City, or such other installment sale agreement executed in connection with the refunding the Installment Sale Agreement.

"Lease" means the lease of the Leased Property pursuant to this Agreement.

"Lease Payments" means the amounts payable by the Water District pursuant to Section 4.2, including any prepayments thereof pursuant to Article 9.

"Leased Property" means the entire wastewater system owned or operated by the City, including, but not limited to, all facilities, properties and improvements at any time owned or operated by the City for the collection and treatment of wastewater, including, but not limited to, those certain existing reclaimed water lines for the transmission of reclaimed water to the City from the Victor Valley Wastewater Reclamation Authority, and any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto hereafter acquired, constructed or installed by the City, including, without limitation, properties and improvements contributed as a result of new development.

"Operation and Maintenance Costs" means the reasonable and necessary costs and expenses paid by the Water District for maintaining and operating the Enterprise, including but not limited to (a) the cost of utilities, including electricity and other forms of energy supplied to the Enterprise, and (b) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Enterprise in good repair and working order, but in all cases excluding (i) depreciation, replacement and obsolescence charges or reserves therefor and (ii) amortization of intangibles or other bookkeeping entries of a similar nature.

"Payment Date" means the tenth day of each June and December, or as otherwise agreed to in writing by the parties hereto.

"Net Revenues" means, for any period, an amount equal to all of the Gross Revenues received during such period minus the amount required to pay all Operation and Maintenance Costs becoming payable during such period.

"Surplus Revenues" means, for any period, an amount equal to all of the Net Revenues minus (i) the amount required to be paid under the Installment Sale Agreement during such period, (ii) the amount required to pay debt service on any obligations incurred by the Water District with respect to the Enterprise becoming payable during such period, and (iii) amounts set aside for capital replacements and improvements.

"Term of this Agreement" means the time during which this Lease Agreement is in effect, as provided in Section 4.1.

"Total Rent" shall mean the total rent having an aggregate present value, when computed as of the Closing Date, of an amount to be agreed upon by the parties hereto subsequent to the Closing Date that represents the fair value of the Leased Property as of June 30, 2009. Such amount shall be determined within 90 days after the audited financial statements of the City become available. To the extent the City acquires additional properties or improvements relating to the Enterprise, including, without limitation, properties and improvements contributed as a result of new development, which properties shall become a component of the Leased Property, the Total Rent shall be increased by the agreed upon value of such added properties.

"Wastewater Enterprise Fund" means the City's existing Wastewater Enterprise Fund to be held by the Water District.

ARTICLE 2

COVENANTS AND REPRESENTATIONS

Section 2.1 Covenants and Representations of the City. The City makes the following covenants and representations to the Water District that as of the Closing Date:

(a) The City is a charter city and municipal corporation duly organized and validly existing under the laws of the State, has full legal right, power and authority to enter into this Agreement and to carry out and consummate all transactions contemplated hereby, and by proper action has duly authorized the execution and delivery of this Agreement.

(b) The representatives of the City executing this Agreement are fully authorized to execute the same.

(c) This Agreement has been duly authorized, executed and delivered by the City, and constitutes the legal, valid and binding agreement of the City, enforceable against the City in accordance with its terms.

(d) The execution and delivery of this Agreement, the consummation of the transactions herein contemplated and the fulfillment of or compliance with the terms and conditions hereof, will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the City is a party or by which it or its Enterprise are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the City, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Agreement, or the financial condition, assets, property or operations of the Enterprise.

(e) No consent or approval of any trustee or holder of any indebtedness of the City or of the voters of the City, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Agreement or the consummation of any transaction herein and therein contemplated, except as have been obtained or made and as are in full force and effect.

(f) There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or threatened against or affecting the City or the Enterprise which, if determined adversely to the City or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Agreement or upon the financial condition or operation of the Enterprise, and the City is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Agreement, or the financial conditions or operations of the Enterprise.

Section 2.2 Covenants and Representations of the Water District. The Water District makes the following covenants and representations as the basis for its undertakings herein contained:

(a) The Water District is a county water district and a subsidiary district of the City, duly organized and existing under the laws of the State. The Water District has the full right, authority and power to enter into the transactions contemplated by this Agreement and to carry out and consummate all transactions contemplated hereunder. By proper action of its governing body, the Water District has been duly authorized to execute, deliver and duly perform this Agreement.

(b) The Water District is not in default under any of the provisions of the laws of the State, which default would affect its existence or its powers referred to in subsection (a) of this Section 2.2.

(c) This Agreement has been duly authorized, executed and delivered by the Water District, and constitutes the legal, valid and binding agreement of the Water District, enforceable against the Water District in accordance with its terms.

ARTICLE 3

LEASE AND OPERATION OF OF LEASED PROPERTY

Section 3.1 Lease of the Leased Property. The Water District agrees to lease the Leased Property from the City, and the City agrees to lease, and hereby does lease, such Leased Property to the Water District, for the Total Rent.

Section 3.2 Operation of the Leased Property. The Water District assumes all rights, liabilities, duties and responsibilities of the City regarding the operation and maintenance of the Leased Property. The Water District shall assume, enter into, administer and enforce all contracts or other agreements relating to the operation and maintenance of the Leased Property. All contracts relating to the acquisition, operation and maintenance of the Leased Property shall be subject to all applicable provisions of law relating to like property operated by a county water district.

ARTICLE 4

LEASE PAYMENTS

Section 4.1 Term. The Term of this Agreement shall commence on the Closing Date, and shall end on _____, 2064. Upon termination of this Agreement, all rights, liabilities, duties and responsibilities regarding the Leased Property shall return to and be vested in the City and the Water District shall have no further interest therein. The provisions of this Section 4.1 are subject in all respects to any other provisions of this Agreement relating to the termination hereof.

Section 4.2 Lease Payments.

(a) Obligation to Pay. The Water District agrees to pay to the City, its successors and assigns, but solely from the Surplus Revenues and other funds pledged hereunder, Lease Payments totaling the Total Rent. Lease Payments shall be paid by the Water District to the City, on each Payment Date or other dates as agreed to in writing between the City and the Water District, in amounts determined by agreement from time to time of the City and the Water District.

(b) Effect of Prepayment. In the event that the Water District prepays all remaining Lease Payments in full pursuant to Article 9, only the Water District's obligations under this Agreement to pay Lease Payments therefor under this Section 4.2 shall cease and terminate.

Section 4.3 Pledge and Application of Surplus Revenues.

(a) Pledge of Surplus Revenues. All of the Surplus Revenues are hereby irrevocably pledged, charged and assigned by the Water District to the punctual payment of the Lease

Payments and the Surplus Revenues and such other funds shall not be used for any other purpose (except capital improvements, including debt service on bonded indebtedness or other obligations incurred by the Water District in connection with the Enterprise, and other lawful purposes related to the Enterprise) so long as any of the Lease Payments remain unpaid. Such pledge, charge and assignment shall constitute a first lien on the Surplus Revenues and such other moneys for the payment of the Lease Payments in accordance with the terms hereof.

(b) Deposits Into Wastewater Enterprise Fund. There is hereby continued the Wastewater Enterprise Fund, which is to be held and administered by the Water District. The Water District shall deposit all of the Gross Revenues immediately upon receipt in the Wastewater Enterprise Fund. The Water District shall, from the moneys in the Wastewater Enterprise Fund, make disbursements as required under Section 4.5 (or such comparable section) of the Installment Sale Agreement. Amounts constituting Surplus Revenues in the Wastewater Enterprise Fund shall be used to make Lease Payments as such payments become due and payable.

(c) Budget and Appropriation of Lease Payments. During the Term of this Agreement, the Water District, with the assistance of the City, shall adopt and make all necessary budgets and appropriations of the Lease Payments from the Surplus Revenues. In the event any Lease Payment requires the adoption by the Water District of any supplemental budget or appropriation, the Water District shall promptly adopt the same. The covenants on the part of the Water District contained in this subsection (c) shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the Water District to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the Water District to carry out and perform the covenants and agreements in this subsection (c).

Section 4.4 Special Obligation of the Water District; Obligations Absolute. The Water District's obligation to pay the Lease Payments hereunder shall be a special obligation of the Water District limited solely to the Surplus Revenues. Under no circumstances shall the Water District be required to advance moneys derived from any source of income other than the Surplus Revenues and other sources specifically identified herein for the payment of the Lease Payments, nor shall any other funds or property of the Water District be liable for the payment of the Lease Payments and any other amounts coming due and payable hereunder.

The obligations of the Water District to make the Lease Payments from the Surplus Revenues and to perform and observe the other agreements contained herein shall be absolute and unconditional and shall not be subject to any defense or any right of setoff, counterclaim or recoupment arising out of any breach of the City of any obligation to the Water District or otherwise with respect to the Enterprise, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the Water District by the City. Until such time as all of the Lease Payments and all other amounts coming due and payable hereunder shall have been fully paid or prepaid, the Water District (a) will not suspend or discontinue payment of any Lease Payments or such other amounts, and (b) will perform and observe all other agreements contained in this Agreement.

In the event the City shall fail to perform any of its agreements contained herein, the Water District may institute such action against the City as the Water District may deem necessary to compel performance so long as such action does not abrogate the obligations of the Water District contained in the preceding paragraph. The Water District may, however, at the Water District's own cost and expense and in the Water District's own name prosecute or defend any action or proceeding or take any other action involving third persons which the Water District deems reasonably necessary in order to secure or protect the Water District's rights hereunder, and in such event the Water District hereby agrees to cooperate fully with the City and to take such action necessary to effect the substitution of the City for the Water District in such action or proceeding, if the Water District shall so request.

Section 4.5 Rates, Fees and Charges. The Water District, through the actions of the City, shall fix, prescribe, revise and collect rates, fees and charges for the Enterprise as a whole for the service and improvements furnished by the Enterprise during each Fiscal Year that are at least sufficient, after making allowances for contingencies and error in the estimates to yield Surplus Revenues that are sufficient to pay scheduled Lease Payments.

ARTICLE 5

MAINTENANCE; TAXES, INSURANCE; AND OTHER MATTERS

Section 5.1 Maintenance, Utilities, Taxes and Assessments. Throughout the Term of this Agreement, all improvement, repair and maintenance of the Enterprise shall be the responsibility of the Water District, and the Water District shall pay for or otherwise arrange for the payment of all utility services supplied to the Enterprise, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Enterprise resulting from ordinary wear and tear.

The Water District shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Water District affecting the Enterprise or its interest or estate therein; provided, however, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Water District shall be obligated to pay only such installments as are required to be paid during the Term of this Agreement as and when the same become due.

The Water District may, at the Water District's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the City shall notify the Water District that, in its opinion, by nonpayment of any such items, the interest of the City hereunder will be materially adversely affected, in which event the Water District shall promptly pay such taxes, assessments or charges or provide the City with full security against any loss which may result from nonpayment, in form satisfactory to the City.

Section 5.2 Operation of Enterprise. The Water District covenants and agrees to operate the Enterprise in an efficient and economical manner and to operate, maintain and

preserve the Enterprise in at least as good repair and working order as on the effective date of this Agreement. The Water District covenants that, in order to fully preserve and protect the priority and security of the Lease Payments, the Water District shall pay from the Gross Revenues and discharge all lawful claims for labor, materials and supplies furnished for or in connection with the Enterprise which, if unpaid, may become a lien or charge upon the Gross Revenues or the Surplus Revenues prior or superior to the lien granted hereunder, or which may otherwise impair the ability of the Water District to pay the Lease Payments in accordance herewith. The Water District shall be responsible for any fines, liabilities, or other debts coming due as a result of the operation of the Enterprise.

Section 5.3 Insurance. The Water District shall maintain or cause to be maintained, throughout the Term of this Agreement, but only if and to the extent available at reasonable cost from reputable insurers, such insurance required to be maintained under the Installment Sale Agreement and shall cause insurance proceeds to be applied as provided therein.

Section 5.4 Eminent Domain. The Water District shall cause amounts received as awards as a result of the taking of all or any part of the Enterprise by the lawful exercise of eminent domain to be applied in accordance with the Installment Sale Agreement.

Section 5.5 Records and Accounts. The Water District shall keep proper books of records and accounts of the Enterprise, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the Enterprise. Said books shall, upon prior request, be subject to the reasonable inspection by the City or its representatives authorized in writing. The Water District shall cause the books and accounts of the Enterprise to be audited annually by an Independent Accountant, not more than two hundred forty (240) days after the close of each Fiscal Year, and shall make a copy of such report available for inspection by the City at the office of the Water District.

ARTICLE 6

DISCLAIMER OF WARRANTIES; ACCESS

Section 6.1 Disclaimer of Warranties. The City makes no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the Water District of the Enterprise, or any other representation or warranty with respect to the Enterprise. In no event shall the City be liable for incidental, indirect, special or consequential damages in connection with or arising out of this Agreement for the existence, furnishing, functioning or the Water District's use of the Enterprise.

Section 6.2 Release and Indemnification Covenants. The Water District shall and hereby agrees to indemnify and save the City, and its respective officers, agents, successors and assigns harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (a) the use, maintenance, condition or management of, or from any work or thing done on the Enterprise by the Water District, (b) any breach or default on the part of the Water District in the performance of any of its obligations under this Agreement, (c) any negligence or willful misconduct of the Water District or of any of its agents, contractors,

servants, employees or licensees with respect to the Enterprise, (d) any act or negligence of any sublessee of the Water District with respect to the Enterprise, or (e) the presence on, under or about, or release from, the Enterprise of any substance, material or waste which is, or which becomes, regulated or classified as hazardous or toxic under State, federal or local law. No indemnification is made under this Section 6.2 or elsewhere in this Agreement for adjudicated willful misconduct or negligence by the City, or its respective officers, employees, successors or assigns. The obligations of the Water District under this Section 6.2 shall survive the termination of this Agreement.

Section 6.3 Non-Liability of City for Enterprise Obligations. The City and its successor and assigns shall have no obligation and shall incur no liabilities or debts whatsoever for the obligations, liabilities and debts of the Water District incurred in connection with the lease and operation of the Enterprise.

ARTICLE 7

ASSIGNMENT, SALE AND AMENDMENT

Section 7.1 Assignment. This Agreement may not be assigned by the Water District or the City.

Section 7.2 Sale of Enterprise. Subject to the provisions of the Installment Sale Agreement, the Water District and the City each covenant that their respective interests in the Enterprise shall not be encumbered, sold, leased, pledged, any charge placed thereon, or otherwise disposed of, as a whole or substantially as a whole, except to another public entity whose governing body is comprised of members of the Victorville City Council. Neither the Surplus Revenues nor any other funds pledged or otherwise made available to secure payment of the Lease Payments shall be mortgaged, encumbered, sold, leased, pledged, any charge placed thereon, or disposed of or used except as authorized by the terms of this Agreement. The Water District shall not enter into any agreement which impairs the operation of the Enterprise or any part of it necessary to secure adequate Surplus Revenues to pay the Lease Payments, or which otherwise would impair the rights of the City with respect to the Surplus Revenues. If any substantial part of the Enterprise shall be sold, the payment therefor shall either (a) be used for the lease, acquisition or construction of improvements, extensions or replacements of Enterprise, or (b) to be applied to prepay the Water District's obligations pursuant to the Installment Sale Agreement.

Section 7.3 Amendment of Agreement. The City and the Water District shall have the right to modify or amend this Agreement upon the written consent of each party hereto.

ARTICLE 8

EVENTS OF DEFAULT

Section 8.1 Events of Default Defined. The following events shall be Events of Default hereunder:

(a) Failure by the Water District to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than failure to pay when due any Lease Payment or other amount due under this Agreement, for a period of sixty (60) days after written notice specifying such failure and requesting that it be remedied has been given to the Water District by the City; provided, however, that if the Water District shall notify the City that in its reasonable opinion the failure stated in the notice can be corrected, but not within such 60-day period, such failure shall not constitute an event of default hereunder if the Water District shall commence to cure such failure within such sixty (60) day period and thereafter diligently and in good faith cure such failure in a reasonable period of time.

(b) The filing by the Water District of a voluntary petition in bankruptcy, or failure by the Water District promptly to lift any execution, garnishment or attachment, or adjudication of the Water District as a bankrupt, or assignment by the Water District for the benefit of creditors, or the entry by the Water District into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Water District in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.

Section 8.2 Remedies on Default. Whenever any Event of Default shall have happened and be continuing, the Water District, upon receipt of actual knowledge thereof, shall promptly give written notice thereof to the City, and the City shall have the right, at its option and without any further demand or notice, to

(a) take whatever action at law or in equity may appear necessary or desirable to collect the Lease Payments then due or thereafter to become due during the Term of this Agreement, or enforce performance and observance of any obligation, agreement or covenant of the Water District under this Agreement; and

(b) as a matter of right, in connection with the filing of a suit or other commencement of judicial proceedings to enforce the rights of the City hereunder, cause the appointment of a receiver or receivers of the Surplus Revenues and other amounts pledged hereunder, with such powers as the court making such appointment shall confer; provided, however, that the City shall not have the right to declare all principal components of the unpaid Lease Payments, together with accrued interest thereon, to be immediately due and payable.

Section 8.3 No Remedy Exclusive. No remedy herein conferred upon or reserved to the City is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the City to exercise any remedy reserved to it in this Article 8 it shall not be necessary to give any notice, other than such notice as may be required in this Article 8 or by law.

Section 8.4 Agreement to Pay Attorneys' Fees and Expenses. In the event either party to this Agreement should default under any of the provisions hereof and the nondefaulting

party should employ attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party the reasonable fees of such attorneys and such other expenses so incurred. In the event that there is a disagreement as to the defaulting party, the prevailing party in any litigation, arbitration or other proceeding by which one party seeks to enforce its rights under this Agreement, or seeks a declaration of any rights or obligations under this Agreement, shall be awarded its reasonable attorneys' fees, costs and expenses.

Section 8.5 No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE 9

PREPAYMENT OF LEASE PAYMENTS

Section 9.1 Security Deposit. Notwithstanding any other provision of this Agreement, the Water District may on any date secure the payment of Lease Payments in whole or in part by irrevocably depositing with the City an amount of cash which is either (a) sufficient to pay all such Lease Payments, or (b) invested in whole or in part in non-callable Federal Securities in such amount as will, in the written opinion of an Independent Accountant, together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay all such Lease Payments when due pursuant to Section 4.2(a) or when due on any optional prepayment date pursuant to Section 9.2, as the Water District shall instruct at the time of said deposit. In the event of a security deposit pursuant to this Section 9.1 with respect to all of the Lease Payments, all obligations of the Water District under this Agreement, and all security provided by this Agreement for said obligations, shall cease and terminate, excepting only the obligation of the Water District to make, or cause to be made, all of such Lease Payments from such security deposit, and the obligation of the Water District to compensate and indemnify the City pursuant to Section 6.2 herein. Said security deposit shall be deemed to be and shall constitute a special fund for the payment of Lease Payments in accordance with the provisions of this Agreement.

Section 9.2 Optional Prepayment. The Water District may prepay the Lease Payments without penalty in whole or in part, on any date.

Section 9.3 Mandatory Prepayment From Proceeds of Insurance, Sale or Eminent Domain. The Water District shall be obligated to prepay the Lease Payments on any date from and to the extent of any proceeds of insurance award, sale of a substantial portion of the Enterprise or condemnation award with respect to the Enterprise subject to the first lien thereon under the Installment Sale Agreement.

ARTICLE 10

MISCELLANEOUS

Section 10.1 Further Assurances. The City agrees that it will execute and deliver any and all such further agreements, instruments or other assurances as may be reasonably necessary or requested by the Water District to carry out the intention or to facilitate the performance of this Agreement.

Section 10.2 Notices. Any notice, request, complaint, demand or other communication under this Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by telecopy, telex or other form of written telecommunication, at its number set forth below. Notice shall be effective either (a) upon confirmed transmission by telecopy, telex or other form of written telecommunication, (b) 48 hours after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Water District and the City may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the Water District: Victorville Water District
17185 Yuma Street
Victorville, California 92392
Attn: Director of Water District

If to the City: City of Victorville
14343 Civic Drive
Victorville, California 92392
Attn: City Manager

Section 10.3 Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of California.

Section 10.4 Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Water District and the City, and their respective successors and assigns, subject, however, to the limitations contained herein.

Section 10.5 Severability of Invalid Provisions. If any one or more of the provisions contained in this Agreement 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 this Agreement and such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement, and this Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Water District and the City each hereby declares that it would have entered into this Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Agreement may be held illegal, invalid or unenforceable.

Section 10.6 Article and Section Headings and References. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Agreement. All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof; and words of the masculine gender shall mean and include words of the feminine and neuter genders.

Section 10.7 Execution of Counterparts. This Agreement may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original and all of which shall together constitute but one and the same instrument.

Section 10.8 Waiver of Personal Liability. No member of the Water District Board of Directors, or officer, agent or employee of the Water District shall be individually or personally liable for the payment of Lease Payments or be subject to any personal liability or accountability by reason of this Agreement; but nothing herein contained shall relieve any such member or person from the performance of any official duty provided by law or by this Agreement.

Section 10.9 Benefit of Agreement. Nothing in this Agreement, expressed or implied, is intended to give to any person other than the Water District and the City any right, remedy or claim under or by reason of this Agreement.

IN WITNESS WHEREOF, the Water District and the City have caused this Agreement to be executed in their respective names by their duly authorized officers, all as of the date first above written.

CITY OF VICTORVILLE, as Lessor

By:_____
Rudy Cabriales, Mayor

VICTORVILLE WATER DISTRICT, as Lessee

By:_____
Rudy Cabriales, Chairman

ATTEST

By:_____
Victorville City Clerk

By:_____
Water District Secretary

APPROVED AS TO FORM

By:_____
City Attorney

By:_____
Water District Legal Counsel

City of Victorville and
Victorville Water District Risk Manager
Chuck Buquet

_____

INDENTURE OF TRUST

by and among the

VICTORVILLE JOINT POWERS FINANCING AUTHORITY

and

VICTORVILLE WATER DISTRICT

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee

Dated as of May 1, 2009

Relating to:

$_____
Victorville Joint Powers Financing Authority
Taxable Wastewater Revenue Notes, 2009 Series
(Victorville Water District)

INDENTURE OF TRUST

THIS INDENTURE OF TRUST, is made and entered into as of May 1, 2009, by and among the **VICTORVILLE JOINT POWERS FINANCING AUTHORITY**, a joint exercise of powers agency organized and existing under the laws of the State of California (the "Authority"), the **VICTORVILLE WATER DISTRICT**, a county water district and a subsidiary district of the City of Victorville duly organized and existing under the laws of the State of California (the "Water District"), and **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.**, a national banking association organized and existing under the laws of the United State of America, and being qualified to accept and administer the trusts hereby created (the "Trustee").

WITNESSETH:

WHEREAS, the City of Victorville (the "City") owns that certain wastewater collection system (the "Leased Property"); and

WHEREAS, pursuant to that certain Wastewater Enterprise Lease Agreement, dated as of April __, 2009, by and between the City and the Water District, the City has leased the Leased Property to the Water District, including all rights, liabilities, duties and responsibilities of the City regarding the operation and maintenance of the Leased Property as well as the power to enter into, administer and enforce all contracts or other agreements relating to the operation and maintenance of the Leased Property; and

WHEREAS, the Leased Property, as operated by the Water District, and together with any improvements thereto acquired, constructed or installed by the Water District, including, without limitation, the Improvements, constitutes the Wastewater Enterprise of the Water District; and

WHEREAS, under Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Bond Law") the Authority is authorized to borrow money for the purpose of financing the acquisition of bonds, notes and other obligations of, or for the purpose of making loans to, public entities including the Water District, and to provide financing for public capital improvements of public entities including the Water District; and

WHEREAS, the Water District desires to finance the construction of a wastewater treatment plant as well as certain other improvements to the Wastewater Enterprise (the "Improvements"); and

WHEREAS, for the purpose of providing funds to finance the Improvements, the Authority has determined to issue its Victorville Joint Powers Financing Authority Taxable Wastewater Revenue Notes, 2009 Series (Victorville Water District) in the aggregate principal amount of $_____ (the "Notes"), all pursuant to and secured by this Indenture in the manner provided herein; and

WHEREAS, the Water District and the Authority have determined that it is necessary and desirable to enter into an Installment Sale Agreement, dated the date hereof, by and between the Water District and the Authority (the "Installment Sale Agreement"), pursuant to which the Authority will sell the Improvements to the Water District in consideration for Installment Payments equal in time and amount to the debt service on the Notes; and

WHEREAS, the Authority has determined that in order to provide for the authentication and delivery of the Notes, to establish and declare the terms and conditions upon which the Notes are to be

issued and secured and to secure the payment of the principal thereof and interest and premium (if any) thereon, the Authority has authorized the execution and delivery of this Indenture; and

WHEREAS, the Water District and the Authority have determined that all acts and proceedings required by law necessary to make the Notes, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the Authority, and to constitute this 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 this Indenture have been in all respects duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the payment of the principal of and the interest and premium (if any) on the Notes issued and Outstanding under this Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Notes are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Notes by the owners thereof, and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Authority does hereby covenant and agree with the Trustee, for the benefit of the respective Owners from time to time of the Notes, as follows:

ARTICLE I

DEFINITIONS; AUTHORIZATION AND PURPOSE OF NOTES; EQUAL SECURITY

SECTION 1.1 Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Indenture and of any Supplemental Indenture and of the Notes and of any certificate, opinion, request or other documents 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. In addition, all capitalized terms used herein and not otherwise defined in this Section shall have the respective meanings given such terms in the Installment Sale Agreement.

"Acquisition and Construction Fund" means the fund by that name established and held by the Trustee pursuant to Section 3.5.

"Additional Payments" means the payments so designated and required to be paid by the Water District pursuant to Section 4.10 of the Installment Sale Agreement.

"Agency" means the Redevelopment Agency of the City of Victorville.

"Authority" means the Victorville Joint Powers Financing Authority, a joint exercise of powers agency duly organized and existing pursuant to a Joint Exercise of Powers Agreement, dated as of September 1, 1990, between the City and the Agency.

"Authorized Representative" means: (a) with respect to the Authority, its President, Vice President, Executive Director, Treasurer, Secretary or any other person designated as an Authorized Representative of the Authority by a Written Certificate of the Authority signed by its President, Vice President, Executive Director, Treasurer or Secretary and filed with the Water District and the Trustee; and (b) with respect to the Water District, its Chairman, Vice Chairman, Executive Director, Director of Water District, Treasurer or any other person designated as an Authorized Representative of the Water

District by a Written Certificate of the Water District signed by its Chairman, Vice Chairman, Executive Director, Director of Water District or Treasurer and filed with the Trustee.

"Bond Counsel" means (a) Fulbright & Jaworski L.L.P., or (b) any other attorney or firm of attorneys appointed by or acceptable to the Water District of nationally recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

"Bond Law" means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State, as in existence on the Closing Date or as thereafter amended from time to time.

"Business Day" means a day (other than a Saturday or a Sunday) on which banks are not required or authorized to remain closed in the city in which the Office of the Trustee is located.

"Closing Date" means _____, 2009, being the date of delivery of the Notes. [To be completed upon pricing]

"Costs of Issuance" means all items of expense directly or indirectly relating to the authorization, issuance, sale and delivery of the Notes, including but not limited to printing expenses, filing and recording fees, fees, expenses and charges of the Water District, the Authority, the Trustee, and their respective counsel, including the Trustee's first annual administrative fee, costs of obtaining Permitted Investment for monies held in the funds and accounts created and held hereunder, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Notes and any other cost, charge or fee in connection with the original issuance of the Notes and the execution and delivery of the Installment Sale Agreement.

"Costs of Issuance Fund" means the fund by that name established and held by the Trustee pursuant to Section 3.4.

"Depository" means DTC and its successors and assigns or if (a) the then Depository resigns from its functions as securities depository of the Notes, or (b) the Authority discontinues use of the Depository pursuant to Section 2.12 hereof, any other securities depository which agrees to follow the procedures requested to be followed by a securities depository in connection with the Notes and which is selected by the Authority with the consent of the Trustee.

"Depository Participant" means a member of, or participant in, the Depository.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Event of Default" means any of the events described in Section 8.1.

"Federal Securities" means:

a. Direct 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 obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America, including instruments evidencing a direct ownership interest in securities described in this clause such as Stripped Treasury Coupons rated or assessed in the highest Rating

Category by S&P and Moody's and held by a custodian for safekeeping on behalf of holders of such securities; or

b. Notes or notes which are exempt from federal income taxes and for the payment of which cash or obligations described in clause (a) of this definition in an amount sufficient to pay the principal of, premium, if any, and interest on when due have been irrevocably deposited with a trustee or other fiscal depositary and which are rated in the highest Rating Category by S&P and Moody's.

"Indenture" means this Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions hereof.

"Independent Accountant" means any accountant or firm of such accountants appointed and paid by the Water District or the Authority, and who, or each of whom (a) is in fact independent and not under domination of the Water District or the Authority; (b) does not have any substantial interest, direct or indirect, with the Water District or the Authority; and (c) is not connected with the Water District or the Authority as an officer or employee of the Water District or the Authority, but who may be regularly retained to make annual or other audits of the books of or reports to the Water District or the Authority.

"Information Services" means Financial Information, Inc.'s "Daily Called Special Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Mergent/FIS, Inc., 5250 77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attention: Municipal News Reports; and Kenny S&P, 55 Water Street, 45th Floor, New York, New York 10041, Attention: Notification Department; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other information services providing information with respect to called Notes as the Authority or the Water District may designate in a Written Request of the Authority or the Water District delivered to the Trustee.

"Installment Payments" means the payments required to be paid by the Water District pursuant to Section 4.4 of the Installment Sale Agreement, including all prepayments thereof.

"Installment Sale Agreement" means that certain Installment Sale Agreement by and between the Authority and the Water District, with respect to the sale of the Improvements, dated as of April 1, 2009, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of this Indenture.

"Interest Payment Date" means June 1 and December 1 in each year, beginning December 1, 2009, and continuing so long as any Notes remain Outstanding.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Authority.

"Nominee" means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant hereto.

"Note Service Fund" means the fund by that name established and held by the Trustee pursuant to Section 4.2(a).

"Notes" means the Victorville Joint Powers Financing Authority Taxable Wastewater Revenue Notes, 2009 Series (Victorville Water District).

"Office" means the corporate trust office of the Trustee in Los Angeles, California, or at such other or additional offices as may be specified in writing to the Authority and the Water District.

"Outstanding", when used as of any particular time with reference to Notes, means all Notes theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except: (a) Notes theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Notes with respect to which all liability of the Authority shall have been discharged in accordance with Section 9.3; and (c) Notes for the transfer or exchange of or in lieu of or in substitution for which other Notes shall have been authenticated and delivered by the Trustee pursuant to this Indenture.

"Owner", when used with respect to any Note, means the person in whose name the ownership of such Note shall be registered on the Registration Books.

"Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein (the Trustee is entitled to conclusively rely upon a Written Request of the Water District directing investments as a certification to the Trustee that such investments are legal investment), but only to the extent that the same are acquired at fair market value:

(a) Direct 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 obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America, including instruments evidencing a direct ownership interest in securities described in this clause such as Stripped Treasury Coupons rated or assessed in the highest Rating Category by S&P and Moody's and held by a custodian for safekeeping on behalf of holders of such securities.

(b) Notes or notes which are exempt from federal income taxes and for the payment of which cash or obligations described in clause (a) of this definition in an amount sufficient to pay the principal of, premium, if any, and interest on when due have been irrevocably deposited with a trustee or other fiscal depositary and which are rated in the highest Rating Category by S&P and Moody's.

(c) Obligations, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following: Federal Home Loan Bank System, Government National Mortgage Association, Farmer's Home Administration, Federal Home Loan Mortgage Corporation or Federal Housing Administration; provided that with respect to the funds and accounts established under this Indenture, such obligations shall at no time exceed an amount equal to ten percent (10%) of the aggregate principal amount of the Notes Outstanding.

(d) Deposit accounts, certificates of deposit or savings accounts (i) fully insured by the Federal Deposit Insurance Corporation or (ii) with banks whose short term obligations are rated no lower than "A-1" by S&P and "P-1" by Moody's including those of the Trustee and its affiliates.

(e) Federal funds or banker's acceptances with a maximum term of one year of any bank that has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" by Moody's and "A-1" or "A" or better by S&P (including the Trustee).

(f) Repurchase obligations with a term not exceeding 30 days pursuant to a written agreement between the Trustee and either a primary dealer on the Federal Reserve reporting dealer list which falls under the jurisdiction of the SIPC or a federally chartered commercial bank whose long-term debt obligations are rated "A" or better by S&P and Moody's, with respect to any security described in

clause (1); provided that the securities which are the subject of such repurchase obligation (i) must be free and clear of all liens, (ii) in the case of a SIPC dealer, were not acquired pursuant to a repurchase or reverse repurchase agreement, (iii) must be deposited with the Trustee and maintained through weekly market valuations in an amount equal to 104% of the invested funds plus accrued interest; and further provided that the Trustee must have a valid first perfected security interest in such securities.

(g) Taxable government money market portfolios that have a rating by S&P of "Am-G" or "Am" or better and rated in one of the three highest rating categories of Moody's consisting of securities issued or guaranteed as to payment of principal and interest by the full faith and credit of the United States, subject to a maximum permissible limit equal to six months of principal and interest on the Notes including portfolios of the Trustee and its affiliates.

(h) Tax-exempt government money market portfolios that have a rating by S&P of "Am-G" or "Am" or better and rated in one of the three highest rating categories of Moody's consisting of securities which are rated in the highest Rating Categories of S&P and Moody's subject to a maximum permissible limit equal to six months of principal and interest on the Notes.

(i) Money market funds registered under the Investment Company Act of 1940, the shares in which are registered under the Securities Act of 1933 and that have a rating by S&P of "AAAm-G" or "AAAm" and rated in one of the two highest Rating Categories of Moody's, including those managed or advised by the Trustee or its affiliates.

(j) The Local Agency Investment Fund of the State, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

(k) Investment agreements, including guaranteed investment contracts ("GICs") forward purchase agreements and reserve fund put agreements with banks or other financial institutions rated, or guaranteed by institutions rated, or with senior unsecured debt rated, by S&P and Moody's, in one of the two highest rating categories assigned by such agencies.

"Record Date" means, with respect to any Interest Payment Date, the fifteenth (15th) calendar day of the month preceding such Interest Payment Date.

"Redemption Fund" means the fund by that name established and held by the Trustee pursuant to Section 4.2(b).

"Registration Books" means the books maintained by the Trustee pursuant to Section 2.7 for the registration and transfer of ownership of the Notes.

"Responsible Officer" means any Vice President, Assistant Vice President or Trust Officer or any other officer of the Trustee having regular responsibility for corporate trust matters related to this Indenture.

"Revenue Fund" means the fund by that name established and held by the Trustee pursuant to Section 4.2.

"Revenues" means (a) all amounts received by the Authority or the Trustee pursuant or with respect to the Installment Sale Agreement, including, without limiting the generality of the foregoing, all of the Installment Payments (including both timely and delinquent payments, any late charges, and whether paid from any source), prepayments, insurance proceeds, condemnation proceeds, but excluding

any Additional Payments; (b) all moneys and amounts held in the funds and accounts established hereunder; and (c) investment income with respect to any moneys held by the Trustee hereunder.

"S&P" means Standard & Poor's, a division of McGraw-Hill, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Authority.

"Securities Depositories" means The Depository Trust Company, 55 Water Street, 50th Floor, New York, N.Y. 10041-0099 Attn. Call Notification Department, Fax (212) 855-7232; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority may designate in a Written Request of the Authority delivered to the Trustee.

"State" means the State of California.

"Supplemental Indenture" means any indenture, agreement, resolution or other instrument hereafter duly adopted or executed in accordance with the provisions of Section 7.1 of this Indenture.

"Tax Code" means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Notes or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Notes, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Tax Code.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., appointed by the Authority to act as trustee hereunder pursuant to Section 6.1, and its assigns or any other corporation or association which may at any time be substituted in its place, as provided in Section 6.1.

"Water District" means the Victorville Water District, a county water district and a subsidiary district of the City of Victorville duly organized and existing pursuant to the laws of the State of California.

"Written Certificate", "Written Request" and "Written Requisition" of the Authority or the Water District mean, respectively, a written certificate, request or requisition signed in the name of the Authority or the Water 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.

SECTION 1.2 Rules of Construction. All references in this Indenture to "Articles," "Sections," and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; and the words "herein," "hereof," "hereunder," and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

SECTION 1.3 Equal Security. In consideration of the acceptance of the Notes by the Owners thereof, this Indenture shall be deemed to be and shall constitute a contract among the Authority, the Water District, the Trustee and the Owners from time to time of the Notes; and the covenants and agreements herein set forth to be performed on behalf of the Authority shall be for the equal and proportionate benefit, security and protection of all Owners of the Notes without preference, priority or distinction as to security or otherwise of any of the Notes over any of the others by reason of the number

or date thereof or the time of sale, execution or delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein.

ARTICLE II

AUTHORIZATION AND ISSUANCE OF NOTES

SECTION 2.1 Authorization of Notes. The Authority has reviewed all proceedings heretofore taken relative to the authorization of the Notes and has found, as a result of such review, and hereby finds and determines that, as of the date of issuance of the Notes, all things, conditions, and acts required by law to exist, happen and be performed precedent to and in the issuance of the Notes do exist, have happened and have been performed in due time, form and manner as required by law, and the Authority is now authorized, pursuant to the Bond Law and each and every requirement of law, to issue the Notes in the manner and form provided in this Indenture. Accordingly, the Authority hereby authorizes the issuance of the Notes pursuant to the Bond Law and this Indenture.

SECTION 2.2 Terms of Notes. The Notes authorized to be issued by the Authority under and subject to the Bond Law and the terms of this Indenture shall be designated the "Victorville Joint Powers Financing Authority Taxable Wastewater Revenue Notes, 2009 Series (Victorville Water District)" and shall be issued in the original principal amount of _____ Dollars ($_____). [To be completed upon pricing].

The Notes shall be issued in fully registered form without coupons in denominations of $100,000 or any integral multiple thereof. The Notes shall be dated the Closing Date, shall mature on _____, 2014 and bear interest at a rate of ____%. [To be completed upon pricing].

Interest on the Notes shall be payable semiannually calculated based on a 360-day year of twelve (12) thirty-day months 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 mailed on the Interest Payment Date by first class mail to the Owner at the address of such Owner as its appears on the Registration Books; provided however, that payment of interest will be made by wire transfer in immediately available funds to an account at a financial institution in the United States of America to any Owner of Notes in the aggregate principal amount of $1,000,000 or more who shall furnish written wire instructions to the Trustee before the applicable Record Date. Any such written request shall remain in effect until rescinded in writing by the Owner. Principal of any Note and any premium upon redemption shall be paid by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee. Principal of and interest and premium (if any) on the Notes shall be payable in lawful money of the United States of America.

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

SECTION 2.3 Redemption of Notes.

(a) Special Mandatory Redemption. The Notes shall be subject to special mandatory redemption as a whole or in part, on a pro rata basis among Owners, on any date, to the extent of the proceeds of an eminent domain award or proceeds of casualty insurance not used to repair or rebuild the Wastewater Enterprise, which proceeds may be used for such purpose pursuant to Sections 5.4 or 5.6 of the Installment Sale Agreement, at a redemption price equal to the principal amount of the Notes to be redeemed plus interest accrued thereon to the date fixed for redemption, without premium.

(b) Optional Redemption from Prepayments of Installment Payments. The Notes shall be subject to redemption, as a whole or in part, on a pro rata basis among Owners, prior to maturity on any date on or after ____ 1, 20__, from prepayment of Installment Payments made at the option of the Water District at the redemption price equal to the principal amount of the Notes to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

(c) Notice of Redemption. The Trustee on behalf and at the expense of the Authority shall mail (by first-class mail, postage prepaid) notice of any redemption to: (i) the respective Owners of any Notes designated for redemption, at least thirty (30) but not more than sixty (60) days prior to the redemption date, at their respective addresses appearing on the Registration Books, and (ii) the Securities Depositories and to one or more Information Services, at least thirty (30) but not more than sixty (60) days prior to the redemption; provided, however, that neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Notes or the cessation of the accrual of interest thereon. In addition to mailed notice, the notice to the Securities Depositories and Information Service shall be given by telephonically confirmed facsimile transmission or overnight delivery service or by such other means approved by such institutions. Such notice shall state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the series, CUSIP numbers, the Note numbers and the maturity or maturities (in the event of redemption of all of the Notes of such maturity or maturities in whole) of the Notes to be redeemed, and shall require that such Notes be then surrendered at the Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Notes will not accrue from and after the redemption date.

(d) Partial Redemption of Notes. In the event only a portion of any Note is called for redemption, then upon surrender of such Note the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Note or Notes of the same series and maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Note to be redeemed.

(e) Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the Notes so called for redemption shall have been duly provided, such Notes so called shall cease to be entitled to any benefit under this Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice. All Notes redeemed pursuant to this Section shall be canceled and shall be destroyed by the Trustee.

SECTION 2.4 Form of Notes. The Notes, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, shall be substantially in the forms set forth in Exhibit A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

SECTION 2.5 Execution of Notes. The Notes shall be signed in the name and on behalf of the Authority with the manual or facsimile signature of its President and attested by the manual or facsimile signature of its Secretary. The Notes shall then be delivered to the Trustee for authentication by it. In case any officer who shall have signed any of the Notes shall cease to be such officer before the Notes so signed shall have been authenticated or delivered by the Trustee or issued by the Authority, such Notes may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Authority as though the individual who signed the same had continued to be such officer of the Authority. Also, any Note may be signed on behalf of the Authority by any individual who on the actual date of the execution of such Note shall be the proper officer although on the nominal date of such Note such individual shall not have been such officer.

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

SECTION 2.6 Transfer and Exchange of Notes.

(a) Transfer of Notes. The registration of any Note may, in accordance with its terms, be transferred upon the Registration Books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Note for cancellation at the Office of the Trustee, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Note or Notes shall be surrendered for registration of transfer, the Trustee shall execute and deliver a new Note or Notes of the same series, maturity, interest rate and aggregate principal amount, in any authorized denominations. The Authority shall pay all costs of the Trustee incurred in connection with any such transfer, except that the Trustee may require the payment by the Note Owner of any tax or other governmental charge required to be paid with respect to such transfer. Provided, however, that no transfer of Notes shall be made by the Trustee unless the Trustee has received from the transferee, and delivered to the Authority, an investor's letter substantially in the form of Appendix C hereto.

(b) Exchange of Notes. Notes may be exchanged at the Office of the Trustee, for a like aggregate principal amount of Notes of other authorized denominations of the same series, interest rate and maturity. The Authority shall pay all costs of the Trustee incurred in connection with any such exchange, except that the Trustee may require the payment by the Note Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

(c) Limitations on Transfer or Exchange. The Trustee may refuse to transfer or exchange either (i) any Note during the period established by the Trustee for the selection of Notes for redemption pursuant to Section 2.3, or (ii) the portion of any Note which the Trustee has selected for redemption pursuant to the provisions of Section 2.3.

SECTION 2.7 Registration Books. The Trustee will keep or cause to be kept, at its Office, sufficient records for the registration and transfer of the Notes, which shall at all times during normal business hours, and upon reasonable notice, be open to inspection by the Water District and the Authority; 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 the Registration Books, Notes as hereinbefore provided.

SECTION 2.8 Issuance in Temporary Form. The Notes may be issued initially in temporary form exchangeable for definitive Notes when ready for delivery. The temporary Notes may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Authority and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Note shall be executed by the Authority and be registered and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Notes. If the Authority issues temporary Notes, it will execute and furnish definitive Notes without delay, and thereupon the temporary Notes may be surrendered, for cancellation, in exchange therefor at the Office of the Trustee, and the Trustee shall authenticate and deliver in exchange for such temporary Notes an equal aggregate principal amount of definitive Notes of authorized denominations. Until so exchanged, the temporary Notes shall be entitled to the same benefits under this Indenture as definitive Notes authenticated and delivered hereunder.

SECTION 2.9 Notes Mutilated, Lost, Destroyed or Stolen. If any Note shall become mutilated, the Authority, at the expense of the Owner of said Note, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Note of like series, tenor and authorized denomination in exchange and substitution for the Note so mutilated, but only upon surrender to the Trustee of the Note so mutilated. Every mutilated Note so surrendered to the Trustee shall be canceled by it and delivered to, or upon the order of, the Authority. If any Note issued hereunder 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 for the Authority and the Trustee satisfactory to the Trustee shall be given, the Authority, at the expense of the Note Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Note of like series and tenor in lieu of and in substitution for the Note so lost, destroyed or stolen (or if any such Note shall have matured or shall have been called for redemption, instead of issuing a substitute Note the Trustee may pay the same without surrender thereof upon receipt of indemnity for the Authority and the Trustee satisfactory to the Trustee). The Authority may require payment of a reasonable fee for each new Note issued under this Section and of the expenses which may be incurred by the Authority and the Trustee. Any Note issued under the provisions of this Section in lieu of any Note alleged to be lost, destroyed or stolen shall constitute an original contractual obligation on the part of the Authority whether or not the Note alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Notes secured by this Indenture.

SECTION 2.10 Book-Entry System; Limited Obligation. The Notes shall be initially executed, authenticated and delivered in the form of a separate single fully registered Note (which may be typewritten) for each of the maturities of the Notes. Upon initial execution, authentication and delivery, the ownership of each such global Note shall be registered in the Note Register in the name of the Nominee as nominee of the Depository. Except as provided in Section 2.12 hereof, all of the Outstanding Notes shall be registered in the Note Register kept by the Trustee in the name of the Nominee and the Notes may be transferred, in whole but not in part, only to the Depository, to a successor Depository or to another nominee of the Depository or of a successor Depository. Each global Note shall bear a legend substantially to the following effect: "UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AS DEFINED IN THE INDENTURE OF TRUST) TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY NOTE 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."

With respect to Notes registered in the Note Register in the name of the Nominee, the Authority and the Trustee shall have no responsibility or obligation to any Depository Participant or to any person on behalf of which such a Depository Participant holds a beneficial interest in the Notes. Without limiting the immediately preceding sentence, the Authority and the Trustee shall have no responsibility or obligation with respect to (a) the accuracy of the records of the Depository, the Nominee or any Depository Participant with respect to any beneficial ownership interest in the Notes, (b) the delivery to any Depository Participant, beneficial owner or any other person, other than the Depository, of any notice with respect to the Notes, including any Redemption Notice, (c) the selection by the Depository and the Depository Participants of the beneficial interests in the Notes to be redeemed in part, or (d) the payment to any Depository Participant, beneficial owner or any other person, other than the Depository, of any amount with respect to principal of, interest on, or premium, if any, of the Notes. The Authority and the Trustee may treat and consider the person in whose name each Note is registered in the Note Register as the holder and absolute Owner of such Note for the purpose of payment of principal of, premium, if any, and interest on the Note, for the purpose of giving Redemption Notices with respect to the Notes and other notices with respect to the Notes, and for all other purposes whatsoever, including, without limitation, registering transfers with respect to the Notes.

The Trustee shall pay all principal of, premium, if any, and interest on the Notes only to or upon the order of the respective Note Owners, as shown in the Note Register kept by the Trustee, or their respective attorneys duly authorized in writing, and all such payments shall be valid hereunder with respect to payment of principal of, premium, if any, and interest on, the Notes to the extent of the sum or sums so paid. No person other than a Note Owner, as shown in the Note Register, shall receive a Note evidencing the obligation to make payments of principal of, premium, if any, and interest on such Note pursuant to this Indenture of Trust. Upon delivery by the Depository to the Trustee and the Authority 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 this Indenture of Trust shall refer to such new nominee of the Depository.

SECTION 2.11 Representation Letter. In order to qualify the Notes for the Depository's book-entry system, the Authorized Representative is hereby authorized to execute, countersign and deliver on behalf of the Authority to such Depository a letter from the Authority representing such matters as shall be necessary to so qualify the Notes (the "Representation Letter"). The execution and delivery of the Representation Letter shall not in any way limit the provisions of Section 2.10 hereof or in any other way impose upon the Authority or the Water District any obligation whatsoever with respect to persons having beneficial interests in the Notes other than the Owners, as shown in the Note Register kept by the Trustee. In the written acceptance by the Trustee of the Representation Letter, the Trustee shall agree, and hereby agrees, to take all actions necessary for all representations of the Trustee in the Representation Letter with respect to the Trustee to at all times be complied with. In addition to the execution and delivery of the Representation Letter, the Authority Representative and all other officers of the Authority, and their respective deputies and designees, each is hereby authorized to take any other actions, not inconsistent with this Indenture of Trust, to qualify the Notes for the Depository's book-entry program.

SECTION 2.12 Transfers Outside Book-Entry System. If at any time the Depository notifies the Authority that it is unwilling or unable to continue as Depository with respect to the Notes or if at any time the Depository shall no longer be registered or in good standing under the Securities Exchange Act or other applicable statute or regulation and a successor Depository is not appointed by the Authority within 90 days after the Authority receives notice or becomes aware of such condition, as the case may be, Section 2.10 hereof shall no longer be applicable and the Authority shall execute and the Trustee shall authenticate and deliver bonds representing the Notes as provided below. In addition, the Authority may determine at any time that the Notes shall no longer be represented by global bonds and that the provisions of Section 2.10 hereof shall no longer apply to the Notes. In any such event the

Authority shall execute and the Trustee shall authenticate and deliver bonds representing the Notes as provided below. Notes executed, authenticated and delivered in exchange for global bonds pursuant to this Section shall be registered in such names and delivered in such Authorized Denominations as the Depository, pursuant to instructions from the Depository Participants or otherwise, shall instruct the Authority and the Trustee. The Trustee shall deliver such Notes representing the Notes to the persons in whose names such Notes are so registered.

If the Authority determines to replace the Depository with another qualified securities depository, the Authority shall prepare or cause to be prepared a new fully-registered global Note for each of the maturities of the Notes, registered in the name of such successor or substitute securities depository or its nominee, or make such other arrangements as are acceptable to the Authority, the Trustee and such securities depository and not inconsistent with the terms of this Indenture of Trust.

SECTION 2.13 Payments and Notices to the Nominee. Notwithstanding any other provision of this Indenture of Trust to the contrary, so long as any Note is registered in the name of the Nominee, all payments of principal of, premium, if any, and interest on such Note and all notices with respect to such Note shall be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Depository.

SECTION 2.14 Initial Depository and Nominee. The initial Depository under this Indenture of Trust shall be DTC. The initial Nominee shall be Cede & Co., as nominee of DTC.

ARTICLE III

ISSUANCE OF NOTES AND APPLICATION OF PROCEEDS

SECTION 3.1 Issuance of Notes. Upon the execution and delivery of this Indenture, the Authority shall execute and deliver Notes in the aggregate principal amount of _____ Dollars ($_____) and shall deliver the Notes to the Trustee for authentication upon the Written Request of the Authority.

SECTION 3.2 Application of Proceeds and Other Moneys. Upon the receipt of payment for the Notes on the Closing Date, the Trustee shall deposit the full amount thereof as follows:

(a) The Trustee shall transfer to the Costs of Issuance Fund the amount of $_____.

(b) The Trustee shall transfer to the Acquisition and Construction Fund the amount of $_____.

(c) The Trustee shall transfer to the Note Service Fund the amount of $_____, which amount shall be used pay interest on the Notes.

The Trustee may, in its discretion, establish a temporary fund or account in its books and records to facilitate such transfers.

SECTION 3.3 Reserved.

SECTION 3.4 Costs of Issuance Fund. The Trustee shall establish, maintain and hold in trust a separate fund to be known as the "Costs of Issuance Fund." The Trustee shall disburse moneys in the Costs of Issuance Fund from time to time to pay Costs of Issuance (or to reimburse the Authority for

payment of Costs of Issuance) upon receipt by the Trustee of a Written Request of the Authority, substantially in the form of the first such request delivered by the Authority to the Trustee on the Closing Date, which: (a) states with respect to each disbursement to be made (i) the requisition number, (ii) the name and address of the person, firm or corporation to whom payment will be made, (iii) the amount to be disbursed, (iv) that each obligation mentioned therein is a proper charge against the Costs of Issuance Fund, and has not previously been disbursed by the Trustee from amounts in the Costs of Issuance Fund, and (v) that the amount of such disbursement is for payment of Costs of Issuance incurred and payable by the Authority; (b) specifies in reasonable detail the nature of the obligation; and (c) is accompanied by a bill or statement of account (if any) for each obligation. Upon the earlier of 180 days from the Closing Date, or the filing with the Trustee of a Written Certificate of the Authority stating that all Costs of Issuance have been paid, the Trustee shall withdraw all amounts then on deposit in the Costs of Issuance Fund and transfer such amounts to the Note Service Fund.

SECTION 3.5 Acquisition and Construction Fund. The Trustee shall establish, maintain and hold in trust a separate fund to be known as the "Acquisition and Construction Fund." Before any payment from the Acquisition and Construction Fund shall be made, the Water District shall file or cause to be filed with the Trustee, a Requisition of the Water District which shall be substantially in the form attached hereto as Exhibit B. The Trustee shall be entitled to rely on the representations of the Water District contained in such Requisition and shall not be required to independently verify the contents of such Requisition.

Within five (5) Business Days following receipt of each such Requisition, the Trustee shall pay the amount set forth in such Requisition as directed by the terms thereof out of the Acquisition and Construction Fund. Upon the Request of the Water District accompanied by a Certificate of the Water District stating that all Acquisition and Construction Costs have been paid or provision made for their payment, any unexpended moneys in the Acquisition and Construction Fund may be used to pay the costs associated with any other improvements to the Wastewater Enterprise. Any unexpended moneys in the Acquisition and Construction Fund subsequent to the payment of all Acquisition and Construction Costs which are not used to pay the cost of other improvements to the Wastewater Enterprise shall be transferred to the Note Service Fund upon receipt by the Trustee of a Request of the Water District accompanied by a Certificate of the Water District stating that all Acquisition and Construction Costs have been paid or provision made for their payment.

SECTION 3.6 Validity of Notes. The validity of the authorization and issuance of the Notes shall not be affected in any way by any proceedings taken by the Authority or the Trustee with respect to or in connection with the Installment Sale Agreement and the recital contained in the Notes that the same are issued pursuant to the Bond Law shall be conclusive evidence of their validity and of the regularity of their issuance.

ARTICLE IV

REVENUES; FLOW OF FUNDS

SECTION 4.1 Assignment of Revenues. The Authority hereby assigns to the Trustee, on behalf of the Owners, all of the Authority's right, title and interest to and in the Revenues. This assignment is an assignment of all of the Authority's right, title and interest in and to the Revenues, and such right, title and interest, and the Revenues constitute property of the Trustee on behalf of the Owners of the Notes. Subject to Section 4.3, all Revenues the Trustee collects and receives shall be applied to the payment of principal of and interest and premium (if any) on the Notes equally, without priority for series, issue, number or date, in accordance with the terms hereof. So long as any of the Notes are

Outstanding, the Revenues and such moneys shall not be used for any other purpose; except that a portion of the Revenues may be used for purposes as expressly permitted by Section 4.2 hereof.

The assignment under this section to the Trustee is solely in the Trustee's capacity as Trustee under this Indenture and the duties, powers and liabilities of the Trustee in acting pursuant to such assignment shall be subject to the provisions of this Indenture, including, without limitation, the provisions of Article VI hereof. The Trustee shall not be responsible for any representations, warranties, covenants or obligations of the Authority.

SECTION 4.2 Receipt, Deposit and Application of Revenues. Except as provided in Section 4.3 hereof with regard to the deposit of earnings on investments, all of the Revenues shall be deposited by the Trustee immediately upon receipt in the Revenue Fund (which the Trustee shall establish and hold in trust hereunder). Amounts in the Revenue Fund shall be applied solely for the uses and purposes set forth herein. The Trustee shall withdraw amounts on deposit in the Revenue Fund and apply such amounts at the times and for the purposes, and in the priority, as follows:

(a) Note Service Fund. On or before the fifteenth (15th) calendar day of the month preceding each Interest Payment Date, so long as any Notes remain Outstanding hereunder, the Trustee shall withdraw from the Revenue Fund and deposit into the Note Service Fund (which the Trustee shall establish and hold in trust hereunder) an amount which is at least equal to the aggregate amount of principal of and interest coming due and payable on the Notes on such Interest Payment Date. Notwithstanding the foregoing sentence, in the event that insufficient funds are on hand in the Revenue Fund to make the transfer described in the sentence above, then such transfer shall be made in an amount equal to the total amount on deposit in the Revenue Fund and amounts on deposit in the Note Service Fund shall be used to make up any shortfall. So long as sufficient amounts are on deposit in the Note Service Fund to make up such shortfall, failure to transfer an amount which is at least equal to the aggregate amount of principal of and interest coming due and payable on the Notes on or before the fifteenth (15th) calendar day of the month preceding any Interest Payment Date shall not constitute an Event of Default hereunder or under the Installment Sale Agreement.

Amounts in the Note Service Fund shall be applied by the Trustee solely for the purpose of paying the principal of and interest on the Outstanding Notes when and as such principal and interest becomes due and payable (including accrued interest on any Notes purchased or redeemed pursuant hereto).

If after all of the Notes have been paid or deemed to have been paid, there are moneys remaining in the Note Service Fund, such moneys shall be transferred by the Trustee to the Water District, after the payment of any outstanding fees and expenses of the Trustee.

(b) Redemption Fund. The Trustee shall deposit into the Redemption Fund all amounts required to redeem any Notes which are subject to redemption pursuant to Sections 2.3(a) or (b) when and as such amounts become available. Amounts in the Redemption Fund shall be applied by the Trustee solely for the purpose of paying the redemption price of Notes to be redeemed pursuant to Sections 2.3(a) or (b). Following any such redemption of all of the Notes, any moneys remaining in the Redemption Fund shall be transferred by the Trustee to the Water District.

SECTION 4.3 Investments. All moneys in any of the funds or accounts established with the Trustee pursuant to this Indenture shall be invested by the Trustee solely in Permitted Investments, as directed pursuant to the Written Request of the Water District filed with the Trustee at least two (2) Business Days in advance of the making of such investments. In the absence of any such directions from the Water District, the Trustee shall invest any such moneys in Permitted Investments described in

paragraph (i) of the definition thereof. 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 fund or account from which such investment was made. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder. The Trustee may act as sponsor, principal or agent in the acquisition or disposition of any investment. The Trustee shall incur no liability for losses arising from any investments made pursuant to this Section.

The Trustee may sell, or present for prepayment, any Permitted Investment so purchased by the Trustee whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from any such Permitted Investment.

The Authority (and the Water District by its execution of the Installment Sale Agreement) acknowledge that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority or the Water District the right to receive brokerage confirmations of security transactions as they occur, the Authority and the Water District specifically waive receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Authority and the Water District periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

SECTION 4.4 Acquisition, Disposition and Valuation of Investments.

(a) All investments of amounts deposited in any fund or account created by or pursuant to this Indenture, or otherwise containing gross proceeds of the Notes, shall be acquired and disposed of at fair market value, provided the Trustee is not responsible to determine fair market value.

Notwithstanding anything to the contrary herein, in making any valuations of investments hereunder, the Trustee may utilize computerized securities pricing services that may be available to it, including those available through its regular accounting system and rely thereon.

ARTICLE V

COVENANTS OF THE AUTHORITY; SPECIAL TAX COVENANTS

SECTION 5.1 Punctual Payment; Compliance With Documents. The Authority shall punctually pay or cause to be paid the interest and principal to become due with respect to all of the Notes in strict conformity with the terms of the Notes and of this Indenture, and will faithfully observe and perform all of the conditions, covenants and requirements of this Indenture and all Supplemental Indentures.

SECTION 5.2 Extension of Payment of Notes. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Notes or the time of payment of any claims for interest by the purchase of such Notes or by any other arrangement, and in case the maturity of any of the Notes or the time of payment of any such claims for interest shall be extended, such Notes or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Notes then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the Authority to issue Notes for the purpose of refunding any Outstanding Notes, and such issuance shall not be deemed to constitute an extension of maturity of the Notes.

SECTION 5.3 Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under this Indenture while any of the Notes are Outstanding, except the pledge and assignment created by this Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, and reserves the right to issue other obligations for such purposes.

SECTION 5.4 Power to Issue Notes and Make Pledge and Assignment. The Authority is duly authorized pursuant to law to issue the Notes and to enter into this Indenture and to pledge and assign the Revenues and other assets purported to be pledged and assigned, respectively, under this Indenture in the manner and to the extent provided in this Indenture. The Notes and the provisions of this Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee shall at all times, subject to the provisions of Article VI and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Note Owners under this Indenture against all claims and demands of all persons whomsoever.

SECTION 5.5 Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of Notes, the Revenues, the Installment Sale Agreement, and all funds and accounts held by the Trustee under this Indenture. Such books of record and account shall be available for inspection by the Authority and the Water District, during business hours and under reasonable circumstances.

SECTION 5.6 No Additional Obligations. The Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of the Revenues in whole or in part.

SECTION 5.7 Reserved.

SECTION 5.8 Installment Sale Agreement. The Trustee shall promptly collect all amounts due from the Water District pursuant to the Installment Sale Agreement. Subject to the provisions of Article VI, the Trustee shall enforce, and take all steps, actions and proceedings which the Trustee determines to be reasonably necessary for the enforcement of all of its rights thereunder as assignee of the Authority and for the enforcement of all of the obligations of the Water District under the Installment Sale Agreement.

SECTION 5.9 Waiver of Laws. The Authority 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 this Indenture or in the Notes, and all benefit or advantage of any such law or laws is hereby expressly waived by the Authority to the extent permitted by law.

SECTION 5.10 Further Assurances. The Authority will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming unto the Trustee and Owners of the Notes the rights and benefits provided in this Indenture.

ARTICLE VI

THE TRUSTEE

SECTION 6.1 Appointment of Trustee. The Bank of New York Mellon Trust Company, N.A. in Los Angeles, California, a national banking association organized and existing under and by virtue of the laws of the United States of America, is hereby appointed Trustee by the Authority for the purpose of receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use and apply the same as provided in this Indenture. The Authority agrees that it will maintain a Trustee having a combined capital and surplus of at least Fifty Million Dollars ($50,000,000), and subject to supervision or examination by federal or State authority, so long as any Notes are Outstanding. If such bank 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 Section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

SECTION 6.2 Payment of Notes; Registration Books. The Trustee is hereby authorized to pay the Notes when duly presented for payment at maturity, or on redemption or purchase prior to maturity, and to cancel all Notes upon payment thereof. The Trustee shall keep accurate records of all funds administered by it and of all Notes paid and discharged. The Trustee will keep or cause to be kept at its Office sufficient books for the registration and transfer of the Notes, which shall at all times during regular business hours be open to inspection by the Water District and the Authority. 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 said books, as provided in this Indenture with respect to the Notes.

SECTION 6.3 Acceptance of Trusts. The Trustee hereby accepts the trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default hereunder has occurred (which has not been cured or waived) the Trustee may exercise such of the rights and powers vested in it by this Indenture, and shall use the same degree of care and skill in their exercise, as a prudent trustee would exercise or use under the circumstances.

(b) The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, and shall have no liability for the actions of any such attorney, agent or receiver chosen with reasonable care, and the Trustee shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder. The Trustee shall not be liable for any action taken or not taken in reliance upon advice or opinion of such counsel.

(c) The Trustee shall not be responsible for any recital herein, or in the Notes, or for any of the supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Notes issued hereunder or intended to be secured hereby and the Trustee shall not be bound to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the Authority hereunder. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with Section 4.3 of this Indenture.

(d) The Trustee shall not be accountable for the use of any proceeds of sale of the Notes delivered hereunder. The Trustee may become the Owner of Notes secured hereby with the same

rights which it would have if not the Trustee; may acquire and dispose of other bonds or evidence of indebtedness of the Authority with the same rights it would have if it were not the Trustee; and may act as a 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 Owners of Notes, whether or not such committee shall represent the Owners of the majority in principal amount of the Notes then Outstanding.

(e) In the absence of bad faith on its part, the Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram, requisition, facsimile transmission, electronic mail or other paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken or omitted to be taken by the Trustee in good faith and without negligence pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Note, shall be conclusive and binding upon all future Owners of the same Note and upon Notes issued in exchange therefor or in place thereof. The Trustee shall not be bound to recognize any person as an Owner of any Note or to take any action at his request unless the ownership of such Note by such person shall be reflected on the Registration Books.

(f) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a Written Certificate of the Water District or a Written Certificate of the Authority as sufficient evidence of the facts therein contained and prior to the occurrence of an Event of Default hereunder of which the Trustee has been given notice or is deemed to have notice, as provided in Section 6.3(h) hereof, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed by it to be necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a Written Certificate of the Authority to the effect that an authorization in the form therein set forth has been adopted by the Authority, as conclusive evidence that such authorization has been duly adopted and is in full force and effect.

(g) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct. The immunities and exceptions from liability of the Trustee shall extend to its officers, directors, employees and agents.

(h) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default hereunder or under the Installment Sale Agreement, except failure by the Water District to make any of the payments to the Trustee required to be made by the Water District pursuant to the Installment Sale Agreement, or failure by the Authority to file with the Trustee any document required by this Indenture to be so filed subsequent to the issuance of the Notes, unless a Responsible Officer the Trustee shall be specifically notified in writing of such default by the Owners of at least twenty-five percent (25%) in aggregate principal amount of the Notes then Outstanding and all notices or other instruments required by this Indenture or under the Installment Sale Agreement to be delivered to the Trustee must, in order to be effective, be delivered at the Office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default hereunder or thereunder except as aforesaid.

(i) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right (but not the duty) fully to inspect the Wastewater Enterprise, all books, papers and records of the Water District or the Authority pertaining to the Wastewater Enterprise and the Notes, and to take such memoranda from and with regard thereto as may be desired but which is not privileged by statute or by law.

(j) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(k) Notwithstanding anything elsewhere in this Indenture with respect to the execution of any Notes, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Indenture, the Trustee shall have the right, but shall not be required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, as may be deemed desirable for the purpose of establishing the right of the Authority to the execution of any Notes, or the right of the Water District or the Authority to the withdrawal of any cash, or the taking of any other action by the Trustee.

(l) Before taking the action referred to in Section 8.3 the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful default in connection with any such action.

(m) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law. The Trustee shall not be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

(n) No provision in this Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder. The Trustee shall provide the Authority and the Water District with seven days' notice prior to making any advance of its own funds hereunder, and, if the Water District or the Authority does not provide moneys in the amount needed, the Trustee shall be entitled to interest on the amounts advanced at a rate equal to the then 3-month certificates of deposit rate (by reference to the Wall Street Journal); provided that no such prior notice need be given and such interest on amounts advanced shall accrue from the date of any such advance following the occurrence of an Event of Default hereunder.

(o) 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 Notes.

(p) The Trustee shall not be liable for any action taken or not taken by it in accordance with the direction of Owners of a majority (or other percentage provided for herein) in aggregate principal amount of the Notes Outstanding relating to the exercise of any right, power or remedy available to the Trustee.

(q) 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, 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 project, 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.

(r) The Trustee agrees to accept and act upon facsimile transmission of written instructions and/or directions pursuant to this Indenture provided, however, that: (i) subsequent to such facsimile transmission of written instructions and/or directions the Trustee shall forthwith receive the originally executed instructions and/or directions, (ii) such originally executed instructions and/or directions shall be signed by a person as may be designated and authorized to sign for the party signing such instructions and/or directions, and (iii) the Trustee shall have received a current incumbency certificate containing the specimen signature of such designated person.

SECTION 6.4 Fees, Charges and Expenses of Trustee. The Trustee shall be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all reasonable advances, reasonable counsel fees (including expenses) and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services, but solely from Additional Payments made by the Water District under the Installment Sale Agreement. Upon the occurrence of an Event of Default, the Trustee shall have a first lien with right of payment prior to payment of any Note upon the amounts held hereunder for the foregoing fees, charges and expenses incurred by it respectively.

SECTION 6.5 Notice to Note Owners of Default. If an Event of Default hereunder occurs with respect to any Notes, of which the Trustee has been given or is deemed to have notice, as provided in Section 6.3(h), then the Trustee shall promptly give written notice thereof by first-class mail to the Owner of each such Note, unless such Event of Default shall have been cured before the giving of such notice.

SECTION 6.6 Intervention by Trustee. In any judicial proceeding to which the Authority is a party which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of Owners of any of the Notes, the Trustee may intervene on behalf of such Note Owners, and subject to Section 6.3(l), shall do so if requested in writing by the Owners of a majority in aggregate principal amount of such Notes then Outstanding.

SECTION 6.7 Removal of Trustee. The Owners of a majority in aggregate principal amount of the Outstanding Notes, or the Authority (so long as no Event of Default has occurred or is continuing), may at any time remove the Trustee initially appointed, and any successor thereto, by an instrument or concurrent instruments in writing delivered to the Trustee.

SECTION 6.8 Resignation by Trustee. The Trustee and any successor Trustee may at any time resign by giving written notice by registered or certified mail to the Water District and the Authority. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee in accordance with Section 6.9. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. Upon such acceptance, the successor Trustee shall mail notice thereof to the Note Owners at their respective addresses set forth on the Registration Books.

SECTION 6.9 Appointment of Successor Trustee. In the event of the removal or resignation of the Trustee pursuant to Sections 6.6 or 6.7, respectively, the Authority shall promptly appoint a successor Trustee; provided that any such successor shall be a bank or trust company meeting the requirements of Section 6.1. In the event the Authority shall for any reason whatsoever fail to appoint a successor Trustee within sixty (60) days following the delivery to the Trustee of the instrument described in Section 6.6 or within sixty (60) days following the receipt of notice by the Authority pursuant to Section 6.7, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee meeting the requirements of Section 6.1. Any such successor Trustee appointed by such court shall become the successor Trustee hereunder notwithstanding any action by the Authority purporting to appoint a successor Trustee following the expiration of such sixty (60) day period. Upon the acceptance by any successor Trustee of appointment as such, the successor Trustee shall cause notice

thereof to be given by first class mail to the Note Owners at their respective addresses set forth on the Registration Books.

SECTION 6.10 Merger or Consolidation. Any company into which the Trustee may be merged or converted or 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 Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall be eligible under Section 6.1, shall be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

SECTION 6.11 Concerning any Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Authority an instrument in writing accepting such appointment hereunder and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor shall, nevertheless, on the Written Request of the Authority, or of its successor, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as the Trustee hereunder to its successor. Should any instrument in writing from the Authority be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority.

SECTION 6.12 Appointment of Co-Trustee. It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the law of the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in the case of litigation under this Indenture, and in particular in case of the enforcement of the rights of the Trustee on default, or in the case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the properties, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate or co-trustee. The following provisions of this Section are adopted to these ends.

In the event that the Trustee appoints an additional individual or institution as a separate or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate or co-trustee but only to the extent necessary to enable such separate or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee shall run to and be enforceable by either of them.

Should any instrument in writing from the Authority be required by the separate trustee or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority. In case any separate trustee or co-trustee, or a successor to either, shall become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as

permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

SECTION 6.13 Indemnification; Limited Liability of Trustee. The Authority further covenants and agrees to indemnify and save the Trustee and its officers, directors, agents and employees, harmless against any loss, costs, claims, expense and liabilities which it may incur arising out of or in the exercise and performance of its powers and duties hereunder, including the costs and expenses of defending against any claim of liability, but excluding any and all losses, costs, claims, expenses and liabilities which are due to the negligence or willful misconduct of the Trustee, its officers, directors or employees. No provision in this Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability hereunder or pursuant to the Installment Sale Agreement. The Trustee shall not be liable for any action taken or omitted to be taken by it in accordance with the direction of the Owners of a majority in aggregate principal amount of Notes Outstanding relating to the time, method and place of conducting any proceeding or remedy available to the Trustee under this Indenture. The obligations of the Authority under this paragraph shall be payable solely from Additional Payments made by the Water District under the Installment Sale Agreement and shall survive the resignation or removal of the Trustee under this Indenture or any defeasance of the Notes. The Trustee's rights to immunities and protection from liability hereunder and its rights to payment of its fees and expenses shall survive its resignation or removal and final payment or defeasance of the Notes. All indemnifications and releases from liability granted herein to the Trustee shall extend to the directors, officers, employees and agents of the Trustee.

The Trustee shall have no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of these Notes. Before taking any action under Article VIII or this Article at the request of the Owners, the Trustee may require that a satisfactory indemnity Note be furnished by the Owners for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any action so taken.

ARTICLE VII

MODIFICATION AND AMENDMENT OF THIS INDENTURE

SECTION 7.1 Amendment by Consent of Note Owners. This Indenture and the rights and obligations of the Authority and of the Owners of the Notes may be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Notes then Outstanding, exclusive of Notes disqualified as provided in Section 7.2 hereof, are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Note or otherwise alter or impair the obligation of the Authority to pay the principal, interest or redemption premiums at the time and place and at the rate and in the currency provided therein of any Note without the express written consent of the Owner of such Note, (b) reduce the percentage of Notes required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

This Indenture and the rights and obligations of the Authority and of the Owners of the Notes may also be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption, without the consent of any Note Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Authority in this Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the Authority; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Indenture, or in any other respect whatsoever as the Authority may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not materially adversely affect the interests of the Owners of the Notes, in the opinion of Bond Counsel.

The Trustee shall not be required to enter into or consent to any amendment or modification which, in the sole judgment of the Trustee, might adversely affect the rights, obligations, powers, privileges, indemnities, immunities or other security provided the Trustee herein.

SECTION 7.2 Disqualified Notes. Notes owned or held by or for the account of the Water District or the Authority (but excluding Notes held in any employees' retirement fund) shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Notes in this article provided for, and shall not be entitled to consent to, or take any other action in this article provided for, unless all of the Outstanding Notes shall be owned or held by or for the account of the Water District or the Authority, provided however, that the Trustee shall not be deemed to have knowledge that any Note is owned by the Authority or the Water District or for the account of the Authority or the Water District unless the Authority or the Water District is a Registered Owner or the Trustee has received written notice that any other Registered Owner is the Owner of a Note for the account of the Water District or Authority.

SECTION 7.3 Endorsement or Replacement of Notes After Amendment. After the effective date of any action taken as hereinabove provided, the Authority may determine that the Notes shall bear a notation, by endorsement in form approved by the Authority, as to such action, and in that case upon demand of the Owner of any Note Outstanding at such effective date and presentation of his Note for that purpose at the Office of the Trustee, a suitable notation as to such action shall be made on such Note. If the Authority shall so determine, new Notes so modified as, in the opinion of the Authority, shall be necessary to conform to such Note Owners' action shall be prepared and executed, and in that case upon demand of the Owner of any Note Outstanding at such effective date such new Notes shall be exchanged at the Office of the Trustee, without cost to each Note Owner, for Notes then Outstanding, upon surrender of such Outstanding Notes.

SECTION 7.4 Amendment by Mutual Consent. The provisions of this Article shall not prevent any Note Owner from accepting any amendment as to the particular Note held by such Owner, provided that due notation thereof is made on such Note.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF NOTE OWNERS

SECTION 8.1 Events of Default and Acceleration of Maturities. The following events shall be Events of Default hereunder:

(a) Default in the due and punctual payment of the principal of any Note when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise.

(b) Default in the due and punctual payment of any installment of interest on any Note when and as such interest installment shall become due and payable.

(c) Default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in this Indenture or in the Notes contained, 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 Water District and the Authority by the Trustee; provided, however, that if in the reasonable opinion of the Authority the default stated in the notice (other than a default in the payment of any fees and expenses owing to the Trustee) can be corrected, but not within such thirty (30) day period, such default shall not constitute an Event of Default hereunder if the Authority shall commence to cure such default within such thirty (30) day period and thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The filing by the Authority of a petition or answer seeking reorganization or arrangement under the Federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Authority, seeking reorganization under the Federal bankruptcy laws or any other applicable law of the United States of America, 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 Authority or of the whole or any substantial part of its property.

(e) The occurrence and continuation of an Event of Default under and as defined in the Installment Sale Agreement.

Upon the occurrence and during the continuance of any Event of Default the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Notes at the time Outstanding, the Trustee shall, declare the principal of all of the Notes 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 this Indenture or in the Notes contained to the contrary notwithstanding. This provision, however, is subject to the condition that if, at any time after the principal of the Notes shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Authority shall deposit with the Trustee a sum sufficient to pay all of the principal of and interest on the Notes having come due prior to such declaration, with interest on such overdue principal and interest calculated at the net effective rate of interest per annum then borne by the Outstanding Notes, and the reasonable fees and expenses of the Trustee, together with interest thereon at the prime rate of the Trustee then in effect, and any and all other defaults known to the Trustee (other than in the payment of the principal of and interest on the Notes having come due and payable solely by reason of such declaration) 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 or the Owners of a majority in aggregate principal amount of the Notes at the time Outstanding may, by written notice to the Authority and to the Trustee, on behalf of the Owners of all of the Outstanding Notes, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

SECTION 8.2 Application of Funds Upon Acceleration. All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of this Indenture shall be applied by the Trustee in the following order upon presentation of the several Notes, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under this Indenture; and

Second, to the payment of the whole amount then owing and unpaid upon the Notes for interest and principal, with interest on such overdue amounts to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Notes, and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Notes, then to the payment of such interest, principal and interest on overdue amounts without preference or priority among such interest, principal and interest on overdue amounts ratably to the aggregate of such interest, principal and interest on overdue amounts.

SECTION 8.3 Other Remedies: Rights of Note Owners. Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy, in addition to the remedy specified in Section 8.1, at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Notes, and to enforce any rights of the Trustee under or with respect to this Indenture.

If an Event of Default shall have occurred and be continuing and if requested so to do by the Owners of a majority in aggregate principal amount of Outstanding Notes and indemnified as provided in Section 6.3(l), the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Article, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Note Owners.

No remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to the Note Owners) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Note Owners hereunder or now or hereafter existing at law or in equity.

No delay or omission to exercise any right or power accruing upon 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 acquiescence therein; such right or power may be exercised from time to time as often as nay be deemed expedient.

SECTION 8.4 Power of Trustee to Control Proceeding. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Notes then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Notes, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Notes hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation. Any suit, action or proceeding which any Owner of Notes shall have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners of Notes similarly situated and the Trustee is hereby appointed (and the successive respective Owners of the Notes issued hereunder, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners of the Notes for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Notes as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

SECTION 8.5 Appointment of Receivers. Upon the occurrence of an Event of Default hereunder, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Note Owners under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues and other amounts pledged hereunder, pending such proceedings, with such powers as the court making such appointment shall confer.

SECTION 8.6 Non-Waiver. Nothing in this Article or in any other provision of this Indenture, or in the Notes, shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the interest on and principal of the Notes to the respective Owners of the Notes at the respective dates of maturity, as herein provided, out of the Revenues and other moneys herein pledged for such payment.

A waiver of any default or breach of duty or contract by the Trustee or any Note Owners shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission of the Trustee or any Owner of any of the Notes to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy conferred upon the Trustee or Note Owners by the Bond Law or by this Article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Note Owners, as the case may be.

SECTION 8.7 Rights and Remedies of Note Owners. No Owner of any Note issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, or the Installment Sale Agreement, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Notes then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have refused or omitted 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) the Trustee has not received any inconsistent direction during such 60-day period from the Owners of a majority in aggregate principal amount of the Outstanding Notes.

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 Notes of any remedy hereunder; it being understood and intended that no one or more Owners of Notes shall have any right in any manner whatever by his or their action to enforce any right under this Indenture, or the Installment Sale Agreement, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Notes.

The right of any Owner of any Note to receive payment of the principal of and interest and premium (if any) on such Note as herein provided or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Indenture.

SECTION 8.8 Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined

adversely, then and in every such case, the Authority, the Trustee and the Note Owners shall be restored to their former positions and rights hereunder, respectively, with regard to the property subject to this Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

ARTICLE IX

MISCELLANEOUS

SECTION 9.1 Limited Liability of Authority. Notwithstanding anything in this Indenture contained, the Authority shall not be required to advance any moneys derived from any source of income other than the Revenues for the payment of the principal of or interest on the Notes, or any premiums upon the redemption thereof, or for the performance of any covenants herein contained (except to the extent any such covenants are expressly payable hereunder from the Revenues or any Additional Revenues). The Authority may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the Authority for such purpose without incurring indebtedness.

The Notes shall be revenue Notes, payable exclusively from the Revenues and other funds pledged hereunder as in this Indenture provided. The general fund of the Authority is not liable, and the credit of the Authority is not pledged, for the payment of the interest on or principal of the Notes. The Owners of the Notes shall never have the right to compel the forfeiture of any property of the Authority. The principal of and interest on the Notes, and any premiums upon the redemption of any thereof, shall not be a debt of the Authority, or a legal or equitable pledge, charge, lien or encumbrance upon any property of the Authority or upon any of its income, receipts or revenues except the Revenues and other funds pledged to the payment thereof as in this Indenture provided.

SECTION 9.2 Benefits of Indenture Limited to Parties. Nothing in this Indenture, expressed or implied, is intended to give to any person other than the Water District, the Authority, the Trustee and the Owners of the Notes, any right, remedy or claim under or by reason of this Indenture. Any covenants, stipulations, promises or agreements in this Indenture contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Trustee and the Owners of the Notes.

SECTION 9.3 Discharge of Indenture. If the Authority shall pay and discharge each Outstanding Note in any one or more of the following ways -

(a) by well and truly paying or causing to be paid the principal of and interest and premium (if any) on such Notes, as and when the same become due and payable;

(b) by irrevocably depositing with the Trustee, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established pursuant to this Indenture, is fully sufficient to pay such Notes, including all principal, interest and redemption premiums;

(c) by irrevocably depositing with the Trustee, in trust, Federal Securities in such amount as Bond Counsel or an Independent Accountant shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established pursuant to this Indenture, be fully sufficient to pay and discharge the indebtedness on such Notes (including all principal, interest and redemption premiums) at or before their respective maturity dates; and if such Notes are to be redeemed prior to the maturity thereof notice of such redemption shall have been mailed

pursuant to Section 2.3(c) or provision satisfactory to the Trustee shall have been made for the mailing of such notice; or

(d) by delivering such Notes to the Trustee for cancellation -

then, at the election of the Authority, and notwithstanding that any of such Notes shall not have been surrendered for payment, the pledge of the Revenues and other funds provided for in this Indenture with respect to such Notes, and all other pecuniary obligations of the Authority under this Indenture with respect to all such Notes, shall cease and terminate, except only the obligation of the Authority to pay or cause to be paid to the Owners of such Notes not so surrendered and paid all sums due thereon from amounts set aside for such purpose as aforesaid, and all expenses and costs of the Trustee. Notice of such election shall be filed with the Trustee. Any funds thereafter held by the Trustee, which are not required for said purposes, shall be paid over to the Water District.

SECTION 9.4 Successor Is Deemed Included in All References to Predecessor. Whenever in this Indenture or any Supplemental Indenture either the Authority is named or referred to, such reference shall be deemed to include the successor to the powers, duties and functions, with respect to the management, administration and control of the affairs of the Authority, that are presently vested in the Authority, and all the covenants, agreements and provisions contained in this Indenture by or on behalf of the Authority shall bind and inure to the benefit of its successors whether so expressed or not.

SECTION 9.5 Execution of Documents by Note Owners. Any request, consent or other instrument required by this Indenture to be signed and executed by Note Owners may be in any number of concurrent writings of substantially similar tenor and may be signed or executed by such Note Owners in person or by 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, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and of the Authority 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 affidavit of a witness of such execution or 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 or writing acknowledged to him the execution thereof.

The ownership of Notes shall be provided by the Registration Books. Any request, consent or vote of the Owner of any Note shall bind every future Owner of the same Note and the Owner of any Note issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in pursuance of such request, consent or vote.

In determining whether the Owners of the requisite aggregate principal amount of Notes have concurred in any demand, request, direction, consent or waiver under this Indenture, Notes which are owned or held by or for the account of the Authority (but excluding Notes held in any employees' retirement fund) shall be disregarded and deemed not to be Outstanding for the purpose of any such determination.

In lieu of obtaining any demand, request, direction, consent or waiver in writing, the Trustee may call and hold a meeting of the Note Owners upon such notice and in accordance with such rules and obligations as the Trustee considers fair and reasonable for the purpose of obtaining any such action.

SECTION 9.6 Waiver of Personal Liability. No member of the Authority's Board of Directors, or officer, agent or employee of the Authority shall be individually or personally liable for the payment of the interest on or principal of the Notes; but nothing herein contained shall relieve any such officer, agent or employee from the performance of any official duty provided by law.

SECTION 9.7 Partial Invalidity. If any one or more of the covenants or agreements, or portions thereof, provided in this Indenture on the part of the Authority (or of the Trustee) to be performed should be contrary to law, then such covenant or covenants, such agreement or agreements, or such portions thereof, shall be null and void and shall be deemed separable from the remaining covenants and agreements or portions thereof and shall in no way affect the validity of this Indenture or of the Notes; but the Note Owners shall retain all rights and benefits accorded to them under the Bond Law or any other applicable provisions of law. The Authority hereby declares that it would have entered into this Indenture and each and every other section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Notes pursuant hereto irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases of this Indenture or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

SECTION 9.8 Destruction of Canceled Notes. Whenever in this Indenture provision is made for the surrender to the Authority of any Notes which have been paid or canceled pursuant to the provisions of this Indenture, Trustee shall destroy such Notes and furnish to the Authority upon the Authority's Written Request a certificate of such destruction.

SECTION 9.9 Funds and Accounts. Any fund or account required by this Indenture to be established and maintained by the Authority or the Trustee may be established and maintained in the accounting records of the Authority or the Trustee, as the case may be, either as a fund or an account, and may, for the purpose of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account. All such records with respect to all such funds and accounts held by the Authority shall at all times be maintained in accordance with generally accepted accounting principles and all such records with respect to all such funds and accounts held by the Trustee shall be at all times maintained in accordance with corporate trust industry practices; in each case with due regard for the protection of the security of the Notes and the rights of every Owner thereof.

SECTION 9.10 Notices. All written notices to be given under this Indenture shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication, (b) upon receipt after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Water District, the Authority or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the Water District:

Victorville Water District
17185 Yuma Street
Victorville, California 92392
Attention: Director of Water District
Tel: (760) 955-2557
Fax: (760) 269-0088

If to the Authority:	Victorville Joint Powers Financing Authority 14343 Civic Drive Victorville, California 92393-5001 Attention: Executive Director Tel: (760) 955-5000 Fax: (760) 955-5042
If to the Trustee:	The Bank of New York Mellon Trust Company, N.A. 700 South Flower Street, Suite 500 Los Angeles, California 90017-4104 Attention: Corporate Trust Tel: (213) 630-6231 Fax: (213) 630-6215

SECTION 9.11 Unclaimed Moneys. Anything in this Indenture to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Notes which remain unclaimed for two (2) years after the date when such Notes or interest thereon have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee at such date, or for two (2) years after the date of deposit of such moneys if deposited with the Trustee after said date when such Notes become due and payable, shall be repaid by the Trustee to the Authority, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Note Owners shall look only to the Authority for the payment of such Notes; provided, however, that before being required to make any such payment to the Authority, the Trustee shall, at the Written Request of the Authority (and at its expense), cause to be mailed to the Owners of all such Notes, at their respective addresses appearing on the Registration Books, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall not be less than thirty (30) days after the date of mailing of such notice, the balance of such moneys then unclaimed will be returned to the Authority.

SECTION 9.12 Execution in Several Counterparts. This 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 Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

SECTION 9.13 Governing Law. This Indenture shall be governed by and construed in accordance with the laws of the State.

IN WITNESS WHEREOF, the **VICTORVILLE JOINT POWERS FINANCING AUTHORITY** and the **VICTORVILLE WATER DISTRICT** have caused this Indenture of Trust to be signed in their names by their respective authorized officers, and **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.**, in token of its acceptance of the trust created hereunder, has caused this Indenture to be signed in its corporate name by its officer identified below, all as of the day and year first above written.

VICTORVILLE JOINT POWERS FINANCING AUTHORITY

By: _____
Title: President

VICTORVILLE WATER DISTRICT

By: _____
Title: Chairman

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee

By: _____
Authorized Officer

ATTEST

By: _____
Authority Secretary

By: _____
Water District Secretary

APPROVED AS TO FORM

By:_____
Authority Counsel

By:_____
Water District Legal Counsel

Victorville Water District Risk Manager
Chuck Buquet

_____

EXHIBIT A

[FORM OF NOTE]

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AS DEFINED IN THE INDENTURE OF TRUST) TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY NOTE 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.

NEITHER THE PAYMENT OF THE PRINCIPAL OR ANY PART THEREOF NOR ANY INTEREST THEREON CONSTITUTES A DEBT, LIABILITY OR OBLIGATION OF THE CITY OF VICTORVILLE OR THE REDEVELOPMENT AGENCY OF THE CITY OF VICTORVILLE.

No. _____ ***$_____***

VICTORVILLE JOINT POWERS FINANCING AUTHORITY
TAXABLE WASTEWATER REVENUE NOTE, 2009 SERIES
(VICTORVILLE WATER DISTRICT)

INTEREST RATE	MATURITY DATE	ISSUE DATE	CUSIP
_____%	_____ 1, 20___	_____, 2009	_____

REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT: ***DOLLARS***

The VICTORVILLE JOINT POWERS FINANCING AUTHORITY, a joint powers authority organized and existing under the laws of the State of California (the "Authority") for value received, hereby promises to pay (but only out of the Revenues and other assets pledged therefor as hereinafter mentioned) to the Registered Owner stated above, or registered assigns, on the Maturity Date stated above (subject to any right of prior redemption hereinafter mentioned), the Principal Amount stated 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 Note (unless this Note is authenticated as of a day during the period commencing after the fifteenth day of the month preceding an Interest Payment Date and ending on or before such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless this Note is authenticated on or before November 15, 2009, in which event it shall bear interest from the Issue Date stated above) until payment of such principal sum shall be discharged as provided in the Indenture hereinafter mentioned, at the Interest Rate

per annum stated above, payable semiannually on each June 1 and December 1, commencing December 1, 2009 (each, an "Interest Payment Date").

The principal (or redemption price) hereof is payable at the Office (as defined in the Indenture referred to below) of The Bank of New York Mellon Trust Company, N.A., Los Angeles, California (together with any successor trustee under the Indenture, the "Trustee"). Interest hereon is payable by check of the Trustee mailed on each Interest Payment Date to the Registered Owner as of the fifteenth (15th) day of the month preceding each Interest Payment Date at the address shown on the registration books maintained by the Trustee; provided however, that payment of interest will be made by wire transfer in immediately available funds to an account in the United States of America to any Owner of Notes in the aggregate principal amount of $1,000,000 or more who shall furnish written wire instructions to the Trustee before the fifteenth day of the month preceding the applicable Interest Payment Date.

It is hereby certified and recited that any and all things, conditions and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Note do exist, have happened and have been performed in due time, form and manner as required by the Bond Law and by the laws of the State of California, and that the amount of this Note, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Bond Law or by the Constitution and laws of the State of California, and is not in excess of the amount of Notes permitted to be issued under the Indenture.

This Note 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.

This Note is one of a duly authorized issue of notes of the Authority designated as its "Victorville Joint Powers Financing Authority Taxable Wastewater Revenue Notes, 2009 Series (Victorville Water District)" (the "Notes"), in the aggregate principal amount of _____ Dollars ($_____), authorized pursuant to the provisions of Article 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6584) of the California Government Code (the "Bond Law"), and issued pursuant to an Indenture of Trust, dated as of May 1, 2009 (the "Indenture"), by and among the Authority, the Victorville Water District (the "Water District"), and the Trustee.

Reference is hereby made to the Indenture (a copy of which is on file at said Office of the Trustee) and all indentures supplemental thereto and to the Bond Law for a description of the rights thereunder of the owners of the Notes, of the nature and extent of the security, of the rights, duties and immunities of the Trustee and of the rights and obligations of the Authority thereunder. The Registered Owner of this Note, by acceptance hereof, assents and agrees to all the provisions of the Indenture.

The Notes have been issued by the Authority to assist the Water District in financing the construction of a wastewater treatment plant as well as certain other improvements to the Wastewater Enterprise. Pursuant to an Installment Sale Agreement, dated as of May 1, 2009, by and between the Water District and the Authority, the Authority will sell to the Water District such improvements and the Water District will pay, in consideration therefor, Installment Payments, secured by the Net Revenues of the Wastewater Enterprise, as defined in the Indenture. The scheduled Installment Payments are equal to the debt service payments on the Notes.

The Notes and the interest thereon are payable from Revenues (as such term is defined in the Indenture), consisting primarily of Installment Payments to be made by the Water District under the Installment Sale Agreement as consideration for the purchase of the Wastewater Enterprise, and are secured by a pledge and assignment of said Revenues, subject only to the provisions of the Indenture

permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. The Notes are special obligations of the Authority and are not a lien or charge upon the funds or property of the Authority, except to the extent of the aforesaid pledge and assignment.

The Notes shall be subject to special mandatory redemption as a whole or in part, on a pro rata basis among Owners, on any date, to the extent of the proceeds of an eminent domain award or proceeds of casualty insurance not used to repair or rebuild the Wastewater Enterprise, which proceeds may be used for such purpose pursuant to Sections 5.4 or 5.6 of the Installment Sale Agreement, at a redemption price equal to the principal amount of the Notes to be redeemed plus interest accrued thereon to the date fixed for redemption, without premium

The Notes shall be subject to redemption, as a whole or in part, on a pro rata basis among Owners, prior to maturity on any date on or after ____ 1, 20__, from prepayment of Installment Payments made at the option of the Water District at the redemption price equal to the principal amount of the Notes to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

The Trustee on behalf and at the expense of the Authority shall mail (by first class mail) notice of any redemption to: (i) the respective Owners of any Notes designated for redemption, at least thirty (30) but not more than sixty (60) days prior to the redemption date, at their respective addresses appearing on the Registration Books, and (ii) the Securities Depositories and to one or more Information Services (as such terms are defined in the Indenture), at least thirty (30) but not more than sixty (60) days prior to the redemption; *provided, however,* that neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Notes or the cessation of the accrual of interest thereon. Interest on the Notes called for redemption will not accrue from and after the redemption date.

The Notes are issuable as fully registered Notes in denominations of $100,000 and any integral multiple thereof. Subject to the limitations provided in the Indenture, Notes may be exchanged, at said Office of the Trustee, for a like aggregate principal amount of Notes of other authorized denominations of the same maturity.

The Trustee has no obligation or liability to the Registered Owners to make payments of principal of or interest on the Notes, except from amounts on deposit for such purposes with the Trustee. The Trustee's sole obligations are to administer for the benefit of the Registered Owners the various funds and accounts established under the Indenture of Trust and, to the extent provided in the Indenture of Trust, to enforce the rights of the Authority under the Installment Sale Agreement.

This Note is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at said Office of the Trustee, but only in the manner, subject to the limitations provided in the Indenture, and upon surrender and cancellation of this Note. Upon such transfer, a new Note or Notes, of authorized denomination or denominations, of the same series, maturity and for the same aggregate principal amount, will be issued to the transferee in exchange herefor.

If an Event of Default, as defined in the Indenture, shall occur, the principal of all outstanding Notes 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.

The Indenture and the rights and obligations of the Authority and of the owners of the Notes and of the Trustee may be modified or amended from time to time and at any time in the manner, to the extent, and upon the terms provided in the Indenture; provided that no such modification or amendment

shall (a) extend the maturity of or reduce the interest rate on any Note or otherwise alter or impair the obligation of the Authority to pay the principal, interest or redemption premiums at the time and place and at the rate and in the currency provided therein of any Note without the express written consent of the owner of such Note, (b) reduce the percentage of Notes required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee, all as more fully set forth in the Indenture.

The Authority and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes and the Authority and the Trustee shall not be affected by any notice to the contrary.

IN WITNESS WHEREOF, the Victorville Joint Powers Financing Authority has caused this Note to be executed in its name and on its behalf by the manual signature of its President and attested to by the manual signature of its Secretary, all as of the Issue Date stated above.

VICTORVILLE JOINT POWERS FINANCING AUTHORITY

By _____
President

Attest:

_____
Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Notes described in the within-mentioned Indenture.

Dated: _____, 2009

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee

By _____
Authorized Signatory

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto

_____

(Name, Address and Tax Identification or Social Security Number)

the within-mentioned Note 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: _____

Signature Guaranteed:

_____

Signature(s) must be guaranteed by a qualified guarantor.

_____

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Note in every particular without alteration or enlargement or any change whatsoever.

EXHIBIT B

VICTORVILLE JOINT POWERS FINANCING AUTHORITY
TAXABLE WASTEWATER REVENUE NOTES, 2009 SERIES
(VICTORVILLE WATER DISTRICT)

(Issue Dated Date: _____, 2009)

Requisition of the Water District
(Acquisition and Construction Fund)
(Section 3.5 of the Indenture)

The Bank of New York Mellon Trust Company, N.A.
Attention: Corporate Trust Department

Request No.: P-___ (to be sequentially numbered)

Project Component	Amount of This Draw	Aggregate Amount Draws Including This Draw

(Continue on Additional Sheet if Necessary)

Name and Address of party to whom payment is to be made:

_____

Purpose for which the obligation was incurred:

_____

The undersigned (the "Water District") hereby certifies that (i) each such cost or expense constitutes a proper charge against the Acquisition and Construction Fund for services rendered, and has not been the subject of any other payment request filed with you; and (ii) if the payment is to be made to the Water District for amounts that it has paid or will pay to third parties, then the Water District has either made payment or will make payment within three business days of receipt of moneys requisitioned hereunder and that the aggregate number of business days during this calendar year during which it has held such amounts before making payment does not exceed twenty.

Date: _____

VICTORVILLE WATER DISTRICT

By:_____
Title:_____

APPENDIX C

FORM OF INVESTOR LETTER

[date of transfer]

Victorville Joint Powers Financing Authority
Victorville, California

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

$_____
Victorville Joint Powers Financing Authority
Taxable Wastewater Revenue Notes, 2009 Series
(Victorville Water District)

Ladies and Gentlemen:

The undersigned certifies that [he/she] is an authorized officer or representative of _____ (the "Purchaser"), the purchaser of the above-captioned notes (the "Notes") issued and delivered pursuant to that certain Indenture of Trust, dated as of May 1, 2009 (the "Indenture"), among the Victorville Joint Powers Financing Authority (the "Authority"), the Victorville Water District and The Bank of New York Mellon Trust Company, N.A., as trustee, and hereby represents to, and acknowledges and agrees with, each of you as follows:

(i) it is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion for investment and not with a view to distribute and that it or such account is a "Qualified Institutional Buyer" (as defined in Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"));

(ii) if it should resell or otherwise transfer the Notes, it will do so only (a) to the Authority, or (b) to a Qualified Institutional Buyer that, prior to such transfer, furnishes to the Trustee a signed letter containing certain representations and agreements relating to the restrictions on transfer of such Notes (the form of which letter can be obtained from such Trustee);

(iii) none of the Authority or any person representing the Authority has made any representation to it with respect to the Authority or the offer or sale of any Notes, other than the information contained in the Private Placement Memorandum and as part of transcript of proceeding relating to the Notes, which has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes;

(iv) it has had access to such financial and other information concerning the Authority and the Notes as it has deemed necessary in connection with its decision to purchase the Notes, including an opportunity to ask questions of and request information from the Authority;

(v) the Authority and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Notes are no longer accurate, it shall promptly notify the Authority; and

(vi) if it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it has sole investment discretion with respect to each account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

(vii) It represents and covenants that it is not acquiring the Notes for or on behalf of, and will not sell or otherwise transfer the Notes to, any employee benefit plan (as defined in Section 3 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) or a plan (as defined in section 4975(e)(1) of the Internal Revenue Code of 1986, as amended (the "Code")), except:

(a) to the extent such purchase is made by or on behalf of a bank collective investment fund maintained by the purchaser in which (i) at any time while the Notes are held by the purchaser, no plan (together with any other plan or plans maintained by the same employer or employee organization) has an interest in excess of ten percent (10%) of the total assets in such collective investment fund and (ii) the conditions of Prohibited Transaction Class Exemption ("PTE") 91-38 issued by the Department of Labor are satisfied;

(b) to the extent such purchase is made by or on behalf of an insurance company pooled separate account maintained by the purchaser in which (i) at any time while the Notes are held by the purchaser, no plan (together with any other plans maintained by the same employer or employee organization) has an interest in excess of ten percent (10%) of the total assets in such pooled separate account and (ii) the conditions of PTE 90-1 issued by the Department of Labor are satisfied;

(c) to the extent such purchase is made on behalf of a plan by a qualified professional asset manager, as such term is used in PTE 84-14 issued by the Department of Labor, and the assets of such plan when combined with the assets of other plans established or maintained by the same employer (or affiliate thereof) or employee organization and managed by such investment adviser, bank, insurance company or savings and loan do not represent more than twenty percent (20%) of the total client assets maintained by such investment adviser, bank, insurance company or savings and loan and the conditions of PTE 84-14 are satisfied;

(d) to the extent such plan is a governmental plan or church plan (as defined in Section 3 of ERISA) which is not subject to the provisions of Title I of ERISA or Section 4975 of the Code;

(e) to the extent such purchase is made by or on behalf of an insurance company with assets in its insurance company general account, and the conditions of PTE 95-60 issued by the Department of Labor are satisfied; to the extent such purchase is made on behalf of a plan by an in-house asset manager and the conditions of PTE 96-23 issued by the Department of Labor are satisfied; or

(f) to the extent such purchase is made on behalf of a plan by an in-house asset manager and the conditions of Part I of Prohibited Transactions Class Exemption 96-23 issued by the Department of Labor are satisfied.

_____

By:_____

Name:_____

Title:_____

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INSTALLMENT SALE AGREEMENT

by and between

VICTORVILLE JOINT POWERS FINANCING AUTHORITY;
as Seller

VICTORVILLE WATER DISTRICT,
as Purchaser

Dated as of May 1, 2009

Relating to:

$_____
Victorville Joint Powers Financing Authority
Taxable Wastewater Revenue Notes, 2009 Series
(Victorville Water District)

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INSTALLMENT SALE AGREEMENT

THIS INSTALLMENT SALE AGREEMENT, dated as of May 1, 2009, by and among the **VICTORVILLE JOINT POWERS FINANCING AUTHORITY**, a joint exercise of powers agency duly organized and existing under the laws of the State of California (the "Authority"), and the **VICTORVILLE WATER DISTRICT,** a county water district and a subsidiary district of the City of Victorville duly organized and existing under the laws of the State of California (the "Water District"),

WITNESSETH:

WHEREAS, the City of Victorville (the "City") owns that certain wastewater collection system (the "Leased Property"); and

WHEREAS, pursuant to that certain Wastewater Enterprise Lease Agreement, dated as of April __, 2009, by and between the City and the Water District, the City has leased the Leased Property to the Water District, including all rights, liabilities, duties and responsibilities of the City regarding the operation and maintenance of the Leased Property as well as the power to enter into, administer and enforce all contracts or other agreements relating to the operation and maintenance of the Leased Property; and

WHEREAS, the Leased Property, as operated by the Water District and together with any improvements thereto acquired, constructed or installed by the Water District, including, without limitation, the Improvements, constitutes the Wastewater Enterprise of the Water District; and

WHEREAS, the Authority is a joint exercise of powers agency duly created, established and authorized to transact business and exercise its powers, all under and pursuant to the Joint Exercise of Powers Act (Articles 1 through 4 of Chapter 5, Division 7, Title 1 of the California Government Code) (the "Act") and the powers of such Authority include the power to issue bonds for any of its corporate purposes; and

WHEREAS, the Water District desires to finance the construction of a wastewater treatment plant as well as certain other improvements (the "Improvements") to the Wastewater Enterprise; and

WHEREAS, the Authority has approved the issuance of its Taxable Wastewater Revenue Notes, 2009 Series (Victorville Water District) (the "Notes") to assist the Water District in providing funds to finance the Improvements; and

WHEREAS, the Water District has determined that it is necessary and desirable to enter into this Installment Sale Agreement pursuant to which the Water District is to purchase the Improvements in consideration for Installment Payments equal in time and amount to the debt service on the Notes allocable to the Installment Sale Agreement; and

WHEREAS, the Water District has approved the purchase of the Improvements from the Authority as provided in this Agreement; and

WHEREAS, the Authority and the Water District have duly authorized the execution and delivery of this Agreement;

NOW, THEREFORE, for and in consideration of the promises and the material covenants hereinafter contained, the parties hereto hereby covenant, agree and bind themselves as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1 Definitions. Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms in this Agreement shall have the respective meanings specified in the Indenture. In addition, the following terms defined in this Section shall, for all purposes of this Agreement, have the respective meanings herein specified.

"Acquisition and Construction" means, with respect to any of the Improvements, the acquisition, construction, improvement, equipping, renovation, remodeling or reconstruction thereof.

"Acquisition and Construction Costs" means, with respect to any of the Improvements, all costs of the Acquisition and Construction thereof which are paid from moneys on deposit in the Acquisition and Construction Fund, including but not limited to:

(a) all costs required to be paid to any person under the terms of any agreement for or relating to the Acquisition and Construction of the Improvements;

(b) obligations incurred for labor and materials in connection with the Acquisition and Construction of the Improvements;

(c) the cost of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect in connection with the Acquisition and Construction of the Improvements;

(d) all costs of engineering and architectural services, including the actual out-of-pocket costs for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees, sales commissions, and for supervising construction, as well as for the performance of all other duties required by or consequent to the proper Acquisition and Construction of the Improvements;

(e) any sums required to reimburse the City or the Water District for advances made for any of the above items or for any other costs incurred and for work done which are properly chargeable to the Acquisition and Construction of the Improvements;

(f) all financing costs incurred in connection with the Acquisition and Construction of the Improvements, including but not limited to Costs of Issuance and Acquisition and Construction of other costs incurred in connection with this Agreement and the financing of the Improvements; and

(g) the interest components of the Installment Payments during the period of Acquisition and Construction of the Improvements, to the extent not paid from the proceeds of the Notes deposited in the Note Service Fund pursuant to the Indenture.

"Additional Payments" means the amounts payable by the Water District pursuant to Section 4.10.

"Agreement" means this Installment Sale Agreement, together with any duly authorized and executed amendments hereto.

"Event of Default" means any of the events described in Section 8.1.

"Gross Revenues" means all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Wastewater Enterprise, including, without limiting the generality of the foregoing, (1) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the Water District from the sale, furnishing and supplying of wastewater treatment 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 Wastewater Enterprise, including, without limitation, reclaimed water, plus (2) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, or other moneys, including Water District reserves, but excluding in all cases customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the Water District and excluding any proceeds of taxes required by law to be used by the Water District to pay bonds hereafter issued.

"Indenture" means the Indenture of Trust, dated as of May 1, 2009, by and between the Water District and the Bank of New York Mellon Trust Company, N.A., as trustee, relating to the Notes.

"Improvements" means the capital improvements to the Wastewater Enterprise financed with proceeds of the Notes as described in Exhibit B attached hereto, as such description may be amended by the Water District from time to time pursuant to and in accordance with Section 3.2 hereof.

"Installment Payment Date" means the fifteenth (15th) day of each May and November during the Term of this Agreement, commencing November 15, 2009.

"Installment Payments" means the amounts payable by the Water District pursuant to Section 4.4, including any prepayments thereof pursuant to Article IX hereof.

"Net Revenues" means, for any period, an amount equal to all of the Gross Revenues received during such period minus the amount required to pay all Operation and Maintenance Costs becoming payable during such period.

"Operation and Maintenance Costs" means the reasonable and necessary costs and expenses paid by the Water District for maintaining and operating the Wastewater Enterprise, including but not limited to (a) the cost of utilities, including electricity and other forms of energy supplied to the Wastewater Enterprise, (b) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Wastewater Enterprise in good repair and working order and (c) the reasonable administrative costs of the Water District attributable to the operation and maintenance of the Wastewater Enterprise, including insurance and other costs described in Article V hereof, but in all cases excluding (i) debt service payable on obligations incurred by the Water District with respect to the Wastewater Enterprise, including but not limited to the Installment Payments, (ii) depreciation, replacement and obsolescence charges or reserves therefor and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

"Purchase Price" means the amount to be paid by the Water District hereunder as the purchase price of the Improvements, being equal to the aggregate principal amount of the Notes.

"Term of this Agreement" means the time during which this Agreement is in effect, as provided in Section 4.2 hereof.

"Wastewater Enterprise" means the entire wastewater system of the Water District, including all facilities, properties and improvements at any time owned, controlled or operated by the Water District

for the collection and/or treatment of wastewater, and any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto at any time acquired, constructed or installed by the Water District, including the Leased Property and the Improvements.

"Water Enterprise" means the entire water system of the Water District, including all facilities, properties and improvements at any time owned, controlled or operated by the Water District for the distribution of water, and any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto at any time acquired, constructed or installed by the Water District.

"Wastewater Enterprise Fund" means the fund by that name held by the Water District.

ARTICLE II

COVENANTS AND REPRESENTATIONS

SECTION 2.1 Covenants and Representations of the Water District. The Water District makes the following covenants and representations to the Authority that as of the Closing Date:

(a) The Water District is a county water district and a subsidiary district of the City of Victorville duly organized and validly existing under the laws of the State, has full legal right, power and authority to enter into this Agreement and to carry out and consummate all transactions on its part contemplated hereby, by proper action has duly authorized the execution and delivery of this Agreement.

(b) The representatives of the Water District executing this Agreement are fully authorized to execute the same.

(c) This Agreement has been duly authorized, executed and delivered by the Water District, and constitutes the legal, valid and binding agreement of the Water District, enforceable against the Water District in accordance with its terms.

(d) The execution and delivery of this Agreement, the consummation of the transactions herein contemplated and the fulfillment of or compliance with the terms and conditions hereof, will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the Water District is a party or by which it or its facilities are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Water District, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Agreement or the financial condition, assets, facilities or operations of the Wastewater Enterprise.

(e) No consent or approval of any trustee or holder of any indebtedness of the Water District or of the voters of the Water District, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Agreement or the consummation of any transaction herein

and therein contemplated, except as have been obtained or made and as are in full force and effect.

(f) There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or threatened against or affecting the Water District or the Wastewater Enterprise which, if determined adversely to the Water District or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Agreement or upon the financial condition or operation of the Wastewater Enterprise, and the Water District is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Agreement, or the financial condition or operations of the Wastewater Enterprise.

(g) The City has heretofore established the Wastewater Enterprise Fund into which the Water District deposits and will continue to deposit all Gross Revenues, and which the Water District will maintain throughout the Term of this Agreement.

(h) There are no outstanding bonds, notes, loans, leases, installment sale agreements or other obligations which have any security interest in the Gross Revenues or the Net Revenues, which security interest or claim is superior to or on a parity with the Installment Payments.

(i) The Water District has determined that it is necessary and proper for Water District uses and purposes that the Water District acquire the Improvements in the manner provided for in this Agreement, in order to provide essential services and facilities to persons residing in the Water District.

SECTION 2.2 Covenants and Representations of the Authority. The Authority makes the following covenants and representations as the basis for its undertakings herein contained:

(a) The Authority is a joint exercise of powers agency, duly organized and existing under the laws of the State. The Authority has the power to enter into the transactions contemplated by this Agreement and to carry out its obligations hereunder. By proper action of its governing body, the Authority has been duly authorized to execute, deliver and duly perform this Agreement and the Indenture.

(b) To finance the Improvements and the Costs of Issuance, the Authority will issue its Notes, which will mature, bear interest and be subject to redemption as set forth in the Indenture.

(c) The Notes will be issued under and secured by the Indenture, and pursuant thereto, certain of the Authority's interests in this Agreement have been assigned to the Trustee as security for payment of the principal of, premium, if any, and interest on the Notes.

(d) The Authority is not in default under any of the provisions of the laws of the State, which default would affect its existence or its powers referred to in subsection (a) of this Section.

ARTICLE III

ISSUANCE OF BONDS; ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS

SECTION 3.1 The Notes. The Authority has authorized the issuance of the Notes pursuant to the Indenture in the aggregate principal amount of _____ Dollars ($_____). The Authority and the Water District agree that the proceeds of sale of the Notes shall be paid to the Trustee on the Closing Date for deposit pursuant to the terms and conditions of the Indenture. The Water District hereby approves the Indenture, the assignment to the Trustee of the rights of the Authority assigned under and pursuant to the Indenture, and the issuance of the Notes by the Authority under and pursuant to the Indenture.

SECTION 3.2 Documentation Required for the Improvements. Before any payment is made for the Improvements or any component thereof to be constructed by the Water District from amounts on deposit in the Acquisition and Construction Fund, the Water District shall have filed with the Authority detailed plans and specifications relating thereto. The Water District may from time to time file amendments to such plans and specifications with the Authority, and may thereby change or modify the description of such Improvements or component thereof.

SECTION 3.3 Acquisition and Construction of the Improvements. The Authority hereby agrees with due diligence to supervise and provide for, or cause to be supervised and provided, for the Acquisition and Construction of the Improvements in accordance with plans and specifications, construction contracts and other documents relating thereto and approved by the Water District pursuant to all applicable requirements of law. Direct payment of the Acquisition and Construction Costs shall be made from amounts on deposit in the Acquisition and Construction Fund, pursuant to Section 3.5 of the Indenture. All contracts for, and all work relating to, the Acquisition and Construction of the Improvements shall be subject to all applicable provisions of law relating to the acquisition and construction of public works by the Water District.

The Water District shall have the right from time to time in its sole discretion to amend the description of the Improvements to be financed and improved hereunder. In order to exercise such right, the Water District shall file with the Authority an amended Exhibit B hereto.

Upon the completion of the Acquisition and Construction of the Improvements, but in any event not later than thirty (30) days following such completion, the Water District Representative shall execute and deliver to the Authority and the Trustee a Written Certificate which (a) states that the Acquisition and Construction of such Improvements have been substantially completed, (b) identifies the total Acquisition and Construction Costs thereof, and (c) identifies (i) the amounts, if any, to remain on deposit in the Acquisition and Construction Fund for payment of Acquisition and Construction Costs thereafter intended to be requisitioned by the Authority and (ii) the amounts to be transferred to the Note Service Fund.

SECTION 3.4 Grant of Easements. The Water District hereby grants to the Authority all necessary easements, rights of way and rights of access in and to all real property or interests therein now or hereafter acquired and owned by the Water District, as may be necessary or convenient to enable the Authority to acquire, construct and install the Improvements thereon or thereabouts. The Water District covenants that it will execute, deliver and record any and all additional documents as may be required to be executed, delivered and recorded to establish such easements, rights of way and rights of access.

SECTION 3.5 Appointment of Water District as Agent of Authority. The Authority hereby appoints the Water District as its agent to carry out all phases of the Acquisition and Construction of the Improvements pursuant to and in accordance with the provisions hereof. The Water District hereby accepts such appointment and assumes all rights, liabilities, duties and responsibilities of the Authority regarding the Acquisition and Construction of the Improvements. The Authority, or the Water District as agent of the Authority hereunder, shall enter into, administer and enforce all purchase orders or other contracts relating to the Acquisition and Construction of the Improvements. All contracts for, and all work relating to, the Acquisition and Construction of the Improvements shall be subject to all applicable provisions of law relating to the acquisition, construction, improvement, and equipping of like facilities and property by the Water District.

ARTICLE IV

SALE OF IMPROVEMENTS; INSTALLMENT PAYMENTS

SECTION 4.1 Sale. In consideration for the Installment Payments and other consideration set forth in this Agreement, the Authority hereby agrees to sell, transfer and convey to the Water District all of the Authority's right title and interest in and to the Improvements, and the Water District hereby agrees to purchase the Improvements from the Authority, upon the terms and conditions set forth in this Agreement.

SECTION 4.2 Term. The Term of this Agreement shall commence on the Closing Date, and shall end on the date on which the Water District shall have paid all of the Installment Payments and all other amounts due and payable hereunder. The provisions of this Section are subject in all respects to any other provisions of this Agreement relating to the termination hereof with respect to the Wastewater Enterprise or any portion thereof.

SECTION 4.3 Title. On the Closing Date, title to the Improvements shall be deemed conveyed to and vested in the Water District. The Authority and the Water District shall execute, deliver and cause to be recorded any and all documents necessary to convey such title to the Water District.

SECTION 4.4 Installment Payments.

(a) Obligation to Pay. The Water District agrees to pay to the Authority, its successors and assigns, but solely from the Net Revenues and other funds pledged hereunder, the Purchase Price, together with interest on the unpaid principal balance, payable in Installment Payments coming due and payable in the respective amounts and on the respective Installment Payment Dates specified in Exhibit A hereto. The Installment Payments shall be paid by the Water District to the Trustee, as assignee of the Authority pursuant to the Indenture, in the amounts and at the times as set forth in Section 4.5(b), to the extent such amounts are available from Net Revenues. On any Installment Payment Date that Net Revenues are unavailable in an amount which is sufficient to pay the full amount of the Installment Payment then due and payable, the Water District shall receive a credit against such Installment Payment in an amount equal to the difference between the available Net Revenues and the amount of the Installment Payment then due and payable from moneys on deposit in the Note Service Fund held under the Indenture. To the extent amounts are on deposit in the Note Service Fund to supplement such insufficient Net Revenues, no Event of Default shall have occurred hereunder.

(b) Effect of Prepayment. In the event that the Water District prepays all remaining Installment Payments in full pursuant to Article IX, the Water District's obligations under this Agreement shall thereupon cease and terminate, including but not limited to the Water District's

obligation to pay Installment Payments therefor under this Section; provided, however, that the Water District's obligations to compensate and indemnify the Trustee pursuant to Sections 4.10 and 6.3 shall survive such prepayment. In the event that the Water District prepays the Installment Payments in part but not in whole pursuant to Section 9.1, the principal component of each succeeding Installment Payment shall be reduced in inverse order of Installment Payment Date or pro rata among such dates, as determined by the Water District, and the interest component of each remaining Installment Payment shall be reduced by the aggregate corresponding amount of interest which would otherwise be payable on the Notes thereby redeemed pursuant to Section 2.3 of the Indenture. In any event, the remaining Installment Payments shall be equal in time and amount to the remaining debt service on the Notes.

(c) Rate on Overdue Payments. In the event the Water District should fail to make any of the payments required in this Section and Section 4.10, the payment in default shall continue as an obligation of the Water District until the amount in default shall have been fully paid, and the Water District agrees to pay the same with interest thereon, from the date of default to the date of payment, at a rate of interest per annum equal to the rate borne by the Outstanding Notes.

(d) Assignment. The Water District understands and agrees that all Installment Payments have been assigned by the Authority to the Trustee in trust, pursuant to the Indenture, for the benefit of the Owners of the Notes, and the Water District hereby assents to such assignment. The Authority hereby directs the Water District, and the Water District hereby agrees, to pay to the Trustee at its Office, all amounts payable by the Water District pursuant to this Section and all amounts payable by the Water District pursuant to Article IX.

SECTION 4.5 Pledge and Application of Net Revenues.

(a) Pledge of Net Revenues. All of the Net Revenues, and all moneys on deposit in the Wastewater Enterprise Fund, are hereby irrevocably pledged, charged and assigned to the punctual payment of the Installment Payments, and except as otherwise provided herein the Net Revenues and such other funds shall not be used for any other purpose so long as any of the Installment Payments remain unpaid. Such pledge, charge and assignment shall constitute a first lien on the Net Revenues and such other moneys for the payment of the Installment Payments in accordance with the terms hereof.

(b) Deposits Into Funds; Transfers to Make Installment Payments. All of the Gross Revenues shall be deposited by the Water District immediately upon receipt in the Wastewater Enterprise Fund, which fund has been established by the City and is held by the Water District. The Water District shall pay Operation and Maintenance Costs from the Wastewater Enterprise Fund as such payments become due and payable. The Water District covenants and agrees that all Net Revenues will be held by the Water District in the Wastewater Enterprise Fund in trust for the benefit of the Trustee (as assignee of the rights of the Authority hereunder) and the Note Owners. On or before each Installment Payment Date, the Water District shall withdraw from the Wastewater Enterprise Fund and transfer to the Trustee for deposit in the Revenue Fund, an amount of Net Revenues which, together with the balance then on deposit in the Note Service Fund (other than amounts resulting from the prepayment of the Installment Payments pursuant to Article IX and other than amounts required for payment of principal of or interest on any Notes which have matured or been called for redemption but which have not been presented for payment), is equal to the aggregate amount of the Installment Payments coming due and payable on the next succeeding Interest Payment Date.

The Water District shall manage, conserve and apply the Revenues on deposit in the Wastewater Enterprise Fund in such a manner that all deposits required to be made pursuant to this subsection (b) will be made at the times and in the amounts so required. Subject to the foregoing sentence, so long as no Event of Default shall have occurred and be continuing hereunder, the Water District may use and apply Net Revenues in the Wastewater Enterprise Fund for (i) the payment of Additional Payments, (ii) the payment of any subordinate obligations or any unsecured obligations, (iii) the acquisition and construction of extensions and betterments to the Wastewater Enterprise, (iv) the prepayment of any obligations of the Water District relating to the Wastewater Enterprise, (v) transfers from the Wastewater Enterprise Fund to the General Fund of the Water District for in-lieu fees and administrative costs, or (vi) any other lawful purposes of the Wastewater Enterprise Fund. All monies in the Wastewater Enterprise Fund may be invested by the Water District from time to time in any Authorized Investment.

SECTION 4.6 Special Obligation of the Water District; Obligations Absolute. The Water District's obligation to pay the Installment Payments, the Additional Payments and any other amounts coming due and payable hereunder shall be a special obligation of the Water District limited solely to the Net Revenues. Under no circumstances shall the Water District be required to advance moneys derived from any source of income other than the Net Revenues and other sources specifically identified herein for the payment of the Installment Payments and the Additional Payments, nor shall any other funds or property of the Water District be liable for the payment of the Installment Payments and the Additional Payments and any other amounts coming due and payable hereunder.

The obligations of the Water District to make the Installment Payments and the Additional Payments from the Net Revenues and to perform and observe the other agreements contained herein shall be absolute and unconditional and shall not be subject to any defense or any right of setoff, counterclaim or recoupment arising out of any breach of the Water District, the Authority or the Trustee of any obligation to the Water District or otherwise with respect to the Wastewater Enterprise, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the Water District by the Authority or the Trustee. Until such time as all of the Installment Payments, all of the Additional Payments and all other amounts coming due and payable hereunder shall have been fully paid or prepaid, the Water District (a) will not suspend or discontinue payment of any Installment Payments, Additional Payments or such other amounts, (b) will perform and observe all other agreements contained in this Agreement, and (c) will not terminate the Term of this Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Wastewater Enterprise, failure to complete the Acquisition and Construction of any Improvements by the estimated Completion Date thereof, sale of the Wastewater Enterprise, the taking by eminent domain of title to or temporary use of any component of the Wastewater Enterprise, commercial frustration of purpose, any change in the tax or law other laws of the United States of America or the State or any political subdivision of either thereof or any failure of the Authority or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Indenture or this Agreement.

Nothing contained in this Section shall be construed to release the Authority or the Trustee from the performance of any of the agreements on its part contained herein or in the Indenture, and in the event the Authority or the Trustee shall fail to perform any such agreements, the Water District may institute such action against the Authority or the Trustee as the Water District may deem necessary to compel performance so long as such action does not abrogate the obligations of the Water District contained in the preceding paragraph. The Water District may, however, at the Water District's own cost and expense and in the Water District's own name or in the name of the Authority prosecute or defend any action or proceeding or take any other action involving third persons which the Water District deems reasonably necessary in order to secure or protect the Water District's rights hereunder, and in such event the

Authority hereby agrees to cooperate fully with the Water District and to take such action necessary to effect the substitution of the Water District for the Authority in such action or proceeding if the Water District shall so request.

SECTION 4.7 Reserved.

SECTION 4.8 Superior and Subordinate Obligations. The Water District shall not issue or incur any additional bonds or other obligations during the Term of this Agreement having any priority in payment of principal or interest out of the Gross Revenues or the Net Revenues over the Installment Payments. Nothing herein is intended or shall be construed to limit or affect the ability of the Water District to issue or incur obligations which are either unsecured or which are secured by an interest in the Net Revenues which is junior and subordinate to the pledge of and lien upon the Net Revenues established hereunder.

SECTION 4.9 Reserved.

SECTION 4.10 Additional Payments. In addition to the Installment Payments, the Water District shall pay when due all costs and expenses incurred by the Authority to comply with the provisions of the Indenture, including without limitation all Costs of Issuance (to the extent not paid from amounts on deposit in the Costs of Issuance Fund or the Acquisition and Construction Fund), and shall pay to the Trustee upon request therefor all compensation for fees due to the Trustee and all of its costs and expenses payable as a result of the performance of and compliance with its duties hereunder or under the Indenture or any related documents, together with all amounts required to indemnify the Trustee pursuant to Section 6.3 hereof or Section 6.13 of the Indenture, and all costs and expenses of attorneys, auditors, engineers and accountants. The rights of the Trustee and the obligations of the Water District under this Section shall survive the termination of this Agreement.

ARTICLE V

MAINTENANCE; TAXES; INSURANCE; AND OTHER MATTERS

SECTION 5.1 Maintenance, Utilities, Taxes and Assessments. Throughout the Term of this Agreement, all improvement, repair and maintenance of the Wastewater Enterprise shall be the responsibility of the Water District, and the Water District shall pay for or otherwise arrange for the payment of all utility services supplied to the Wastewater Enterprise, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Wastewater Enterprise resulting from ordinary wear and tear.

The Water District shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Authority or the Water District affecting any Wastewater Enterprise or the respective interests or estates therein; provided, however, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Water District shall be obligated to pay only such installments as are required to be paid during the Term of this Agreement as and when the same become due.

The Water District may, at the Water District's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority shall notify the Water District that, in its opinion, by nonpayment of any such items, the interest of the Authority hereunder or under the Indenture will be

materially adversely affected, in which event the Water District shall promptly pay such taxes, assessments or charges or provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority.

SECTION 5.2 Operation of Wastewater Enterprise. The Water District covenants and agrees to operate the Wastewater Enterprise in an efficient and economical manner and to operate, maintain and preserve the Wastewater Enterprise in good repair and working order. The Water District covenants that, in order to fully preserve and protect the priority and security of the Notes, the Water District shall pay from the Gross Revenues and discharge all lawful claims for labor, materials and supplies furnished for or in connection with the Wastewater Enterprise which, if unpaid, may become a lien or charge upon the Gross Revenues or the Net Revenues prior or superior to the lien granted hereunder, or which may otherwise impair the ability of the Water District to pay the Installment Payments in accordance herewith.

SECTION 5.3 Public Liability and Property Damage Insurance. The Water District shall maintain or cause to be maintained, throughout the Term of this Agreement, but only if and to the extent available at reasonable cost from reputable insurers, a standard comprehensive general insurance policy or policies in protection of the Authority, the Water District and their respective members, officers, agents and employees. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Wastewater Enterprise. Said policy or policies shall provide coverage in such liability limits and shall be subject to such deductibles as shall be customary with respect to works and property of a like character. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the Water District, and may be maintained in whole or in part in the form of self-insurance by the Water District, subject to the provisions of Section 5.5, or in the form of the participation by the Water District in a joint powers agency or other program providing pooled insurance. The proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which such proceeds shall have been paid.

SECTION 5.4 Casualty Insurance. The Water District shall procure and maintain, or cause to be procured and maintained, throughout the Term of this Agreement, but only in the event and to the extent available from reputable insurers at reasonable cost, casualty insurance against loss or damage to any improvements constituting any part of the Wastewater Enterprise, covering such hazards as are customarily covered with respect to works and property of like character. Such insurance may be subject to deductible clauses which are customary for works and property of a like character. Such insurance may be maintained as part of or in conjunction with any other casualty insurance carried by the Water District and may be maintained in whole or in part in the form of self-insurance by the Water District, subject to the provisions of Section 5.5, or in the form of the participation by the Water District in a joint powers agency or other program providing pooled insurance. All amounts collected from insurance against accident to or destruction of any portion of the Wastewater Enterprise shall be used to repair, rebuild or replace such damaged or destroyed portion of the Wastewater Enterprise, and to the extent not so applied, shall be paid to the Trustee to be applied to pay or prepay the Installment Payments (and the Notes, under Section 2.3(a) of the Indenture) in accordance with written instructions of the Water District filed with the Trustee.

SECTION 5.5 Insurance Net Proceeds: Form of Policies. The Water District shall pay or cause to be paid when due the premiums for all insurance policies required by this Agreement. The Trustee shall not be responsible for the sufficiency of any insurance herein required and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss. In the event that any insurance required pursuant to Sections 5.3 or 5.4 shall be provided in the form of self-insurance, the Water District shall file with the Trustee annually, within

ninety (90) days following the close of each fiscal year, a statement of an independent actuarial consultant identifying the extent of such self-insurance and stating the determination that the Water District maintains sufficient reserves with respect thereto. In the event that any such insurance shall be provided in the form of self-insurance by the Water District, the Water District shall not be obligated to make any payment with respect to any insured event except from Net Revenues or such reserves. On or before July 1 of each year, the Water District shall certify to the Trustee that all policies of insurance are in conformance with the requirements of this Installment Sale Agreement and the Trustee shall be entitled to rely on such certification without independent investigation.

SECTION 5.6 Eminent Domain. Any amounts received as awards as a result of the taking of all or any part of the Wastewater Enterprise by the lawful exercise of eminent domain, at the election of the Water District (evidenced by a Written Certificate of the Water District filed with the Trustee and the Authority) shall either (a) be used for the acquisition or construction of improvements and extension of the Wastewater Enterprise, or (b) be paid to the Trustee to be applied to pay or prepay the Installment Payments (and the Notes, under Section 2.3(a) of the Indenture), in accordance with written instructions of the Water District filed with the Trustee.

SECTION 5.7 Records and Accounts. The Water District shall keep proper books of record and accounts of the Wastewater Enterprise, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the Wastewater Enterprise. Said books shall, upon prior request, be subject to the reasonable inspection by the Owners of not less than ten percent (10%) in aggregate principal amount of the Outstanding Notes, or their representatives authorized in writing. The Water District shall cause the books and accounts of the Wastewater Enterprise to be audited annually by an Independent Accountant, not more than two hundred forty (240) days after the close of each Fiscal Year, and shall make a copy of such report available for inspection by the Note Owners at the office of the Water District.

SECTION 5.8 Refunding. The Authority covenants and agrees to issue refunding bonds (the "Refunding Bonds") at such time and in such amounts as will be sufficient to refund all of the Notes at maturity. In furtherance of this covenant, on or prior to June 30, 2013, the Water District shall have taken action to fix, prescribe and revise rates, fees and charges for the services and facilities furnished by the Wastewater Enterprise that are projected to yield Net Revenues for the fiscal year ending June 30, 2014 in an amount at least equal to one hundred twenty percent (120%) of the maximum annual debt service on the Refunding Bonds assuming the principal of the Refunding Bonds is amortized over 30 years and the bond yield with respect to the Refunding Bonds is 7%. Furthermore, to the extent necessary for the successful issuance of the Refunding Bonds, the Water District shall obligate itself to loan available funds from the funds and accounts relating to its Water Enterprise, on a subordinate basis to any existing bonded indebtedness, to the Wastewater Enterprise to pay installment payments securing the Refunding Bonds in the event Net Revenues are not sufficient therefor. Any loan repayment obligations shall be secured by Net Revenues on a subordinate basis to the obligation to pay installment payments securing the Refunding Bonds.

SECTION 5.9 Further Assurances. The Water District will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Agreement and the Indenture, and for the better assuring and confirming unto the Trustee and Owners of the Notes the rights and benefits provided herein and in the Indenture.

ARTICLE VI

DISCLAIMER OF WARRANTIES; ACCESS

SECTION 6.1 Disclaimer of Warranties. The Authority and the Trustee make no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the Water District of the Wastewater Enterprise, or any other representation or warranty with respect to the Wastewater Enterprise. In no event shall the Authority or the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising out of this Agreement or the Indenture for the existence, furnishing, functioning or Water District's use of the Wastewater Enterprise.

SECTION 6.2 Access to the Wastewater Enterprise. The Water District agrees that the Authority and the Trustee, and any duly authorized representative thereof, shall have the right at all reasonable times to enter upon and to examine and inspect the Wastewater Enterprise. The Water District further agrees that the Authority and the Trustee, and any duly authorized representative thereof, shall have such rights of access to the Wastewater Enterprise as may be reasonably necessary to cause the proper maintenance of the Wastewater Enterprise in the event of failure by the Water District to perform its obligations hereunder.

SECTION 6.3 Release and Indemnification Covenants. The Water District to the extent permitted by law shall and hereby agrees to indemnify and save the Authority and the Trustee and their respective officers, agents, successors and assigns harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (a) the use, maintenance, condition or management of, or from any work or thing done on the Wastewater Enterprise by the Water District, (b) any breach or default on the part of the Water District in the performance of any of its obligations under this Agreement, (c) any negligence or willful misconduct of the Water District or of any of its agents, contractors, servants, employees or licensees with respect to the Wastewater Enterprise, (d) any act or negligence of any sublessee of the Water District with respect to the Wastewater Enterprise, (e) the Acquisition and Construction of the Wastewater Enterprise or the authorization of payment of the Acquisition and Construction Costs, (f) the performance by the Trustee of its duties and obligations under the Indenture, including any duties referred to in Section 8.4 of the Indenture, or (g) the offer, sale and issuance of the Notes. No indemnification is made under this Section or elsewhere in this Agreement for willful misconduct or negligence by the Authority or the Trustee, or their respective officers, employees, successors or assigns. The rights of the Trustee and the obligations of the Water District under this Section shall survive the termination of this Agreement and the resignation or removal of the Trustee.

SECTION 6.4 Non-Liability of Authority for Wastewater Enterprise Obligations. The Authority and its successor and assigns shall have no obligation and shall incur no liabilities or debts whatsoever for the obligations, liabilities and debts of the Water District incurred in connection with the Wastewater Enterprise.

ARTICLE VII

ASSIGNMENT, SALE AND AMENDMENT

SECTION 7.1 Assignment by the Authority. The Authority's rights under this Agreement, including the right to receive and enforce payment of the Installment Payments to be made by the Water District under this Agreement have been pledged and assigned to the Trustee pursuant to the Indenture, to which pledge and assignment the Water District hereby consents.

SECTION 7.2 Assignment by the Water District. This Agreement may not be assigned by the Water District.

SECTION 7.3 Sale of Wastewater Enterprise Property. Except as provided herein, the Water District covenants that the Wastewater Enterprise shall not be encumbered, sold, leased, pledged, any charge placed thereon, or otherwise disposed of, as a whole or substantially as a whole unless such sale is to a public entity. Neither the Net Revenues nor any other funds pledged or otherwise made available to secure payment of the Installment Payments shall be mortgaged, encumbered, sold, leased, pledged, any charge placed thereon, or disposed or used except as authorized by the terms of this Agreement. The Water District shall not enter into any agreement which impairs the operation of the Wastewater Enterprise or any part of it necessary to secure adequate Net Revenues to pay the Installment Payments, or which otherwise would impair the rights of the Note Owners with respect to the Net Revenues. If any substantial part of the Wastewater Enterprise shall be sold, the payment therefor shall either (a) be used for the acquisition or construction of improvements, extensions or replacements of facilities constituting part of the Wastewater Enterprise, or (b) to the extent not so used, be paid to the Trustee to be applied to pay or prepay the Installment Payments, in accordance with written instructions of the Water District filed with the Trustee.

SECTION 7.4 Amendment Hereof. The Water District and the Authority shall have the right to modify or amend this Agreement, without the consent of the Trustee or any of the Note Owners, but only if such amendment or modification (a) does not materially adversely affect the interests of the Owners of the Notes in the opinion of Bond Counsel, (b) does not modify any of the rights or obligations of the Trustee without the Trustee's written consent, and (c) only is for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Water District contained in this Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the Water District; or

(ii) to cure any ambiguity, or to cure, correct or supplement any defective provision contained herein, or in any other respect whatsoever as the Authority and the Water District may deem necessary or desirable.

ARTICLE VIII

EVENTS OF DEFAULT

SECTION 8.1 Events of Default Defined. The following events shall be Events of Default hereunder:

(a) Failure by the Water District to pay any Installment Payment when and as the same become due and payable hereunder.

(b) Failure by the Water District to pay any Additional Payment when due and payable hereunder, and the continuation of such failure for a period of thirty (30) days.

(c) Failure by the Water District to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding clauses (a) or (b), for a period of ninety (90) days after written notice specifying such failure and requesting that it be remedied has been given to the Water District by the Authority or the

Trustee; provided, however, that if the Water District shall notify the Authority and the Trustee that in its reasonable opinion the failure stated in the notice can be corrected, but not within such 90-day period, such failure shall not constitute an event of default hereunder if the Water District shall commence to cure such failure within such ninety (90) day period and thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The filing by the Water District of a voluntary petition in bankruptcy, or failure by the Water District promptly to lift any execution, garnishment or attachment, or adjudication of the Water District as a bankrupt, or assignment by the Water District for the benefit of creditors, or the entry by the Water District into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Water District in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.

SECTION 8.2 Remedies on Default. Whenever any Event of Default shall have happened and be continuing, the Trustee, as assignee of the Authority, shall have the right, at its option and without any further demand or notice, but subject in all respects to the provisions of Article VIII of the Indenture, to:

(a) declare all principal components of the unpaid Installment Payments, together with accrued interest thereon at the net effective rate of interest per annum then borne by the Outstanding Notes from the immediately preceding Interest Payment Date on which payment was made, to be immediately due and payable, whereupon the same shall immediately become due and payable;

(b) take whatever action at law or in equity may appear necessary or desirable to collect the Installment Payments then due or thereafter to become due during the Term of this Agreement, or enforce performance and observance of any obligation, agreement or covenant of the Water District under this Agreement; and

(c) as a matter of right, in connection with the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and the Note Owners hereunder, cause the appointment of a receiver or receivers of the Gross Revenues and other amounts pledged hereunder, with such powers as the court making such appointment shall confer.

The provisions of the preceding clause (a), however, are subject to the condition that if, at any time after the principal components of the unpaid Installment Payments shall have been so declared due and payable pursuant to the preceding clause (a), and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Water District shall deposit with the Trustee a sum sufficient to pay all principal components of the Installment Payments coming due prior to such declaration and all matured interest components (if any) of the Installment Payments, with interest on such overdue principal and interest components calculated at the net effective rate of interest per annum then borne by the Outstanding Notes, and the reasonable fees and expenses of the Trustee (including any fees and expenses of its attorneys), and any and all other defaults known to the Trustee (other than in the payment of the principal and interest components of the Installment Payments due and payable solely by reason of such declaration) shall have been made good, then, and in every such case, with the written consent of the Trustee, shall rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon. As provided in Section 8.6, the Trustee shall be required to exercise the remedies provided herein in accordance with the Indenture.

SECTION 8.3 No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in this Article it shall not be necessary to give any notice, other than such notice as may be required in this Article or by law.

SECTION 8.4 Agreement to Pay Attorneys' Fees and Expenses. In the event either party to this Agreement should default under any of the provisions hereof and the nondefaulting party, the Trustee or the Owner of any Notes should employ attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party, the Trustee or such Owner, as the case may be, the reasonable fees of such attorneys and such other expenses so incurred. In the event that there is a disagreement as to the defaulting party, the prevailing party in any litigation, arbitration or other proceeding by which one party seeks to enforce its rights under this Agreement, or seeks a declaration of any rights or obligations under this Agreement, shall be awarded its reasonable attorneys' fees, costs and expenses.

SECTION 8.5 No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

SECTION 8.6 Trustee and Note Owners to Exercise Rights. Such rights and remedies as are given to the Authority under this Article have been assigned by the Authority to the Trustee under the Indenture, to which assignment the Water District hereby consents. Such rights and remedies shall be exercised by the Trustee and the Owners of the Notes as provided in the Indenture.

ARTICLE IX

PREPAYMENT OF INSTALLMENT PAYMENTS

SECTION 9.1 Special Mandatory Prepayment. The principal component of the Installment Payments shall be prepaid in whole or in part on any date, in integral multiples of $100,000, by paying a prepayment price equal to the aggregate principal components of the Installment Payments to be prepaid, together with the interest component of the Installment Payment required to be prepaid on or accrued to such date, as required by Sections 5.4 and 5.6 hereof, and pursuant to Section 2.3(a) of the Indenture. Any such prepayment price shall be deposited by the Trustee in the Redemption Fund to be applied to the redemption of Notes pursuant to Section 2.3(a) of the Indenture. The Water District shall give the Trustee and the Authority written notice of its intention to mandatorily prepay Certificates under this Section not less than sixty (60) days in advance of the date of prepayment (or such lesser period of time as shall be consented to by the Trustee and the Autority).

SECTION 9.2 Credit for Amounts on Deposit. In the event of prepayment of the principal components of the Installment Payments in full under this Article, such that the Indenture shall be discharged by its terms as a result of such prepayment, and upon payment in full of all Additional Payments and other amounts then due and payable hereunder, all available amounts then on deposit in the funds and accounts established under the Indenture shall be credited towards the amounts then required to be so prepaid.

SECTION 9.3 Optional Prepayment. The Water District may exercise its option to prepay the principal components of the Installment Payments in whole or in part (in integral multiples of $100,000) to the extent the Authority has the ability to effect an optional redemption of the Notes under the Indenture. The Water District shall give the Trustee and the Authority written notice of its intention to exercise its option under this Section not less than sixty (60) days in advance of the date of exercise (or such lesser period of time as shall be consented to by the Trustee and the Authority).

ARTICLE X

MISCELLANEOUS

SECTION 10.1 Further Assurances. The Water District agrees that it will execute and deliver any and all such further agreements, instruments, financing statements or other assurances as may be reasonably necessary or requested by the Authority or the Trustee to carry out the intention or to facilitate the performance of this Agreement, including, without limitation, to perfect and continue the security interests herein intended to be created.

SECTION 10.2 Amendment of Indenture. The Authority covenants that it shall take no action to amend or supplement the Indenture in any manner without obtaining the prior written consent of the Water District to such amendment or supplement.

SECTION 10.3 Notices. Any notice, request, demand or other communication under this Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by telecopy, telex or other form of telecommunication, at its number set forth below. Notice shall be effective either (a) upon transmission by telecopy, telex or other form of telecommunication, (b) upon receipt after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Authority, the Water District or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the Authority: Victorville Joint Powers Financing Authority
14343 Civic Drive
Victorville, California 92393-5001
Attention: Executive Director
Tel: (760) 955-5000
Fax: (760) 955-5042

If to the Water District: Victorville Water District
17185 Yuma Street
Victorville, California 92392
Attention: Director of Water District
Tel: (760) 955-2557
Fax: (760) 269-0088

If to the Trustee: The Bank of New York Mellon Trust Company, N.A.
700 South Flower Street, Suite 500
Los Angeles, California 90017-4104
Attention: Corporate Trust
Tel: (213) 630-6231
Fax: (213) 630-6215

SECTION 10.4 Third Party Beneficiary. The Trustee shall be and is hereby made a third party beneficiary hereunder with all rights of a third party beneficiary.

SECTION 10.5 Payment on Non-Business Day. Whenever in this Agreement any payment is required to be made on a day which is not a Business Day, such payment shall be made on the first Business Day following such day.

SECTION 10.6 Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State.

SECTION 10.7 Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Authority and the Water District, and their respective successors and assigns, subject, however, to the limitations contained herein.

SECTION 10.8 Severability of Invalid Provisions. If any one or more of the provisions contained in this Agreement 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 this Agreement and such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement, and this Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority and the Water District each hereby declares that it would have entered into this Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Agreement may be held illegal, invalid or unenforceable.

SECTION 10.9 Article and Section Headings and References. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Agreement. All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof; and words of the masculine gender shall mean and include words of the feminine and neuter genders.

SECTION 10.10 Execution of Counterparts. This Agreement may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original and all of which shall together constitute but one and the same instrument.

SECTION 10.11 Waiver of Personal Liability. No member of the Water District Board of Directors, officer, agent or employee of the Water District shall be individually or personally liable for the payment of Installment Payments or Additional Payments or be subject to any personal liability or accountability by reason of this Agreement; but nothing herein contained shall relieve any such member of the Water District Board of Directors, officer, agent or employee from the performance of any official duty provided by law or by this Agreement.

IN WITNESS WHEREOF, the Authority and the Water District have caused this Agreement to be executed in their respective names by their duly authorized officers, all as of the date first above written.

VICTORVILLE WATER DISTRICT
as purchaser

By: _____
Title: Chairman

VICTORVILLE JOINT POWERS
FINANCING AUTHORITY, as seller

By: _____
Title: President

ATTEST

By:_____
Victorville City Clerk

By:_____
Water District Secretary

APPROVED AS TO FORM

By:_____
City Attorney

By:_____
Water District Legal Counsel

City of Victorville and
Victorville Water District Risk Manager
Chuck Buquet

_____

EXHIBIT A

SCHEDULE OF INSTALLMENT PAYMENTS

Interest Payment Date*	Principal Component	Interest Component	Total

* Installment Payments are due on the 15th day of each May and November, commencing November 15, 2009.

EXHIBIT B

DESCRIPTION OF IMPROVEMENTS

The Water District intends to construct a wastewater treatment plant (the "Treatment Facility") to be located at the Southern California Logistics Airport ("SCLA") for treatment of wastewater from residential customers within the City, the Federal Bureau of Prisons, as well as a new beverage manufacturing and distribution facility to be located at SCLA, as well as certain other improvements to the Wastewater Enterprise described below. The Treatment Facility will be designed to treat 2.5 million gallons per day ("MGD") of wastewater (including 1 MGD industrial) and will include anaerobic and aerobic wastewater treatment utilizing membrane bioreactor technology and ultraviolet disinfection.

The Improvements also include:

- A new 27 inch diameter trunk sewer;
- A new 21 inch trunk sewer;
- A new industrial trunk sewer; and
- A new lift station.

PRIVATE PLACEMENT MEMORANDUM DATED MAY ___, 2009

NEW ISSUE – BOOK-ENTRY ONLY **UNRATED**

In the opinion of Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel, under existing law, interest on the Notes is exempt from personal income taxes of the State of California. ***The Authority has taken no action to cause, and does not intend, interest on the Notes to be excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes.*** *See "TAX MATTERS" herein.*

$_____

VICTORVILLE JOINT POWERS FINANCING AUTHORITY
TAXABLE WASTEWATER REVENUE NOTES, 2009 SERIES
(VICTORVILLE WATER DISTRICT)

Dated: Date of Delivery Interest Rate: ___% Price: 100.00% Maturity Date: _____, 2014

The Victorville Joint Powers Financing Authority Taxable Wastewater Revenue Notes, 2009 Series(Victorville Water District) (the "Notes") will be issued pursuant to the terms of an Indenture of Trust, dated as of May 1, 2009 (the "Indenture") by and among the Victorville Joint Powers Financing Authority (the "Authority"), the Victorville Water District (the "Water District") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). See "INTRODUCTORY STATEMENT – Security for the Notes" herein.

Interest on the Notes is due and payable semiannually on each June 1 and December 1, commencing December 1, 2009.

The Notes are being executed and delivered as fully registered notes, in denominations of $100,000 principal amount or integral multiples thereof and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Beneficial owners of the Notes will not receive physical certificates representing the Notes, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the Owner of the Notes, principal amount, premium, if any, and interest on the Notes will be paid by the Trustee directly to DTC, which will, in turn, remit such principal amount, premium, if any, and interest to its participants for subsequent disbursement to the beneficial owners of the Notes as described herein. See "THE NOTES – Book-Entry Only System" herein for additional information concerning the Book-Entry System.

The Notes are subject to redemption prior to maturity as provided herein.

The Notes are being issued to (i) finance the construction of a wastewater treatment facility as well as certain other improvements to the Wastewater Enterprise (as defined herein) (the "Improvements"), (ii) fund capitalized interest on the Notes in a manner described herein, and (iii) pay costs of issuance of the Notes.

The Notes are special obligations of the Authority payable from and secured by the Revenues, defined in the Indenture as (a) all amounts received by the Authority or the Trustee pursuant or with respect to the Installment Sale Agreement (consisting primarily of the Installment Payments but excluding any Additional Payments); (b) all moneys and amounts held in the funds and accounts established under the Indenture; and (c) investment income with respect to any moneys held by the Trustee pursuant to the Indenture.

The Water District's obligation to make payments under the Installment Sale Agreement is secured by and payable from Net Revenues of the Wastewater Enterprise. See "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES" herein.

The Notes are limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the Revenues. The full faith and credit of the Authority, the Water District, the City or the Agency (which are parties to the agreement creating the Authority) is not pledged for the payment of the principal of or interest or premium, if any, on the Notes and no tax or other source of funds, other than the Revenues, is pledged to pay the principal of or interest or premium, if any, on the Notes. The payment of the principal of or interest or premium, if any, on the Notes does not constitute a debt, liability or obligation of the Authority, the Water District, the City or the Agency for which any such entity is obligated to levy or pledge any form of taxation or for which any such entity has levied or pledged any form of taxation. The Authority has no taxing power.

THE AUTHORITY HAS COVENANTED TO ISSUE REFUNDING BONDS AT SUCH TIME IN SUCH AMOUNTS AS WILL BE SUFFICIENT TO REFUND ALL OF THE NOTES AT OR BEFORE MATURITY. NO ASSURANCE CAN BE GIVEN THAT THE AUTHORITY WILL BE ABLE TO ISSUE REFUNDING BONDS.

FOR CERTAIN RESTRICTIONS ON THE OFFER, SALE, RESALE AND DELIVERY OF THE NOTES, SEE "TRANSFER RESTRICTIONS" HEREIN.

This cover page of the Private Placement Memorandum contains information for quick reference only. It is not a complete summary of the Notes. Investors should read the entire Private Placement Memorandum to obtain information essential to the making of an informed investment decision. Attention is hereby directed to certain Risk Factors more fully described herein.

The Notes are offered, when, as and if issued, subject to the approval of Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel. Certain legal matters will be passed upon for the Authority and the Water District by their Counsel, Green, de Bortnowsky & Quintanilla, LLP, Calabasas, California.

KINSELL, NEWCOMB DE DIOS, INC.
INVESTMENT BANKING
As Placement Agent

VICTORVILLE JOINT POWERS FINANCING AUTHORITY
VICTORVILLE WATER DISTRICT

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John Sullivan, Treasurer/Treasurer
Carolee Bates, Secretary/Secretary

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Los Angeles, California

Trustee
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Los Angeles, California

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE NOTES HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE OR JURISDICTION AND, UNLESS SO REGISTERED, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS.

THE NOTES ARE BEING OFFERED TO "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A OF THE SECURITIES ACT).

No dealer, broker, salesperson or other person has been authorized by the Authority or the Private Placement Agent to give any information or to make any representations other than those contained in this Private Placement Memorandum, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. The Private Placement Memorandum does not constitute an offer to sell or the solicitation of an offer to buy by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been obtained from the Authority and other sources that are believed to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Private Placement Memorandum nor any sale made hereunder, under any circumstances, shall create any implication that there has been no change in the affairs of the Authority, or any other party described herein subsequent to the date as of which such information is presented.

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PRIVATE PLACEMENT MEMORANDUM

$_____

VICTORVILLE JOINT POWERS FINANCING AUTHORITY
TAXABLE WASTEWATER REVENUE NOTES, 2009 SERIES
(VICTORVILLE WATER DISTRICT)

INTRODUCTORY STATEMENT

General

This Private Placement Memorandum, including the cover page, is provided to furnish information in connection with the sale by the Victorville Joint Powers Financing Authority (the "Authority") of $_____ aggregate principal amount of its Taxable Wastewater Revenue Notes, 2009 Series (Victorville Water District) (the "Notes"). The Authority is a joint exercise of powers agency organized under the laws of the State of California whose members are the City of Victorville (the "City") and the Redevelopment Agency of the City of Victorville (the "Agency"). The Authority was formed, among other things, to finance and refinance, through the issuance of bonds or other instruments of indebtedness, capital improvements and working capital and other costs as permitted by the Act.

The Notes are being issued pursuant to the Constitution and laws of the State of California (the "State"), including the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"), and the Indenture of Trust, dated as of May 1, 2009 (the "Indenture"), by and among the Authority, the Victorville Water District (the "Water District') and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Capitalized terms, if not otherwise defined here, shall have the meanings set forth in the Indenture. See "APPENDIX A – INDENTURE OF TRUST; INSTALLMENT SALE AGREEMENT."

The proceeds of the sale of the Notes will be used to finance the construction of a wastewater treatment facility as well as certain other improvements to the Wastewater Enterprise (as defined below), to fund capitalized interest on the Notes in the manner described herein, and to pay costs of issuance of the Notes. See "SOURCES AND USES OF FUNDS" and "PLAN OF FINANCING" herein. The Authority and the Water District will enter into an Installment Sale Agreement, dated as of May 1, 2009 (the "Installment Sale Agreement"). Pursuant to the Installment Sale Agreement, the Authority will sell the Improvements to the Water District in consideration for Installment Payments.

Wastewater Enterprise

The City owns and operates that certain wastewater collection system (the "Leased Property"), which provides wastewater collection and treatment services to its residents. Currently, all of the wastewater is treated at a regional wastewater system owned and operated by the Victor Valley Wastewater Reclamation Authority (the "VVWRA") whose members include the City, Town of Apple Valley, City of Hesperia and the County Services Area No. 42 and No. 64. Pursuant to the terms of that certain Wastewater Enterprise Lease Agreement, dated as of May 1, 2009 (the "Lease Agreement"), by and between the City and the Water District, the City will lease the Leased Property to the Water District. The Leased Property, as operated by the Water District, together with any improvements thereto acquired, constructed or installed by the Water District, including, without limitation, the Improvements, constitutes the Wastewater Enterprise of the Water District. See "APPENDIX A – INDENTURE OF TRUST; INSTALLMENT SALE AGREEMENT; LEASE AGREEMENT." The Improvements, upon completion,

will constitute a component of the Wastewater Enterprise and will be owned and operated by the Water District.

Security for the Notes

The Notes are special obligations of the Authority secured by and payable solely from the Revenues, consisting of (a) all amounts received by the Authority or the Trustee pursuant or with respect to the Installment Sale Agreement, including, without limiting the generality of the foregoing, all of the Installment Payments (including both timely and delinquent payments, any late charges, and whether paid from any source), prepayments, insurance proceeds, condemnation proceeds, but excluding any Additional Payments; (b) all moneys and amounts held in the funds and accounts established under the Indenture; and (c) investment income with respect to any moneys held by the Trustee pursuant to the Indenture.

The Water District's obligation to make payments under the Installment Sale Agreement is secured by and payable from Net Revenues of the Wastewater Enterprise (as described herein). See "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES."

The Authority has covenanted to issue refunding bonds (the "Refunding Bonds") at such time and in such amounts as will be sufficient to refund all of the Notes at or before maturity. In furtherance of this covenant, on or prior to June 30, 2013, the Water District shall have taken action to fix, prescribe and revise rates, fees and charges for the services and facilities furnished by the Wastewater Enterprise that are projected to yield Net Revenues for the fiscal year ending June 30, 2014 in an amount at least equal to one hundred twenty percent (120%) of the maximum annual debt service on the Refunding Bonds assuming the principal of the Refunding Bonds is amortized over 30 years and the bond yield with respect to the Refunding Bonds is 7%. Furthermore, to the extent necessary for the successful issuance of the Refunding Bonds, the Water District shall obligate itself to loan available funds from the funds and accounts relating to its Water Enterprise, on a subordinate basis to any existing bonded indebtedness, to the Wastewater Enterprise to pay installment payments securing the Refunding Bonds in the event Net Revenues are not sufficient therefor. Any loan repayment obligations shall be secured by Net Revenues on a subordinate basis to the obligation to pay installment payments securing the Refunding Bonds. No Assurance can be given that the Authority will be able to issue the Refunding Bonds. See "RISK FACTORS – No Liability of the Authority to the Noteowners" herein.

THE NOTES ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE OR LIEN UPON, ANY PROPERTY OF THE AUTHORITY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE REVENUES. THE FULL FAITH AND CREDIT OF THE AUTHORITY, THE DISTRICT, THE CITY OR THE AGENCY, WHICH ARE PARTIES TO THE AGREEMENT CREATING THE AUTHORITY, ARE NOT PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST OR PREMIUM, IF ANY, ON THE NOTES AND NO TAX OR OTHER SOURCE OF FUNDS, OTHER THAN THE REVENUES, IS PLEDGED TO PAY THE PRINCIPAL OF OR INTEREST OR PREMIUM, IF ANY, ON THE NOTES. THE PAYMENT OF THE PRINCIPAL OF OR INTEREST OR PREMIUM, IF ANY, ON THE NOTES DOES NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE AUTHORITY, THE DISTRICT, THE CITY OR THE AGENCY FOR WHICH ANY SUCH ENTITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH ANY SUCH ENTITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE AUTHORITY HAS NO TAXING POWER.

Further Information

The summaries and references of documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each document, statute, report, or instrument. The capitalization of any word not conventionally capitalized or otherwise defined herein, indicates that such word is defined in a particular agreement or other document and, as used herein, has the meaning given it in such agreement or document. References herein to the Notes are qualified in their entirety by reference to the forms thereof included in the Indenture. Copies of the Indenture and the Installment Sale Agreement are available for inspection at the office of the Authority.

This Private Placement Memorandum speaks only as of its date, and the information contained herein is subject to change.

PLAN OF FINANCING

The City has experienced tremendous commercial and industrial growth in recent years primarily resulting from the development of former George Air Force Base into a fully dedicated business and logistics park that integrates ground and aviation transportation into a single location benefiting logistics operators and manufacturers. The Southern California Logistics Airport ("SCLA"), a 5,000-acre business and industrial park, master-planned for 43.5 million square feet of commercial space, is the largest commercial development in the northern Inland Empire and home to Boeing, General Electric Aircraft Engines, Newell Rubbermaid, and other corporations utilizing SCLA's air and ground transportation services logistics hub.

To accommodate and further encourage commercial and industrial enterprise, the City has also developed additional commercial/industrial space, including the 233-acre Foxborough Industrial Park ("Foxborough"). Commercial tenants at SCLA and Foxborough include: Goodyear Tire (400,000 square foot facility); Pratt & Whitney (67,500 square foot hangar); Mars Incorporated (500,000 square foot facility); Nutro Products (385,000 square foot dry dog food manufacturing, warehousing and distribution center); ConAgra Foods (250,000 square foot distribution center); General Electric Aircraft Engines (161,700 square foot hangar housing a Boeing 747); and a Newell Rubbermaid Distribution Center (407,000 square foot facility).

Dr. Pepper Snapple Group ("DPSG") has agreed to build an 850,000 square foot manufacturing and distribution facility capable of producing up to 40-million cases of beverage product to the western United States on the western portion of SCLA (the "DPSG Plant"). In exchange for building the DPSG Plant, the Victorville Redevelopment Agency agreed to provide certain of the needed public infrastructure. In addition, DPSG has entered into a Wastewater Capacity and Treatment Agreement (the "DPSG Agreement") with the City pursuant to which the City will provide wastewater treatment services to the DPSG Plant. The DPSG Agreement requires DPSG to pay $1,950,000 annually to the Water District in exchange for the treatment of 585,000 gallons per day of heavily concentrated industrial wastewater discharged from the DPSG Plant. The initial term of the contract is for 20 years. The DPSG Agreement further permits DPSG to discharge an additional 165,000 gallons per day when it expands its plant operations. See "APPENDIX E – WASTEWATER CAPACITY AND TREATMENT AGREEMENT."

The net proceeds of the Notes will be used by the Water District to finance the construction of a wastewater treatment facilities (the "Treatment Facilities") to be located at SCLA as well as certain other improvements to the Wastewater Enterprise described below. The Treatment Facilities will serve

residential and commercial customers within the City, the Federal Bureau of Prisons, as well as the DPSG Plant.

The Treatment Facilities are designed to treat 2.5 million gallons per day ("MGD") of wastewater (including 1 MGD industrial) and will include anaerobic and aerobic wastewater treatment utilizing membrane bioreactor technology and ultraviolet disinfection. The Treatment Facilities effluent will be discharged into the Water District's reclaimed water system. The Water District intends for the reclaimed water to be used for cooling tower make-up water at a nearby power plant and irrigation of West Winds Golf Course. The waste bio-solids from the Treatment Facilities will either be dewatered at the Treatment Facilities and disposed of by the Water District or will be piped to VVWRA for conditioning, dewatering, and disposal. To the extent the waste bio-solids are disposed of by the Water District, additional capital costs of approximately $600,000 would need to be incurred and the Water District would have an additional $200,000 operation and maintenance costs per year. To help reduce operating costs, the Treatment Facilities are designed to reuse the methane gas that is created as a result of the anaerobic digestion process and recycle the biogas to be burned by electricity generating equipment already owned by the City. The Treatment Facilities will also recapture heat from the electrical generator and use that heat to raise the temperature of wastewater influent to create an optimal treatment condition. The Treatment Facilities are also currently designed to accommodate expansion (up to 15 MGD) in the event wastewater treatment demand increases.

In addition to providing wastewater treatment services to DPSG, wastewater will also be diverted through the Water District's wastewater collection system from the Bureau of Prisons (.75 MGD) and from residential dwelling units (.75 MGD) for treatment at the Treatment Facilities. Improvements to the Wastewater Enterprise are required to facilitate the diversion of flows which principally include:

- A new 27 inch diameter trunk sewer will intercept approximately 0.70 MGD of existing domestic wastewater flow at approximately Tawney Ridge Lane and Brucite Road. The capacity of the new trunk sewer will be 8.0 MGD which will provide sufficient capacity to accommodate future growth of the southwest portion of the City. This trunk line will flow in a northerly direction, through the City of Adelanto, before entering SCLA on the westerly side.

- A new 21 inch trunk sewer will intercept existing SCLA wastewater flows, including a portion of the Federal Bureau of Prisons wastewater flow, and direct them northwards to the Treatment Facilities. The trunk sewer has sufficient capacity to accommodate future growth on the east side of SCLA as well as additional wastewater flow from the Federal Bureau of Prisons.

- A new industrial trunk sewer (12" – 21" diameter) will accept the industrial strength wastewater from the west side of SCLA and convey it to the anaerobic side of the Treatment Facilities. The new industrial trunk sewer will serve DPSG (1.0 MGD) and have sufficient capacity for an additional 4.0 MGD for future high-strength industrial users.

- A new lift station will carry wastewater from the Federal Bureau of Prisons to an existing wastewater line in Nevada Street to be conveyed for treatment at the Treatment Facilities.

Total cost of the above-described improvements including the Treatment Facilities is projected to be approximately $46,129,081. The design phase of the Improvements is approximately 90% complete and construction is expected to begin in May of 2009. All of the Improvements are expected to be completed by the second quarter of 2010, which is when the DPSG Plant is expected to be operational.

The City and Benham DB, Inc., an Oklahoma Corporation (the "Construction Manager"), have entered into that certain Standard Form of Agreement between Owner and Construction Manager pursuant to which the Construction Manager was engaged to provide construction management services associated with the construction of the Treatment Facilities. See "APPENDIX G – STANDARD FORM OF AGREEMENT BETWEEN OWNER AND CONSTRUCTION MANAGER."

CEQA Proceedings

A number of required California Environmental Quality Act (California Public Resources Code §21000 et seq., ("CEQA")) approvals made by the City of Victorville City Council relating to the Improvements are subject to challenge pursuant to the provisions of CEQA and the CEQA Guidelines (14 California Code of Regulations §15000 et seq.) as follows:

1. The Mitigated Negative Declaration for construction of the SCLA – Central Wastewater Treatment Facility was approved by the Victorville City Council following a duly noticed public hearing on April 21, 2009. As a general rule, the period for challenging this type of approval on CEQA grounds expires thirty (30) days after the City files the required Notice of Determination with the San Bernardino County Clerk ("County Clerk") and the County Clerk posts same. The Notice of Determination was filed with and posted by the County Clerk on April ___, 2009. As a general rule and with the exception of the California Attorney General, only persons who both objected to approval of this project and presented to the City such specific objection(s) and the alleged grounds for noncompliance with CEQA orally or in writing during the public comment period provided or prior to the close of the public hearing on this project, have standing to challenge the approval. **[CITY TO CONFIRM STATUS OF ANY COMMENTS AND/OR OBJECTIONS.]**

2. The Mitigated Negative Declaration for construction of the SCLA Northern Reclaimed Water Line was approved by the Victorville City Council following a duly noticed public hearing on May 5, 2009. As a general rule, the period for challenging this type of approval on CEQA grounds expires thirty (30) days after the City files the required Notice of Determination with the County Clerk and the County Clerk posts same. The Notice of Determination was filed with and posted by the County Clerk on May ___, 2009. As a general rule and with the exception of the California Attorney General, only persons who both objected to approval of this project and presented to the City such specific objection(s) and the alleged grounds for noncompliance with CEQA orally or in writing during the public comment period provided or prior to the close of the public hearing on this project, have standing to challenge the approval. **[CITY TO CONFIRM STATUS OF ANY COMMENTS AND/OR OBJECTIONS.]**

3. The Mitigated Negative Declaration for construction of the SCLA East Sewer Trunk Line was approved by the Victorville City Council following a duly noticed public hearing on May 5, 2009. As a general rule, the period for challenging this type of approval on CEQA grounds expires thirty (30) days after the City files the required Notice of Determination with the County Clerk and the County Clerk posts same. The Notice of Determination was filed with and posted by the San Bernardino County Clerk on May ___, 2009. As a general rule and with the exception of the California Attorney General, only persons who both objected to approval of this project and presented to the City such specific objection(s) and the alleged grounds for noncompliance with CEQA orally or in writing during the public comment period provided or prior to the close of the public hearing on this project, have standing to challenge the approval. **[CITY TO CONFIRM STATUS OF ANY COMMENTS AND/OR OBJECTIONS.]**

4. The Mitigated Negative Declaration for construction of the SCLA West Side Sewer and Industrial Sewer Trunk Lines was approved by the Victorville City Council following a duly noticed public hearing on May 5, 2009. The period for challenging this type of approval on CEQA grounds expires thirty (30) days after City files the required Notice of Determination with the County Clerk and

the County Clerk posts same. As a general rule, the Notice of Determination was filed with and posted by the San Bernardino County Clerk on May ___, 2009. As a general rule and with the exception of the California Attorney General, only persons who both objected to approval of this project and presented to the City such specific objection(s) and the alleged grounds for noncompliance with CEQA orally or in writing during the public comment period provided or prior to the close of the public hearing on this project, have standing to challenge the approval. **[CITY TO CONFIRM STATUS OF ANY COMMENTS AND/OR OBJECTIONS.]**

5. A Notice of Exemption for construction of the SCLA Wastewater Treatment Plant Sludge Line was approved by the Victorville City Council on April 7, 2009. A public hearing was not required. As a general rule, the period for challenging this type of approval on CEQA grounds expires thirty-five (35) days after City files the required Notice of Exemption with the County Clerk and the County Clerk posts same. The Notice of Exemption was filed with and posted by the County Clerk on May ___, 2009.

Any challenge to any of the above project approvals may have an adverse impact on the Water District's ability to timely proceed with construction of the Improvements.

SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Notes is summarized as follows:

Sources	
Principal Amount of the Notes	$
Total Sources	$
Uses	
Acquisition and Construction Fund	$
Note Service Fund[1]	
Costs of Issuance Fund[2]	
Total Uses	$

(1) Amounts will be used to fund interest on the Notes on the following dates in the following estimated amounts: _____.

(2) Includes fees and expenses of Bond Counsel, Placement Agent, Authority Counsel, Trustee and other costs of issuance of the Notes.

THE NOTES

Description of the Notes

The Notes are authorized to be issued by the Authority under and subject to the terms of the Indenture and the Act and shall be dated the date of their initial delivery. The principal of the Notes is payable on _____, 2014. Interest on the Notes is payable semiannually on June 1 and December 1, commencing December 1, 2009.

Interest on the Notes shall be computed on the basis of a 360-day year of twelve 30-day months.

The Notes shall be issued as fully registered Notes in the denomination of $100,000 principal amount, or any integral thereof (not exceeding the principal amount of Notes maturing at any one time). The Notes shall be numbered as determined by the Trustee. The Notes shall bear interest from the

Interest Payment Date next preceding the date of registration thereof, unless such date of registration is during the period from the fifteenth day immediately preceding an Interest Payment Date to and including such Interest Payment Date, in which event they shall bear interest from such Interest Payment Date, or unless such date of registration is on or before the fifteenth day immediately preceding the first Interest Payment Date, in which event they shall bear interest from their dated date; provided, however, that if, at the time of registration of any Note, interest is then in default on the Outstanding Notes, such Note shall bear interest from the Interest Payment Date to which interest previously has been paid or made available for payment on the Outstanding Notes. Payment of interest on the Notes due on or before the maturity or prior redemption of such Notes shall be made to the person whose name appears on the Note registration books of the Trustee as the registered owner thereof, as of the close of business on the fifteenth day immediately preceding the Interest Payment Date, such interest to be paid by check mailed on each Interest Payment Date by first-class mail to such registered owner at his address as it appears on such books, or, upon written request received by the Trustee prior to the fifteenth day immediately preceding an Interest Payment Date, of an Owner of at least $1,000,000 in aggregate principal amount of Notes, by wire transfer in immediately available funds to an account within the continental United States designated by such Owner.

Principal of and redemption premiums, if any, on the Notes shall be payable upon the surrender thereof at maturity or the earlier redemption thereof at the Corporate Trust Office of the Trustee. Principal of and redemption premiums, if any, and interest on the Notes shall be paid in lawful money of the United States of America.

Transfer Restrictions

The Notes will not be registered under the Securities Act and are subject to certain restrictions on transfer. See "TRANSFER RESTRICTIONS" herein.

Redemption of Notes

The Notes shall be subject to special mandatory redemption as a whole or in part, on a pro rata basis among Owners, on any date, to the extent of the proceeds of an eminent domain award or proceeds of casualty insurance not used to repair or rebuild the Wastewater Enterprise, at a redemption price equal to the principal amount of the Notes to be redeemed plus interest accrued thereon to the date fixed for redemption, without premium.

The Notes shall be subject to redemption, as a whole or in part, on a pro rata basis among Owners, prior to maturity on any date on or after ____ 1, 20__, from prepayment of Installment Payments made at the option of the Water District at the redemption price equal to the principal amount of the Notes to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

See "APPENDIX A – INDENTURE OF TRUST; INSTALLMENT SALE AGREEMENT."

Book-Entry Only System

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Notes. The Notes will be registered in the name of Cede & Co. (DTC's partnership nominee), and will be available to ultimate purchasers in the denomination of $100,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Ultimate purchasers of Notes will not receive physical certificates representing their interest in the Notes. So long as the Notes are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners shall mean Cede & Co., and shall not mean the ultimate purchasers of the Notes. Payments of the principal of, premium, if any, and interest on

the Notes will be made directly to DTC, or its nominee, Cede & Co., by the Trustee, so long as DTC or Cede & Co. is the registered owner of the Notes. Disbursements of such payments to DTC's Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants. See "APPENDIX C – BOOK-ENTRY ONLY SYSTEM."

TRANSFER RESTRICTIONS

Under the Indenture, no sale or transfer of the Notes shall be made by the Trustee unless the Trustee has received from the transferee an investor's letter stating that, among other things, the following:

(i) it is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion for investment and not with a view to distribute and that it or such account is a "Qualified Institutional Buyer" (as defined in Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"));

(ii) if it should resell or otherwise transfer the Notes, it will do so only (a) to the Authority, or (b) to a Qualified Institutional Buyer that, prior to such transfer, furnishes to the Trustee a signed letter containing certain representations and agreements relating to the restrictions on transfer of such Notes (the form of which letter can be obtained from such Trustee);

(iii) none of the Authority or any person representing the Authority has made any representation to it with respect to the Authority or the offer or sale of any Notes, other than the information contained in the Private Placement Memorandum, which has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes;

(iv) it has had access to such financial and other information concerning the Authority and the Notes as it has deemed necessary in connection with its decision to purchase the Notes, including an opportunity to ask questions of and request information from the Authority;

(v) the Authority and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Notes are no longer accurate, it shall promptly notify the Authority; and

(vi) if it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it has sole investment discretion with respect to each account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

(vii) It represents and covenants that it is not acquiring the Notes for or on behalf of, and will not sell or otherwise transfer the Notes to, any employee benefit plan (as defined in Section 3 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) or a plan (as defined in section 4975(e)(1) of the Internal Revenue Code of 1986, as amended (the "Code")), except:

(a) to the extent such purchase is made by or on behalf of a bank collective investment fund maintained by the purchaser in which (i) at any time while the Notes are held by the purchaser, no plan (together with any other plan or plans maintained by the same employer or employee organization) has an interest in excess of ten percent (10%) of the total assets in such collective investment fund and (ii) the conditions of Prohibited Transaction Class Exemption ("PTE") 91-38 issued by the Department of Labor are satisfied;

(b) to the extent such purchase is made by or on behalf of an insurance company pooled separate account maintained by the purchaser in which (i) at any time while the Notes are held by the purchaser, no plan (together with any other plans maintained by the same employer or employee organization) has an interest in excess of ten percent (10%) of the total assets in such pooled separate account and (ii) the conditions of PTE 90-1 issued by the Department of Labor are satisfied;

(c) to the extent such purchase is made on behalf of a plan by a qualified professional asset manager, as such term is used in PTE 84-14 issued by the Department of Labor, and the assets of such plan when combined with the assets of other plans established or maintained by the same employer (or affiliate thereof) or employee organization and managed by such investment adviser, bank, insurance company or savings and loan do not represent more than twenty percent (20%) of the total client assets maintained by such investment adviser, bank, insurance company or savings and loan and the conditions of PTE 84-14 are satisfied;

(d) to the extent such plan is a governmental plan or church plan (as defined in Section 3 of ERISA) which is not subject to the provisions of Title I of ERISA or Section 4975 of the Code;

(e) to the extent such purchase is made by or on behalf of an insurance company with assets in its insurance company general account, and the conditions of PTE 95-60 issued by the Department of Labor are satisfied; to the extent such purchase is made on behalf of a plan by an in-house asset manager and the conditions of PTE 96-23 issued by the Department of Labor are satisfied; or

(f) to the extent such purchase is made on behalf of a plan by an in-house asset manager and the conditions of Part I of Prohibited Transactions Class Exemption 96-23 issued by the Department of Labor are satisfied.

In addition, no action has been taken by the Authority or the Private Placement Agent that would permit or be deemed to be a public offering of the Notes, or the possession or distribution of this Private Placement Memorandum, or any amendment or supplement hereto, or any other offering material relating to the Notes, in any jurisdiction where any action for such purpose may be required.

SECURITY AND SOURCES OF PAYMENT FOR THE NOTES

Assignment of Revenues

In the Indenture, the Authority assigns to the Trustee, on behalf of the Owners of the Notes, all of the Authority's right, title and interest to and in the Revenues. This assignment is an assignment of all of the Authority's right, title and interest in and to the Revenues, and such right, title and interest, and the Revenues constitute property of the Trustee on behalf of the Owners of the Notes. All Revenues the Trustee collects and receives shall be applied to the payment of principal of and interest and premium (if any) on the Notes equally, without priority for series, issue, number or date, in accordance with the terms hereof. So long as any of the Notes are Outstanding, the Revenues and such moneys shall not be used for any other purpose.

"Revenues" are defined in the Indenture as (a) all amounts received by the Authority or the Trustee pursuant or with respect to the Installment Sale Agreement, including, without limiting the generality of the foregoing, all of the Installment Payments (including both timely and delinquent payments, any late charges, and whether paid from any source), prepayments, insurance proceeds,

condemnation proceeds, but excluding any Additional Payments; (b) all moneys and amounts held in the funds and accounts established under the Indenture; and (c) investment income with respect to any moneys held by the Trustee pursuant to the Indenture.

Installment Payments

The Water District is obligated to make Installment Payments, but solely from "Net Revenues," which is comprised of Gross Revenues less the amount required to pay all Operation and Maintenance Costs. These terms are defined in the Indenture and the Installment Sale Agreement as follows:

> "Net Revenues" is defined in the Installment Sale Agreement as, for any period, an amount equal to all of the Gross Revenues received during such period minus the amount required to pay all Operation and Maintenance Costs becoming payable during such period.
>
> "Gross Revenues" is defined in the Installment Sale Agreement as all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Wastewater Enterprise, including, without limiting the generality of the foregoing, (1) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the Water District from the sale, furnishing and supplying of wastewater treatment 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 Wastewater Enterprise including, without limitation, reclaimed water, plus (2) the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other moneys, including Water District reserves, but excluding in all cases customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the Water District and excluding any proceeds of taxes required by law to be used by the Water District to pay Notes hereafter issued.
>
> "Operation and Maintenance Costs" is defined as the reasonable and necessary costs and expenses paid by the Water District for maintaining and operating the Wastewater Enterprise, including but not limited to (a) the cost of utilities, including electricity and other forms of energy supplied to the Wastewater Enterprise, (b) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Wastewater Enterprise in good repair and working order and (c) the reasonable administrative costs of the Water District attributable to the operation and maintenance of the Wastewater Enterprise, including insurance and other costs described in the Indenture, but in all cases excluding (i) debt service payable on obligations incurred by the Water District with respect to the Wastewater Enterprise, including but not limited to the Installment Payments, (ii) depreciation, replacement and obsolescence charges or reserves therefor and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

Under the Installment Sale Agreement, all of the Net Revenues, and all moneys on deposit in the Wastewater Enterprise Fund are irrevocably pledged, charged and assigned to the punctual payment of the Installment Payments and except as otherwise provided therein, the Net Revenues and such other funds shall not be used for any other purpose so long as any of the Installment Payments remain unpaid. Such pledge, charge and assignment shall constitute a first lien on the Net Revenues and such other moneys for the payment of the Installment Payments in accordance with the terms thereof.

Refunding

Net Revenues will not be sufficient to pay the principal of the Notes on the maturity date thereof.

The Authority has covenanted to issue refunding bonds (the "Refunding Bonds") at such time and in such amounts as will be sufficient to refund all of the Notes at maturity. In furtherance of this covenant, on or prior to June 30, 2013, the Water District shall have taken action to fix, prescribe and revise rates, fees and charges for the services and facilities furnished by the Wastewater Enterprise that are projected to yield Net Revenues for the fiscal year ending June 30, 2014 in an amount at least equal to one hundred twenty percent (120%) of the maximum annual debt service on the Refunding Bonds assuming the principal of the Refunding Bonds is amortized over 30 years and bond yield with respect to the Refunding Bonds is 7%. Furthermore, to the extent necessary for the successful issuance of the Refunding Bonds, the Water District shall obligate itself to loan available funds from the funds and accounts relating to its water enterprise, on a subordinate basis to any existing bonded indebtedness, to the Wastewater Enterprise to pay installment payments securing the Refunding Bonds in the event Net Revenues are not sufficient therefor. Any loan repayment obligations shall be secured by Net Revenues on a subordinate basis to the obligation to pay installment payments securing the Refunding Bonds. No Assurance can be given that the Authority will be able to issue the Refunding Bonds. See "RISK FACTORS – No Liability of the Authority to the Noteowners" herein.

THE WASTEWATER ENTERPRISE

General Background

The wastewater collection system in the City is primarily a gravity pipeline network distributed throughout the community. The gravity network consists of approximately 430 miles of various sized pipes which connect to the VVWRA regional treatment facility. The City does not currently treat the wastewater generated within the City limits but rather the City is a member of VVWRA which operates a treatment plant for its member agencies. The City currently has 7 physical connection locations to the VVWRA wastewater collection system, including an emergency by-pass connection to allow VVWRA to reduce their wastewater flow.

The Wastewater Enterprise currently serves the entire territorial limits of the City, an area of approximately 74 square miles. The City is predominantly residential (approximately 90%) with some commercial and light industrial development (approximately 10%).

The following is a summary of the Wastewater Enterprise's historical flow rate in million gallons per day ("MGD").

WASTEWATER ENTERPRISE
Historical Wastewater Flow (MGD)[1]
2004-2008

Year	MGD[1]	AFY[2]
2004	6.77	7,578.73
2005	7.81	8,746.30
2006	8.18	9,157.67
2007	7.96	8,916.21
2008[3]	8.11	4,506.25

[1] Average flow in million gallons per day.
[2] Average flow in acre feet per year.
[3] Through June 2008.
Source: City of Victorville.

User Composition of the Wastewater Enterprise

Presently the Wastewater Enterprise has 35,944 active/open wastewater accounts, 62% of which represent residential properties. The following table sets forth a composite of wastewater account users.

WASTEWATER ENTERPRISE
Wastewater Account User Composition
As of June 30, 2008

User Composition	Wastewater Accounts	Percent of Total[1]
Residential	22,286	62%
Multifamily	6,122	17
Commercial/Industrial	7,536	21
Total	35,944	100%

[1] Rounded percentages.
Source: City of Victorville.

Leading Users of Wastewater Enterprise

The following sets forth the most current compilation of the leading users of the Wastewater Enterprise:

WASTEWATER ENTERPRISE
Leading Users of Wastewater Enterprise

User	Equivalent Dwelling Units	Current Monthly Billings[2]
Federal Bureau of Prisons	--[1]	63,520.80[1]
Mountain Vista Apartments	400	7,980.00
Gold West Motor Home Park	346	6,902.70
Victor Villa Mobile	296	5,905.20
Wimbledon Apartments	270	5,386.50
CDC Realty Fund	230	4,588.50
The Colony at Victorville	200	3,990.00
Victorville Newporter Apartments	190	3,790.50
Victor Valley Unified School District/Silverado	186	3,710.70
Summer Breeze Apartments	150	2,992.50
Victor Valley Unified School District/9th Grade Campus	144	2,872.80
Jamboree Housing Corporation	137	2,733.15
Lakritz, Sarah	135	2,693.25
So. Cal. Housing Development Corporation	134	2,673.30
Victorian 124 L.P.	124	2,473.80
Kimberly Park Apartments	122	2,433.90
Summerridge 121, LP	121	2,413.95
Tomanek, Thomas	120	2,394.00
Victorville/Village Oaks	116	2,314.20

[1] EDU is calculated based on actual flow and its biochemical oxygen demand and suspended solids content. The average monthly billing during the Fiscal Year 2007-08 was $63,520.80.
[2] Monthly billings are calculated at $19.95/EDU.
Source: City of Victorville.

Once DPSG Plant is operational, DPSG is expected to be the largest customer generating approximately $1,950,000 in annual charges. The DPSG Plant is expected to be fully operational by the second quarter of 2010.

Management and Operations of the Wastewater Enterprise

Oversight of the daily operation of the Wastewater Enterprise will continue to be the responsibility of the Public Works Director under the direction of the Water District. The Public Works Director is also responsible for the routine maintenance of the Wastewater Enterprise. The Public Works Sanitary Division personnel perform routine maintenance including, but not limited to, inspection, cleaning and repair of the pipes, manholes, and clean-outs. The Public Works Sanitary Division crew consists of 15 assigned positions ranging from the Public Works Manager to the Maintenance Aide. Several Sanitary Division crew members maintain California Water Environment Association Collection System Maintenance certificates, Grade IV to the Grade I.

The City and Woodard & Curran, Inc., a Maine corporation (the "Engineer"), have entered into that certain Standard Form of Agreement between Owner and Engineer for Professional Services, pursuant to which the Engineer was engaged to provide professional design engineering and operations and management services for the Treatment Facilities. See "APPENDIX F – STANDARD FORM OF AGREEMENT BETWEEN OWNER AND ENGINEER FOR PROFESSIONAL SERVICES."

Insurance

The Water District has covenanted in the Installment Sale Agreement that it shall at all times maintain with responsible insurers, to the extent available from responsible insurers at reasonable rates, or through a program of self insurance (or a combination thereof) a standard comprehensive general insurance policy and a casualty insurance policy.

The Water District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Water District is a member of the Special District Risk Management Authority (SDRMA), a joint powers authority formed in 1986 under Section 6500 *et seq.*, of the California Government Code for the purpose of jointly funding programs of insurance coverage for its members. SDRMA is comprised of 768 participating member agencies. The Water District participates in the property and liability insurance program of the SDRMA which includes the following coverages for the fiscal year ending June 30, 2009:

General Liability (Personal Injury and Property Damage)	$2,500,000	Per Occurrence
Public Officials and Employee Errors	$2,500,000	Per Occurrence
	$2,500,000	General Aggregate
Personal Liability Coverage for Board Members	$500,000	Per Occurrence
	$500,000	General Aggregate
Employment Practices Liability	$2,500,000	Per Occurrence
	$2,500,000	General Aggregate
Employee Benefits Liability	$2,500,000	Per Occurrence
	$2,500,000	General Aggregate
Auto Liability (Personal Injury and Property Damage)	$2,500,000	Per Occurrence
Property Coverage (Includes Fire, Theft and Flood and Property Damage)	$1,000,000,000	Each Occurrence
Boiler and Machinery Coverage	$1,000,000,000	Each Occurrence

The City is a member of the Public Entity Risk Management Authority (PERMA), formerly Coachella Valley Joint Powers Insurance Authority (CVJPIA). PERMA is comprised of twenty-six participating member agencies. As a subsidiary district of the City, the employees of the Water District are covered by the City's Worker's Compensation insurance program provided through PERMA.

Imposition and Collection of Rates, Fees and Charges

Wastewater charges are collected monthly by sending invoices to users. The wastewater service charge is placed upon the same invoice as is prepared for water service furnished by the Water District and is due and payable at the same time that such charges for water are due and payable and is subject to the same deadlines, delinquent charges and penalties as may be established for water charges.

Water and wastewater service charges, whether billed separately or together, are due and payable upon presentation and become delinquent 30 days from the billing date. A delinquency charge is added to

the next billing cycle for each delinquent unpaid water or wastewater bill and accrues at a rate of $6.00 per month. Notice of delinquency is provided by first-class mail at least five (5) days prior to service shut-off and a final disconnect notice by phone, tag or other good faith effort is made prior to disconnection. A customer's account must be brought current before service will be reinstated and a reconnection deposit is required.

Monthly Wastewater Service Charge. On September 16, 2008, the City Council adopted Resolution No. 08-124 setting the monthly rate for wastewater service at $19.95 per equivalent dwelling unit. Historical wastewater rates, including the current rate, are as follows:

Effective Date	**Rate per Equivalent Dwelling Unit** [(1)]
July 1, 1999	$ 8.00
January 1, 2001	9.50
July 1, 2001	11.00
July 1, 2002	12.50
January 1, 2005	12.74
January 15, 2008	14.72
September 16, 2008	19.95

[(1)] Single-family unit = 1 equivalent dwelling unit, regardless of size.

The $19.95 charge includes VVWRA's charge of $11.90 per EDU, which the City currently transfers to VVWRA for any flow treated by VVWRA. The remaining $8.05 per EDU is used by the City to operate and maintain its collection facilities. With respect to the diverted flow (1.5 MGD) that will result once the Treatment Facilities are operational, none of the charges will be transferred to VVWRA as such diverted flow will be treated by the Treatment Facilities.

The City has determined that the most recent proceedings to increase wastewater rates were deficient in that an ordinance was not adopted as required by State law. On April 7, 2009, an Ordinance approving the rate increases was adopted by the Victorville City Council. Such ordinance is subject to a 30 day challenge period which will end on May 7, 2009. Any successful challenge may have an adverse impact on the Water District's ability to collect current charges.

The following table provides the number of equivalent dwelling units per type of connection for each type of connection within the City.

Type of Connection	Minimum Units of Service
Residential:	
Single Family Dwellings	1.0
Multi-Family Dwellings	1.0/dwelling unit
Trailer or mobile home park	1.0/space
Commercial:	
Motels (a)	0.5/dwelling unit
Hotels (a)	0.5/bedroom
Animal Clinics	3.0
Barber Shops	1.3
Beauty Shops	1.3
Bottling Works (Soft Drink)	4.0
Churches	1.0 (w/o Kitchen) 2.0 (w/Kitchen)
Churches with Schools (h)	1.0
Factory (b)(j)	4.0
Food Markets (c)	1.0
Hospital (d)	1.0
Industrial (b) or (k)	4.0
Laundries and Laundromats (f)	1.0
Libraries	1.0
Mortuary	2.0
Professional Buildings	1.0/suite
Public Buildings (k)	1.0
Restaurants (f)	
With Bar	4.0
Without Bar	2.0
Rest Homes (g)	1.0
Schools (h)	
Elementary	1.0
High and Junior High	1.0
Service Stations	
With Rack	4.0
Without Rack	2.0
With RV Dumping Station	3.0
Taverns (f)	2.0
Theaters	2.0
All Commercial establishments not listed above or separately classified by future action of the Council (k)	1.0

(a) Motels and Hotels - 0.25 additional service unit for each dwelling unit with kitchen.
(b) Factory and Industrial - One additional unit for each five (ten) or fewer employees after the first five (ten).
(c) Food Markets - One additional unit per month for commercial garbage grinder.
(d) Hospital --- One additional unit for up to each two beds after the first two.
(e) Laundries and Laundromats – One additional service unit for each three or fewer machines after the first three.
(f) Restaurants and Taverns-One additional service unit for up to each fifteen seats after first thirty. Drive ins-each service space equals four seats.
(g) Rest Homes – One additional unit for up to each three beds after the first three.
(h) Schools – Elementary – One additional unit for up to each twenty-three average daily attendance after the first twenty-three. High School and Junior High School – One additional unit for up to each fourteen average attendance after the first fourteen.
(i) Public Buildings – One additional service unit for up to each additional five (ten) employees after the first five (ten).
(j) Industrial – The City reserves the right to determine that a particular class of industrial customer shall be subject to these provisions or any modification thereof. In such event, the affected customers shall be given at least 14 days written notice prior to a hearing by the City Council thereon.
(k) Number of equivalent service units to be determined based on plumbing fixture counts.

Wastewater Connection Fee. The Water District charges a wastewater connection fee of $350.00 for each residential unit. This fee is for constructing and/or upgrading local collection and trunk sewer facilities to provide the needed capacity.

The Water District further collects a regional VVWRA connection fee for capacity in the regional interceptor sewer and treatment facilities. This regional connection fee is currently set at $3,215 per service unit. This connection fee is subject to inflationary adjustment as determined and approved by the VVWRA Commission.

Historical Operating Results

The table below summarizes the operating revenues, operating expenses and changes in retained earnings of the Wastewater Enterprise derived from the City's audited financial statements for the Fiscal Years 2003-04 through 2006-07. The City's audited financial statements for the Fiscal Year ended June 30, 2007 are included as Appendix D to this Private Placement Memorandum, including portions relating to the Wastewater Enterprise. The following table should be read in conjunction with the information contained in the related footnotes and the information contained in Appendix D.

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WASTEWATER ENTERPRISE
Historical Operating Results
(Fiscal Years Ending June 30)

	2004	2005	2006	2007
Operating revenues:				
Taxes and assessments	$ 1,062,167	--	--	--
Intergovernmental	--	--	--	--
Charges for services	5,225,274	$ 6,337,885	$ 7,950,599	$8,102,147
Other	--	--	--	2,953
Total operating revenues	$ 6,287,441	$ 6,337,885	$ 7,950,599	$8,105,100
Operating expenses:				
Personal services	$ 3,099,471	$ 3,623,323	$ 4,267,369	$4,547,754
Maintenance and operations	185,583	359,546	163,144	160,578
Depreciation	517,168	453,255	523,943	946,382
Total operating expenses	$ 3,802,222	$ 4,436,124	$ 4,954,456	$5,654,714
Operating income	$ 2,485,219	$ 1,901,761	$ 2,996,143	$2,450,386
Nonoperating revenues (expenses):				
Investment income	$ 67,884	$ 79,975	$ 143,286	$145,681
Gain on sale of assets	--	138,525	--	--
Intergovernmental	--	--	--	504
Total nonoperating revenues (expenses)	$ 67,884	$ 218,500	$ 143,286	$146,185
Income (Loss) before transfers	$ 2,553,103	2,120,261	3,139,429	2,596,571
Total net assets, July 1				
Capital Contributions	$ 1,143,532	$ 4,096,104	$ 1,353,775	$7,142,176
Gain (loss) from sales of property	--	--	--	167,250
Transfers out	(433,768)	--	--	--
Changes in net assets	$ 3,262,867	$ 6,216,365	$ 4,493,204	$ 7,309,426
Total net assets, July 1	$29,599,080	$32,833,735	$39,050,100	$43,543,304
Total net assets, June 30	$32,861,947	$39,050,100	$43,543,304	$53,449,301

Source: City of Victorville..

RISK FACTORS

This Private Placement Memorandum discusses many matters any one of which may have an impact on the security for the Notes, the ability of the Authority to make the payments required to repay the Notes and their interest in a timely manner. Thus, an investor must read the entire Private Placement Memorandum in order to judge the risks inherent in investment in the Notes. This section highlights certain risks inherent in the transaction, but is not, and is not intended to be, a complete list or discussion of the risks associated with this transaction.

Notes are Limited Obligations

The Water District's obligation to pay the Installment Payments, the Additional Payments and any other amounts coming due and payable under the Installment Sale Agreement shall be a special obligation of the Water District limited solely to the Net Revenues. Under no circumstances shall the Water District be required to advance moneys derived from any source of income other than the Net Revenues and other sources specifically identified herein for the payment of the Installment Payments and the Additional Payments, nor shall any other funds or property of the Water District be liable for the payment of the Installment payments and the Additional Payments and any other amounts coming due and payable under the Installment Sale Agreement.

The Authority's ability to pay principal of the Notes is dependent on the Authority's ability to issue and sell refunding obligations. While the Authority and the Water District believe that Net Revenues will be adequate to enable the Authority's to issue refunding obligations, a variety of factors could adversely affect its ability to do so. Furthermore, unforeseen changes in the law pursuant to which the Notes have been issued may restrict the Authority's ability to sell refunding obligations.

No Liability of the Authority to the Noteowners

Except as expressly provided in the Indenture, the Authority will not have any obligation or liability to the Noteowners with respect to the payment when due of the Installment Payments, or with respect to the observance or performance of other agreements, conditions, covenants and terms required to be observed or performed by the Water District under the Installment Sale Agreement or any related documents or with respect to the performance by the Trustee of any duty required to be performed by it under the Indenture.

Limited Recourse on Default

If the Water District defaults on its obligations to make Installment Payments, the Trustee, as assignee of the Authority, has the right to accelerate the Installment Payments. However, in the event of a default and such acceleration, there can be no assurance that the Trustee will have sufficient revenues to pay the accelerated Notes.

Delay in Construction

No assurance can be given that the Treatment Facilities will be constructed in a timely manner. Delays in completing the Treatment Facilities may have a material adverse impact on the ability of the Water District to make Installment Payments as such payments become due and payable and accordingly on the Authority's ability to pay debt service on the Notes. Furthermore, such delays may have an adverse impact on the Authority's ability to issue refunding bonds.

Large Customer

Once DPSG Plant is operational, it will be responsible for approximately 0.75 MGD of flow to the Treatment Plant and approximately $1,950,000 of the annual revenues from charges. DPSG's obligation under the DPSG Agreement is an unsecured general obligation of DPSG. If DPSG is unable to make payments for services, no assurance can be given that the Water District will be able to generate sufficient Net Revenues to make Installment Payments as such payments become due and payable. See "APPENDIX E –WASTEWATER CAPACITY AND TREATMENT AGREEMENT."

Earthquake Risk

Any natural disaster or other physical calamity, including earthquake, may have the effect of reducing Revenues through damage to the Wastewater Enterprise and/or adversely affecting the economy of the surrounding area. There is no requirement that the Water District or the Authority acquire earthquake insurance with respect to the Wastewater Enterprise.

Voter Initiatives – State Constitutional Amendment

California's voter initiative process allows measures which qualify for the ballot to be approved or disapproved by voters in a State of California statewide election. From time to time initiative measures could be adopted which adversely affect the ability of the Water District to generate revenues.

California Constitution Article XIIIC and Article XIIID

Proposition 218, a state ballot initiative known as the "Right to Vote on Taxes Act" was approved by California voters on November 5, 1996 and, except for certain provisions which became effective on July 1, 1997, became effective on November 6, 1996. Proposition 218 added Article XIIIC, entitled "Voter Approval of Local Tax Levies" ("Article XIIIC"), and Article XIIID, entitled "Assessment and Property Related Fee Reform ("Article XIIID"), to the California Constitution. Article XIIIC and Article XIIID limit the imposition by a local government of "general taxes," "special taxes," "assessments" and "fees" or "charges." Each of the City and the Water District is a local government within the meaning of Article XIIIC and Article XIIID.

Article XIIIC, provides, among other things, that the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local fee or charge. This extension of the initiative power is not limited by the terms of Article XIIIC to fees and charges imposed after November 6, 1996 and, absent other authority, could result in retroactive reduction in existing fees and charges. Although the terms "fees" and "charges" are not defined in Article XIIIC, the California Supreme Court, in *Bighorn-Desert View Water Agency v. Kari Verjil; E.W. Kelley* (July 2006), has stated that there is no basis for excluding from Article XIIIC's authorization any of the fees subject to Article XIIID. If fees or charges charged or collected by the Water District for its Wastewater Enterprise are subjected to the initiative process and the outcome of any initiative proceedings results in a reduction or repeal of such fees or charges, the ability of the Water District to generate Net Revenues sufficient to comply with its covenants under the Installment Sale Agreement may be adversely affected. Furthermore, if voters were to approve an initiative lowering the Water District's wastewater rates or other charges, the Water District would need voter approval before it could change the rate or charge that had been set by initiative. The Water District could, however, increase a charge that was not affected by initiative or to impose an entirely new charge without voter approval.

The California Supreme Court further stated in *Bighorn* that it was not holding that the initiative power is free of all limitations and was not determining whether the initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay debt service on

bonded debt and operating expenses. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. Additionally, SB 919 provides that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution. However, no assurance can be given that the voters of the Water District will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges.

Article XIIID prohibits the assessment upon any parcel of property or upon any person "as an incident of property ownership" (defined to exclude fees for the provision of electrical or gas service) by a local government of any tax, assessment, fee or charge except voter-approved ad valorem property taxes and special taxes, fees or charges as a condition of property development, and assessments and "fees or charges for property related services" levied or imposed in accordance with the provisions of Article XIIID.

Under Article XIIID, revenues derived from a "fee" or "charge" (defined as "any levy other than an ad valorem tax, a special tax or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service") may not exceed the funds required to provide the "property-related service" and may not be used for any purpose other than that for which the fee or charge was imposed. Further, the amount of a "fee" or "charge" may not exceed the proportional cost of the service attributable to the parcel, no "fee" or "charge" may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question, and no "fee" or "charge" may be imposed for general governmental service where the service is "available to the public at large in substantially the same manner as it is to the property owners."

In addition, in order for a "fee" or "charge" to be imposed or increased, Article XIIID provides that, among other things, the parcel upon which a fee or charge is proposed for imposition must be identified, the amount of the fee or charge proposed to be imposed on each such parcel must be calculated, written notice by mail of the proposed fee or charge must be provided to the "record owner" of each identified parcel, and a public hearing must be conducted upon the proposed fee or charge. If written protests against the proposed "fee" or "charge" are presented by a majority of owners of the identified parcels, the fee or charge may not be imposed. The California Supreme Court in *Bighorn* indicated that once a property owner or resident has paid the connection charges and has become a customer of a public water agency, all charges for water delivery incurred thereafter are charges for a property-related service, whether the charge is calculated on the basis of consumption or is imposed as a fixed monthly fee. Accordingly, the imposition or increase of any fee or charge by the Water District for its wastewater service will be the subject of such a majority protest. If such a majority protest occurs, the ability of the Water District to generate Net Revenues sufficient to comply with its covenants under the Installment Sale Agreement may be adversely affected.

Article XIIID states that, beginning July 1, 1997, all "fees" or "charges" must comply with its provisions. It is unclear how the provisions of Article XIIID will be applied to fees or charges established prior to such date. It is also unclear how the provisions of Article XIIID will be applied to fees or charges established after such date but prior to the Bighorn decision.

As a result of the *Bighorn* decision, there can be no assurance that Proposition 218 will not limit the ability of the Water District to impose, levy, charge and collect increased fees and charges for wastewater services.

The City has complied with the applicable notice and protest procedures of Article XIIID for its most recent rates and charges. There is no pending challenge to the City's wastewater fees, and the City cannot predict the outcome of any such challenge, if a challenge were brought. The Water District and the City will comply with its rate covenant in conformity with the provisions of Article XIIID of the California State Constitution.

The Water District is unable to predict how Article XIIIC and Article XIIID will be interpreted by the courts in the future and what, if any, implementing legislation will be enacted. Bond Counsel has advised that there can be no assurance that Article XIIIC and Article XIIID will not limit the ability of the Water District to charge and collect fees and charges for its wastewater service sufficient to enable the Water District to comply with its covenants under the Installment Sale Agreement or that the ability of the Water District to generate Net Revenues sufficient to pay Installment Payments will not be adversely affected. Further, in such event, there can be no assurance that remedies will be available to fully protect the interests of the holders of the Notes.

Limitations on Remedies

The ability of the Water District to comply with the covenants under the Installment Sale Agreement and to generate Net Revenues sufficient to pay all Installment Payments in a timely manner may be adversely affected by actions and events outside of the control of the Water District and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See "RISK FACTORS – California Constitution Articles XIIIC and Article XIIID." Furthermore, any remedies available to the Noteowners upon the occurrence of an event of default under the Indenture are in many respects 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 limitations on remedies contained in the Indenture, the rights and obligations under the Notes and the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California. The opinions to be delivered by Fulbright & Jaworski L.L.P., Bond Counsel, concurrently with the execution and delivery of the Notes, that the Notes evidence valid and binding obligations and the Indenture constitutes a valid and binding obligation of the Authority and the Water District will be subject to such limitations, and the various other legal opinions to be delivered concurrently with the execution and delivery of the Notes will be similarly qualified. See "APPENDIX B – FORM OF PROPOSED OPINION OF BOND COUNSEL." In the event the Authority or the Water District fail to comply with their respective covenants under the Indenture or to cause the timely payment of all principal or interest with respect to the Notes, there can be no assurance that available remedies will be adequate to fully protect the interest of the holders of the Notes.

Wastewater Enterprise Expenses And Collections; Damage

There can be no assurance that the Water District's expenses for the Wastewater Enterprise will remain at the levels described in this Private Placement Memorandum. Changes in technology, energy or other expenses would reduce the Water District's net income and could require substantial increases in rates or charges. Such rate increases could increase the likelihood of nonpayment, and could also decrease demand.

Although the Water District has covenanted to fix, prescribe, revise and collect rates, fees and charges for the Wastewater Enterprise at certain levels, there can be no assurance that such amounts will be collected in the amounts and at the time necessary to make timely payments with respect to the Notes.

Additionally, the Installment Sale Agreement requires the Water District to maintain insurance or self-insurance, but only if and to the extent available at reasonable cost from reputable insurers. In the event of total loss of the Wastewater Enterprise, there can be no assurance that insurance proceeds will be adequate to redeem all Outstanding Notes or that losses in excess of the insured amount will not occur.

THE AUTHORITY

The Authority was established pursuant to a Joint Exercise of Powers Agreement dated as of September 1, 1990, by and between the City and the Redevelopment Agency of the City of Victorville in accordance with the provisions of the Act. The members of the Victorville City Council serve as members of the Authority's Governing Board, and the Victorville City Manager serves as the Authority's Executive Director. The Finance Director for the City serves as Authority Treasurer, while the City Clerk is Secretary to the Authority.

Financial Information

Included in this Private Placement Memorandum as Appendix D are the audited financial statements of the City for the Fiscal Year ended June 30, 2007 and the audited financial statements of the District for the Fiscal Year ended June 30, 2008. The City has not requested the consent of the Auditor regarding the inclusion of its report in this Private Placement Memorandum. **The Independent Auditor's Report states that because of the significant of the matters discussed in the report, the scope of their work was not sufficient to enable them to express, and they do not express, opinion on the City's basic financial statements for the year ended June 30, 2007.**

PRIVATE PLACEMENT

The Notes are being placed by Kinsell, Newcomb & De Dios, Inc., as Private Placement Agent. The Private Placement Agent will receive a fee of $_____ in connection with the placement of the Notes.

LEGAL MATTERS

All of the legal proceedings in connection with the authorization and issuance of the Notes are subject to the approval of Fulbright & Jaworski L.L.P., Bond Counsel. Copies of the opinion of Bond Counsel, substantially in the form set forth in Appendix B, hereto, will be provided to the original purchaser without charge.

Certain legal matters will be passed upon for the Authority and the Water District by their Counsel, Green, de Bortnowsky & Quintanilla, LLP.

TAX MATTERS

State Tax Exemption. In the opinion of Fulbright & Jaworski L.L.P., Bond Counsel, under existing law, interest on the Notes is exempt from personal income taxes of the State of California.

Federal Income Tax Consequences. The following is a general summary of the federal income tax consequences of the purchase and ownership of the Notes. The discussion is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change or possibly differing interpretations. No assurances can be given that future changes in the law will not alter the conclusions reached herein. The discussion below does not purport to deal with federal income tax consequences applicable to all categories of investors. Further, this summary does not discuss all aspects of federal income taxation that may be relevant to a particular investor in the Notes in light of the investor's

particular personal investment circumstances, including, but not limited to, the application of the original issue discount provisions of the Code, or to certain types of investors subject to special treatment under federal income tax laws (including insurance companies, tax exempt organizations, non-U.S. persons, financial institutions, broker-dealers, and persons who have hedged the risk of owning the Notes). The summary is therefore limited to certain issues relating to investors who will hold the Notes as "capital assets" within the meaning of section 1221 of the Code, and acquire such Notes for investment and not as a dealer or for resale. Prospective investors should note that no rulings have been or will be sought from the Service with respect to any of the federal income tax consequences discussed below, and no assurance can be given that the Service will not take contrary positions.

Bond Counsel has rendered no opinion regarding the exclusion pursuant to section 103(a) of the Code of interest on the Notes from gross income. However, the Authority has taken no action to cause, and does not intend, interest on the Notes to be excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. The Authority intends to treat the Notes as debt instruments for all federal income tax purposes, including any applicable reporting requirements under the Code. **THE AUTHORITY EXPECTS THAT THE INTEREST PAID ON A NOTE GENERALLY WILL BE INCLUDED IN THE GROSS INCOME OF THE OWNER THEREOF FOR FEDERAL INCOME TAX PURPOSES WHEN RECEIVED OR ACCRUED, DEPENDING UPON THE TAX ACCOUNTING METHOD OF THAT OWNER.**

INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES.

Internal Revenue Service Circular 230 Notice

You should be aware that:

(a) the discussion in this Private Placement Memorandum with respect to U.S. federal income tax consequences of owning the Notes is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer:

(b) such discussion was written in connection with the promotion or marketing (within the meaning of IRS Circular 230) of the transactions or matters addressed by such discussion; and

(c) each taxpayer should seek advice based on its particular circumstances from an independent tax advisor.

This notice is given solely for purposes of ensuring compliance with IRS Circular 230 with respect to the discussion below on the Notes.

Gain or Loss on Disposition. Subject to certain deferral or nonrecognition provisions of the Code, an owner will realize and generally recognize in accordance with its tax accounting method gain or loss on the sale or exchange of a Note equal to the difference between the sale or exchange price (exclusive of the amount paid for accrued interest) and the owner's tax basis in the Note. Generally, the owner's tax basis in a Note will be the owner's initial cost, adjusted to reflect accrued original issue discount or amortizable bond premium. Any gain or loss generally will be capital gain or loss and will be long-term or short-term, depending on whether the Notes have been held for more than the applicable period. The deductibility of net capital losses in any year is subject to limitations.

Market Discount. Any owner who purchases a Note at a price that reflects market discount in excess of a prescribed *de minimis* amount (i.e., at a purchase price that is less than its adjusted issue price

in the hands of an original owner) will be required to recharacterize gain on the Note as ordinary income upon receipt of each scheduled or unscheduled principal payment or upon other disposition to the extent that such gain does not exceed the accrued market discount. In particular, such owner will generally be required either (a) to allocate each such principal payment to accrued market discount not previously included in income and to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a Note as ordinary income to the extent of any remaining accrued market discount or (b) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history of the Tax Reform Act of 1986 will apply. In addition, the Internal Revenue Service has provided guidance in Revenue Procedure 92-67 with regard to the application of these provisions of the Code. Under those rules, generally market discount is to be determined on a ratable accrual basis; however, the taxpayer may elect on a bond-by-bond basis instead to determine the accrual of market discount on that bond on a constant interest basis.

An owner of a Note who acquires such Note at a market discount also may be required to defer, until the maturity date of such Notes or its earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or continued to purchase or carry a Note in excess of the aggregate amount of interest (including original issue discount) includable in such owner's gross income for the taxable year with respect to such Note. The amount of such net direct interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Note for the days during the taxable year on which the owner held the Note and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Note matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the bondowner elects to include such market discount in income currently as described above.

Bond Premium. An owner of a Note purchased at a cost greater than the sum of all amounts payable on the Note after the acquisition date (other than payments of qualified stated interest) will have bond premium that is amortizable in accordance with the provisions of section 171 of the Code. If the holder elects to amortize the premium under section 171 of the Code (which election will apply to all bonds held by the holder on the first day of the taxable year to which the election applies, and to all bonds thereafter acquired by the holder), such a purchaser must amortize the premium using constant yield principles based on the purchaser's yield to maturity. Amortizable bond premium for any year is generally treated as an offset to the qualified stated interest otherwise includible in income for the year, and a reduction in basis is required for amortizable bond premium that is applied to reduce interest payments. To the extent that amortizable bond premium for any year exceeds the otherwise includible qualified stated interest for that year, subject to other applicable limitations such amortizable bond premium is allowed as a deduction to the extent of the excess of the owner's total interest income inclusions for prior years in respect of the Note over the total amount treated by the owner as bond premium deductions in respect of the Note for prior years. Purchasers of any Notes who acquire such Notes at a premium (or with acquisition premium) should consult with their own tax advisors with respect to the determination and treatment of such premium for Federal income tax purposes and with respect to state and local tax consequences of owning such Notes.

Defeasance. Persons considering the purchase of a Note should be aware that the bond documents permit the issuer of the Notes under certain circumstances to deposit of monies or securities with the Trustee, resulting in the release of the security interests created under the Indenture (a "defeasance"). Such a defeasance could result in the realization by the owner of the Note of gain or loss, without any corresponding receipts of monies by the owner. Such gain or loss generally would be subject to recognition, as in the case of a sale or exchange described above. In addition, for federal income tax purposes, the character and time of receipt of payments on the Notes subsequent to any such defeasance could also be affected. Holders are advised to consult their own tax advisers with respect to the tax consequences resulting from such events.

Reporting of Interest Payments. Subject to certain exceptions, interest payments made to owners with respect to the Notes will be reported to the Service. Such information will be filed each year with the Service on Form 1099 which will reflect the name, address and TIN of the owner. A copy of Form 1099 will be sent to each owner of a Note for federal income tax purposes.

Backup Withholding. Under section 3406 of the Code, an owner of the Notes who is a United States person, as defined in section 7701(a)(3) of the Code, may, under certain circumstances, be subject to "backup withholding" on payments of current or accrued interest on the Notes. This withholding applies if such owner of Notes: (i) fails to furnish to the payor such registered owner's social security number or other taxpayer identification number ("TIN"); (ii) furnishes the payor an incorrect TIN; (iii) fails to report properly interest, dividends, or other "reportable payments" as defined in the Code; or (iv) under certain circumstances, fails to provide the payor or such owner's broker with a certified statement, signed under penalty of perjury, that the TIN provided to the payor is correct and that such owner is not subject to backup withholding.

Backup withholding will not apply, however, with respect to payments made to certain owners of the Notes. OWNERS OF THE NOTES SHOULD CONSULT THEIR TAX ADVISORS REGARDING THEIR QUALIFICATION FOR EXEMPTION FROM BACKUP WITHHOLDING AND THE PROCEDURE FOR OBTAINING SUCH EXEMPTION.

Withholding on Payments to Nonresident Alien Individuals and Foreign Corporations. Under sections 1441 and 1442 of the Code, nonresident alien individuals and foreign corporations are generally subject to withholding at the rate of 30% on periodic income items arising from sources within the United States, provided such income is not effectively connected with the conduct of a United States trade or business and provided that such withholding is not reduced or eliminated by treaty. Assuming the interest received by the owner of the Note is not treated as effectively connected income within the meaning of section 864 of the Code, such interest will be subject to 30% withholding, or any lower rate specified in an income tax treaty, unless such income is treated as portfolio interest. Interest will be treated as portfolio interest if (i) the owner provides a statement to the payor certifying, under penalties of perjury, that the owner is not a United States person and providing the name and address of the owner, (ii) such interest is treated as not effectively connected with the owner's United States trade or business, (iii) interest payments are not made to a person within a foreign country that the Service has included on a list of countries having provisions inadequate to prevent United States tax evasion, (iv) interest payable with respect to the Note is not deemed contingent interest within the meaning of the portfolio debt provision, (v) the owner is not a controlled foreign corporation, within the meaning of section 957 of the Code, and (vi) the owner is not a bank receiving interest on the Notes pursuant to a loan agreement entered into in the ordinary course of the bank's trade or business.

Assuming payments on the Notes are treated as portfolio interest within the meaning of sections 871 and 881 of the Code, then no withholding under sections 1441 and 1442 of the Code and no backup withholding under section 3406 of the Code is required with respect to owners or intermediaries who have

furnished Form W-8 BEN, Form W-8 EXP or Form W-8 IMY, as applicable, provided the payor has no actual knowledge that such person is a United States person.

NO LITIGATION

There is no action, suit or proceeding known to the Authority to be pending or threatened, restraining or enjoining the execution or delivery of the Notes or the Indenture or in any way contesting or affecting the validity of the foregoing or any proceedings of the Authority taken with respect to any of the foregoing.

MISCELLANEOUS

All of the preceding summaries of the Indenture, the Installment Sale Agreement, the Act, other applicable legislation, agreements and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Authority for further information in connection therewith.

This Private Placement Memorandum does not constitute a contract with the purchasers of the Notes. Any statements made in this Private Placement Memorandum involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Private Placement Memorandum by its President has been duly authorized by the Authority.

VICTORVILLE JOINT POWERS FINANCING AUTHORITY

By _____
President

APPENDIX A

INDENTURE OF TRUST; INSTALLMENT SALE AGREEMENT; WASTEWATER ENTERPRISE LEASE AGREEMENT

APPENDIX B

FORM OF PROPOSED OPINION OF BOND COUNSEL

[Date of Closing]

Victorville Joint Powers Financing Authority

City of Victorville $_____
Victorville Joint Powers Financing Authority
Taxable Wastewater Revenue Notes, 2009 Series
(Victorville Water District)

Ladies and Gentlemen:

In our role as Bond Counsel to the Victorville Joint Powers Financing Authority (the "Authority"), we have examined certified copies of the proceedings taken in connection with the issuance by the Authority of $_____ principal amount of its Taxable Wastewater Revenue Notes, 2009 Series (Victorville Water District) (the "Notes"). We have also examined supplemental documents furnished to us and have obtained such certificates and documents from public officials as we have deemed necessary for the purposes of this opinion. The Notes are issued under Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Note Law"), pursuant to an Indenture of Trust, dated as of May 1, 2009 (the "Indenture"), by and among the Authority, the Victorville Water District (the "Water District") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), and pursuant to the authorizing resolution of the Governing Board of the Authority adopted on May 5, 2009. The proceeds of the sale of the Notes will be used to finance the construction of a wastewater treatment plant and certain other improvements (the "Improvements") to the Water District's Wastewater Enterprise. The Authority and the Water District will enter into an Installment Sale Agreement, dated as of May 1, 2009, (the "Installment Sale Agreement"), pursuant to which the Authority will sell the Improvements to the Water District in consideration for Installment Payments. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Indenture and the Installment Sale Agreement, as applicable.

The Notes are issued as fully registered Notes in the denomination of $5,000 or any integral multiple thereof. Interest on the Notes is payable semiannually on June 1 and December 1 of each year, commencing December 1, 2009.

The Notes are subject to redemption prior to maturity as provided in the Indenture.

Based upon the foregoing, we are of the opinion that:

1. The Indenture has been duly and validly authorized, executed and delivered by the Authority and the Water District and, assuming such Indenture constitutes the legally valid and binding obligation of the Trustee, constitutes the legally valid and binding obligation of the Authority and the Water District, enforceable against the Authority and the Water District in accordance with its terms, and the Notes are entitled to the benefits of the Indenture.

2. The Installment Sale Agreement has been duly and validly authorized, executed and delivered by the Authority and the Water District, and constitutes the legally valid and binding obligation of the Authority and the Water District, enforceable against the Authority and the Water District in accordance with its terms.

3. The proceedings for the issuance of the Notes have been taken in accordance with the laws and Constitution of the State of California, and the Notes, having been issued in duly

authorized form and executed by the proper officials and delivered to and paid for by the purchasers, constitute legal and binding special obligations of the Authority enforceable in accordance with their terms.

4. The Notes are payable from the Revenues, subject to the application thereof on the terms and conditions as set forth in the Indenture.

5. Interest on the Notes is exempt from personal income taxes of the State of California. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes.

The foregoing opinions are qualified to the extent that the enforceability of the Indenture and the Notes, respectively, may be limited by any applicable bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting creditors' rights generally or as to the availability of any particular remedy.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Very truly yours,

APPENDIX C

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC; and DTC's book-entry system has been obtained from sources that the Agency believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

DTC will act as securities depository for the Notes. The Notes 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 certificate will be issued for each maturity of the Notes, in the aggregate principal amount of such 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 has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at *www.dtcc.com* and *www.dtc.org*. The information set forth on such websites is not incorporated by reference.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("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 Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 the Notes 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 Notes; DTC's records reflect

only the identity of the Direct Participants to whose accounts such Notes 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 the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the documents with respect to the Notes. For example, Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes 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 Notes are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Water 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 the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest on the Notes 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 Water 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 Water District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the Notes to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Water 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.

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

APPENDIX D

AUDITED FINANCIAL STATEMENT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2007 AND OF THE VICTORVILLE WATER DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2008

APPENDIX E

WASTEWATER CAPACITY AND TREATMENT AGREEMENT

APPENDIX F

STANDARD FORM OF AGREEMENT BETWEEN OWNER AND ENGINEER FOR PROFESSIONAL SERVICES

APPENDIX G

STANDARD FORM OF AGREEMENT BETWEEN OWNER AND CONSTRUCTION MANAGER

RESOLUTION NO. 09-036

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF VICTORVILLE APPROVING A WASTEWATER ENTERPRISE LEASE AGREEMENT FOR THE LEASE OF THE CITY'S WASTEWATER ENTERPRISE TO THE VICTORVILLE WATER DISTRICT, AND APPROVING THE TAKING OF CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, the Victorville Joint Powers Financing Authority (the "Authority"), is a joint exercise of powers agency duly created, established and authorized to transact business and exercise its powers, all under and pursuant to the Joint Exercise of Powers Act (Articles 1 through 4 of Chapter 5, Division 7, Title 1 of the California Government Code) (the "Act") and the powers of such Authority include the power to issue bonds for any of its corporate purposes; and

WHEREAS, the City of Victorville (the "City") owns and operates that certain wastewater collection system referred to herein as the "Wastewater Enterprise;" and

WHEREAS, the City desires to finance the construction of a wastewater treatment plant (with reclaimed water production capabilities) as well as certain other improvements to the Wastewater Enterprise (the "Improvements"); and

WHEREAS, it has been proposed that the Authority assist the City in providing funds to finance such Improvements by issuing taxable notes (the "Notes"), which will be privately placed with an accredited investor; and

WHEREAS, the Victor Valley Water District and the Baldy Mesa Water District were merged into Victorville Water District (the "Water District"), a subsidiary district of the City; and

WHEREAS, the Water District provides water service to service area/territory of the merged districts (the "Water Enterprise"); and

WHEREAS, the Water District functions under, and is authorized to carry out all authorized duties and responsibilities assigned to a county water district, which includes wastewater services; and

WHEREAS, the City Council previously made findings that administering the City's Wastewater Enterprise in the same manner and under the jurisdiction of the Water District together with the Water Enterprise will result in operational and administrative efficiencies and will enhance the Authority's ability to issue and sell the Notes; and

WHEREAS, the City Council finds that it is important to the long term growth of the City that the Water District secure the availability of significantly more reclaimed water; and

WHEREAS, the City Council previously directed staff to solicit a proposal from the Water District to lease the Wastewater Enterprise from the City; and

WHEREAS, the City Council has held a public hearing to examine the proposal and the staff recommendations relating to such proposal received by the City; and

WHEREAS, upon reviewing and examining the proposal received and the staff's recommendations and the views expressed at the public hearing, the City Council has determined that significant benefits will result from the lease of the Wastewater Enterprise; and

WHEREAS, the City Council desires to lease the Wastewater Enterprise to the Water District pursuant to a lease agreement; and

WHEREAS, the City Council, with the aid of its staff, has reviewed the documentation relating to the lease;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF VICTORVILLE DOES RESOLVE AS FOLLOWS:

Section 1. The City hereby approves the Wastewater Enterprise Lease Agreement, substantially in the form annexed hereto, with such revisions, amendments and completions as shall be approved by the Mayor, the Mayor Pro-Tem, the City Manager, the Finance Director or their designees (each a "Responsible Officer") with the advice of counsel to the City, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 2. Any Responsible Officer is hereby authorized and directed to execute and deliver any and all documents and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by this Resolution.

Section 3. The City Clerk shall certify to the adoption of this Resolution, and thenceforth and thereafter the same shall be in full force and effect.

PASSED, APPROVED AND ADOPTED this 5th day of MAY 2009.

MAYOR OF THE CITY OF VICTORVILLE

ATTEST:

CITY CLERK

APPROVED AS TO FORM:

CITY ATTORNEY

I, CAROLEE BATES, City Clerk of the City of Victorville and ex-officio Clerk to the City Council of said City, DO HEREBY CERTIFY that the foregoing is a true and correct copy of Resolution No. 09-036 which was adopted at a meeting held on the 5th day of May 2009, by the following roll call vote, to wit:

AYES: Councilmembers Almond, Cabriales, Caldwell, McEachron and Rothschild

NOES: None

ABSENT: None

ABSTAIN: None

CITY CLERK OF THE CITY OF VICTORVILLE

WASTEWATER ENTERPRISE LEASE AGREEMENT

Dated as of April __, 2009

by and between

VICTORVILLE WATER DISTRICT,
as Lessee

and the

CITY OF VICTORVILLE
as Lessor

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WASTEWATER ENTERPRISE LEASE AGREEMENT

THIS WASTEWATER ENTERPRISE LEASE AGREEMENT, dated as of April __, 2009 (the "Lease Agreement"), is by and between the VICTORVILLE WATER DISTRICT, a county water district and a subsidiary district of the City of Victorville duly organized and existing under the laws of the State of California (the "Water District"), and the CITY OF VICTORVILLE, a charter city and municipal corporation duly organized and existing under the laws of the State of California (the "City"),

W I T N E S S E T H:

WHEREAS, the City owns, operates and controls the wastewater collection system within the City (the "Leased Property") and has further established certain funds and accounts which relate to the Leased Property; and

WHEREAS, the Water District wishes to lease the Leased Property from the City, and the City wishes to lease the Leased Property to the Water District, and the Water District is authorized to lease and operate the Leased Property; and

WHEREAS, the Water District and the City have duly authorized the execution and delivery of this Lease Agreement;

NOW, THEREFORE, for and in consideration of the promises and the material covenants hereinafter contained, the parties hereto hereby formally covenant, agree and bind themselves as follows:

ARTICLE 1

DEFINITIONS

Section 1.1 Definitions. The terms defined in this Section shall have the meanings ascribed to them in this Section for purposes of this Lease Agreement unless the context clearly indicates some other meaning. All capitalized terms used herein which are defined in the Installment Sale Agreement and not defined herein shall have the meanings specified in the Installment Sale Agreement.

"Agreement" means this Lease Agreement, together with any duly authorized and executed amendments hereto.

"Closing Date" means _____, 2009.

"Discount Rate" means [6.0%].

"Enterprise" means the entire wastewater system owned, leased or operated by the Water District, including but not limited to all facilities, properties and improvements at any time owned, leased or operated by the Water District for the collection and treatment of wastewater, and any necessary lands, rights, entitlements and other property useful in connection therewith,

together with all extensions thereof and improvements thereto hereafter acquired, constructed or installed by the City or the Water District, including the Leased Property.

"Event of Default" means any of the events described in Section 8.1.

"Financing Authority" means the Victorville Joint Powers Financing Authority.

"Gross Revenues" means all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Enterprise, including, without limiting the generality of the foregoing, (1) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the Water District from the sale, furnishing and supplying of wastewater treatment 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 Enterprise including, without limitation, reclaimed water, plus (2) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, or other moneys, including Water District reserves as it relates to the Enterprise, but excluding in all cases customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the Water District and accounted for as revenues and excluding any proceeds of taxes required by law to be used by the Water District to pay bonds hereafter issued.

"Installment Sale Agreement" means the Installment Sale Agreement, dated as of May 1, 2009, by and between the Financing Authority and the City, or such other installment sale agreement executed in connection with the refunding the Installment Sale Agreement.

"Lease" means the lease of the Leased Property pursuant to this Agreement.

"Lease Payments" means the amounts payable by the Water District pursuant to Section 4.2, including any prepayments thereof pursuant to Article 9.

"Leased Property" means the entire wastewater system owned or operated by the City, including, but not limited to, all facilities, properties and improvements at any time owned or operated by the City for the collection and treatment of wastewater, including, but not limited to, those certain existing reclaimed water lines for the transmission of reclaimed water to the City from the Victor Valley Wastewater Reclamation Authority, and any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto hereafter acquired, constructed or installed by the City, including, without limitation, properties and improvements contributed as a result of new development.

"Operation and Maintenance Costs" means the reasonable and necessary costs and expenses paid by the Water District for maintaining and operating the Enterprise, including but not limited to (a) the cost of utilities, including electricity and other forms of energy supplied to the Enterprise, and (b) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Enterprise in good repair and working order, but in all cases excluding (i) depreciation, replacement and obsolescence charges or reserves therefor and (ii) amortization of intangibles or other bookkeeping entries of a similar nature.

"Payment Date" means the tenth day of each June and December, or as otherwise agreed to in writing by the parties hereto.

"Net Revenues" means, for any period, an amount equal to all of the Gross Revenues received during such period minus the amount required to pay all Operation and Maintenance Costs becoming payable during such period.

"Surplus Revenues" means, for any period, an amount equal to all of the Net Revenues minus (i) the amount required to be paid under the Installment Sale Agreement during such period, (ii) the amount required to pay debt service on any obligations incurred by the Water District with respect to the Enterprise becoming payable during such period, and (iii) amounts set aside for capital replacements and improvements.

"Term of this Agreement" means the time during which this Lease Agreement is in effect, as provided in Section 4.1.

"Total Rent" shall mean the total rent having an aggregate present value, when computed as of the Closing Date, of an amount to be agreed upon by the parties hereto subsequent to the Closing Date that represents the fair value of the Leased Property as of June 30, 2009. Such amount shall be determined within 90 days after the audited financial statements of the City become available. To the extent the City acquires additional properties or improvements relating to the Enterprise, including, without limitation, properties and improvements contributed as a result of new development, which properties shall become a component of the Leased Property, the Total Rent shall be increased by the agreed upon value of such added properties.

"Wastewater Enterprise Fund" means the City's existing Wastewater Enterprise Fund to be held by the Water District.

ARTICLE 2

COVENANTS AND REPRESENTATIONS

Section 2.1 Covenants and Representations of the City. The City makes the following covenants and representations to the Water District that as of the Closing Date:

(a) The City is a charter city and municipal corporation duly organized and validly existing under the laws of the State, has full legal right, power and authority to enter into this Agreement and to carry out and consummate all transactions contemplated hereby, and by proper action has duly authorized the execution and delivery of this Agreement.

(b) The representatives of the City executing this Agreement are fully authorized to execute the same.

(c) This Agreement has been duly authorized, executed and delivered by the City, and constitutes the legal, valid and binding agreement of the City, enforceable against the City in accordance with its terms.

(d) The execution and delivery of this Agreement, the consummation of the transactions herein contemplated and the fulfillment of or compliance with the terms and conditions hereof, will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the City is a party or by which it or its Enterprise are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the City, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Agreement, or the financial condition, assets, property or operations of the Enterprise.

(e) No consent or approval of any trustee or holder of any indebtedness of the City or of the voters of the City, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Agreement or the consummation of any transaction herein and therein contemplated, except as have been obtained or made and as are in full force and effect.

(f) There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or threatened against or affecting the City or the Enterprise which, if determined adversely to the City or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Agreement or upon the financial condition or operation of the Enterprise, and the City is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Agreement, or the financial conditions or operations of the Enterprise.

Section 2.2 Covenants and Representations of the Water District. The Water District makes the following covenants and representations as the basis for its undertakings herein contained:

(a) The Water District is a county water district and a subsidiary district of the City, duly organized and existing under the laws of the State. The Water District has the full right, authority and power to enter into the transactions contemplated by this Agreement and to carry out and consummate all transactions contemplated hereunder. By proper action of its governing body, the Water District has been duly authorized to execute, deliver and duly perform this Agreement.

(b) The Water District is not in default under any of the provisions of the laws of the State, which default would affect its existence or its powers referred to in subsection (a) of this Section 2.2.

(c) This Agreement has been duly authorized, executed and delivered by the Water District, and constitutes the legal, valid and binding agreement of the Water District, enforceable against the Water District in accordance with its terms.

ARTICLE 3

LEASE AND OPERATION OF OF LEASED PROPERTY

Section 3.1 Lease of the Leased Property. The Water District agrees to lease the Leased Property from the City, and the City agrees to lease, and hereby does lease, such Leased Property to the Water District, for the Total Rent.

Section 3.2 Operation of the Leased Property. The Water District assumes all rights, liabilities, duties and responsibilities of the City regarding the operation and maintenance of the Leased Property. The Water District shall assume, enter into, administer and enforce all contracts or other agreements relating to the operation and maintenance of the Leased Property. All contracts relating to the acquisition, operation and maintenance of the Leased Property shall be subject to all applicable provisions of law relating to like property operated by a county water district.

ARTICLE 4

LEASE PAYMENTS

Section 4.1 Term. The Term of this Agreement shall commence on the Closing Date, and shall end on _____, 2064. Upon termination of this Agreement, all rights, liabilities, duties and responsibilities regarding the Leased Property shall return to and be vested in the City and the Water District shall have no further interest therein. The provisions of this Section 4.1 are subject in all respects to any other provisions of this Agreement relating to the termination hereof.

Section 4.2 Lease Payments.

(a) Obligation to Pay. The Water District agrees to pay to the City, its successors and assigns, but solely from the Surplus Revenues and other funds pledged hereunder, Lease Payments totaling the Total Rent. Lease Payments shall be paid by the Water District to the City, on each Payment Date or other dates as agreed to in writing between the City and the Water District, in amounts determined by agreement from time to time of the City and the Water District.

(b) Effect of Prepayment. In the event that the Water District prepays all remaining Lease Payments in full pursuant to Article 9, only the Water District's obligations under this Agreement to pay Lease Payments therefor under this Section 4.2 shall cease and terminate.

Section 4.3 Pledge and Application of Surplus Revenues.

(a) Pledge of Surplus Revenues. All of the Surplus Revenues are hereby irrevocably pledged, charged and assigned by the Water District to the punctual payment of the Lease

Payments and the Surplus Revenues and such other funds shall not be used for any other purpose (except capital improvements, including debt service on bonded indebtedness or other obligations incurred by the Water District in connection with the Enterprise, and other lawful purposes related to the Enterprise) so long as any of the Lease Payments remain unpaid. Such pledge, charge and assignment shall constitute a first lien on the Surplus Revenues and such other moneys for the payment of the Lease Payments in accordance with the terms hereof.

(b) Deposits Into Wastewater Enterprise Fund. There is hereby continued the Wastewater Enterprise Fund, which is to be held and administered by the Water District. The Water District shall deposit all of the Gross Revenues immediately upon receipt in the Wastewater Enterprise Fund. The Water District shall, from the moneys in the Wastewater Enterprise Fund, make disbursements as required under Section 4.5 (or such comparable section) of the Installment Sale Agreement. Amounts constituting Surplus Revenues in the Wastewater Enterprise Fund shall be used to make Lease Payments as such payments become due and payable.

(c) Budget and Appropriation of Lease Payments. During the Term of this Agreement, the Water District, with the assistance of the City, shall adopt and make all necessary budgets and appropriations of the Lease Payments from the Surplus Revenues. In the event any Lease Payment requires the adoption by the Water District of any supplemental budget or appropriation, the Water District shall promptly adopt the same. The covenants on the part of the Water District contained in this subsection (c) shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the Water District to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the Water District to carry out and perform the covenants and agreements in this subsection (c).

Section 4.4 Special Obligation of the Water District; Obligations Absolute. The Water District's obligation to pay the Lease Payments hereunder shall be a special obligation of the Water District limited solely to the Surplus Revenues. Under no circumstances shall the Water District be required to advance moneys derived from any source of income other than the Surplus Revenues and other sources specifically identified herein for the payment of the Lease Payments, nor shall any other funds or property of the Water District be liable for the payment of the Lease Payments and any other amounts coming due and payable hereunder.

The obligations of the Water District to make the Lease Payments from the Surplus Revenues and to perform and observe the other agreements contained herein shall be absolute and unconditional and shall not be subject to any defense or any right of setoff, counterclaim or recoupment arising out of any breach of the City of any obligation to the Water District or otherwise with respect to the Enterprise, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the Water District by the City. Until such time as all of the Lease Payments and all other amounts coming due and payable hereunder shall have been fully paid or prepaid, the Water District (a) will not suspend or discontinue payment of any Lease Payments or such other amounts, and (b) will perform and observe all other agreements contained in this Agreement.

In the event the City shall fail to perform any of its agreements contained herein, the Water District may institute such action against the City as the Water District may deem necessary to compel performance so long as such action does not abrogate the obligations of the Water District contained in the preceding paragraph. The Water District may, however, at the Water District's own cost and expense and in the Water District's own name prosecute or defend any action or proceeding or take any other action involving third persons which the Water District deems reasonably necessary in order to secure or protect the Water District's rights hereunder, and in such event the Water District hereby agrees to cooperate fully with the City and to take such action necessary to effect the substitution of the City for the Water District in such action or proceeding, if the Water District shall so request.

Section 4.5 Rates, Fees and Charges. The Water District, through the actions of the City, shall fix, prescribe, revise and collect rates, fees and charges for the Enterprise as a whole for the service and improvements furnished by the Enterprise during each Fiscal Year that are at least sufficient, after making allowances for contingencies and error in the estimates to yield Surplus Revenues that are sufficient to pay scheduled Lease Payments.

ARTICLE 5

MAINTENANCE; TAXES, INSURANCE; AND OTHER MATTERS

Section 5.1 Maintenance, Utilities, Taxes and Assessments. Throughout the Term of this Agreement, all improvement, repair and maintenance of the Enterprise shall be the responsibility of the Water District, and the Water District shall pay for or otherwise arrange for the payment of all utility services supplied to the Enterprise, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Enterprise resulting from ordinary wear and tear.

The Water District shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Water District affecting the Enterprise or its interest or estate therein; provided, however, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Water District shall be obligated to pay only such installments as are required to be paid during the Term of this Agreement as and when the same become due.

The Water District may, at the Water District's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the City shall notify the Water District that, in its opinion, by nonpayment of any such items, the interest of the City hereunder will be materially adversely affected, in which event the Water District shall promptly pay such taxes, assessments or charges or provide the City with full security against any loss which may result from nonpayment, in form satisfactory to the City.

Section 5.2 Operation of Enterprise. The Water District covenants and agrees to operate the Enterprise in an efficient and economical manner and to operate, maintain and

preserve the Enterprise in at least as good repair and working order as on the effective date of this Agreement. The Water District covenants that, in order to fully preserve and protect the priority and security of the Lease Payments, the Water District shall pay from the Gross Revenues and discharge all lawful claims for labor, materials and supplies furnished for or in connection with the Enterprise which, if unpaid, may become a lien or charge upon the Gross Revenues or the Surplus Revenues prior or superior to the lien granted hereunder, or which may otherwise impair the ability of the Water District to pay the Lease Payments in accordance herewith. The Water District shall be responsible for any fines, liabilities, or other debts coming due as a result of the operation of the Enterprise.

Section 5.3 Insurance. The Water District shall maintain or cause to be maintained, throughout the Term of this Agreement, but only if and to the extent available at reasonable cost from reputable insurers, such insurance required to be maintained under the Installment Sale Agreement and shall cause insurance proceeds to be applied as provided therein.

Section 5.4 Eminent Domain. The Water District shall cause amounts received as awards as a result of the taking of all or any part of the Enterprise by the lawful exercise of eminent domain to be applied in accordance with the Installment Sale Agreement.

Section 5.5 Records and Accounts. The Water District shall keep proper books of records and accounts of the Enterprise, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the Enterprise. Said books shall, upon prior request, be subject to the reasonable inspection by the City or its representatives authorized in writing. The Water District shall cause the books and accounts of the Enterprise to be audited annually by an Independent Accountant, not more than two hundred forty (240) days after the close of each Fiscal Year, and shall make a copy of such report available for inspection by the City at the office of the Water District.

ARTICLE 6

DISCLAIMER OF WARRANTIES; ACCESS

Section 6.1 Disclaimer of Warranties. The City makes no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the Water District of the Enterprise, or any other representation or warranty with respect to the Enterprise. In no event shall the City be liable for incidental, indirect, special or consequential damages in connection with or arising out of this Agreement for the existence, furnishing, functioning or the Water District's use of the Enterprise.

Section 6.2 Release and Indemnification Covenants. The Water District shall and hereby agrees to indemnify and save the City, and its respective officers, agents, successors and assigns harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (a) the use, maintenance, condition or management of, or from any work or thing done on the Enterprise by the Water District, (b) any breach or default on the part of the Water District in the performance of any of its obligations under this Agreement, (c) any negligence or willful misconduct of the Water District or of any of its agents, contractors,

servants, employees or licensees with respect to the Enterprise, (d) any act or negligence of any sublessee of the Water District with respect to the Enterprise, or (e) the presence on, under or about, or release from, the Enterprise of any substance, material or waste which is, or which becomes, regulated or classified as hazardous or toxic under State, federal or local law. No indemnification is made under this Section 6.2 or elsewhere in this Agreement for adjudicated willful misconduct or negligence by the City, or its respective officers, employees, successors or assigns. The obligations of the Water District under this Section 6.2 shall survive the termination of this Agreement.

Section 6.3 Non-Liability of City for Enterprise Obligations. The City and its successor and assigns shall have no obligation and shall incur no liabilities or debts whatsoever for the obligations, liabilities and debts of the Water District incurred in connection with the lease and operation of the Enterprise.

ARTICLE 7

ASSIGNMENT, SALE AND AMENDMENT

Section 7.1 Assignment. This Agreement may not be assigned by the Water District or the City.

Section 7.2 Sale of Enterprise. Subject to the provisions of the Installment Sale Agreement, the Water District and the City each covenant that their respective interests in the Enterprise shall not be encumbered, sold, leased, pledged, any charge placed thereon, or otherwise disposed of, as a whole or substantially as a whole, except to another public entity whose governing body is comprised of members of the Victorville City Council. Neither the Surplus Revenues nor any other funds pledged or otherwise made available to secure payment of the Lease Payments shall be mortgaged, encumbered, sold, leased, pledged, any charge placed thereon, or disposed of or used except as authorized by the terms of this Agreement. The Water District shall not enter into any agreement which impairs the operation of the Enterprise or any part of it necessary to secure adequate Surplus Revenues to pay the Lease Payments, or which otherwise would impair the rights of the City with respect to the Surplus Revenues. If any substantial part of the Enterprise shall be sold, the payment therefor shall either (a) be used for the lease, acquisition or construction of improvements, extensions or replacements of Enterprise, or (b) to be applied to prepay the Water District's obligations pursuant to the Installment Sale Agreement.

Section 7.3 Amendment of Agreement. The City and the Water District shall have the right to modify or amend this Agreement upon the written consent of each party hereto.

ARTICLE 8

EVENTS OF DEFAULT

Section 8.1 Events of Default Defined. The following events shall be Events of Default hereunder:

(a) Failure by the Water District to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than failure to pay when due any Lease Payment or other amount due under this Agreement, for a period of sixty (60) days after written notice specifying such failure and requesting that it be remedied has been given to the Water District by the City; provided, however, that if the Water District shall notify the City that in its reasonable opinion the failure stated in the notice can be corrected, but not within such 60-day period, such failure shall not constitute an event of default hereunder if the Water District shall commence to cure such failure within such sixty (60) day period and thereafter diligently and in good faith cure such failure in a reasonable period of time.

(b) The filing by the Water District of a voluntary petition in bankruptcy, or failure by the Water District promptly to lift any execution, garnishment or attachment, or adjudication of the Water District as a bankrupt, or assignment by the Water District for the benefit of creditors, or the entry by the Water District into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Water District in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.

Section 8.2 Remedies on Default. Whenever any Event of Default shall have happened and be continuing, the Water District, upon receipt of actual knowledge thereof, shall promptly give written notice thereof to the City, and the City shall have the right, at its option and without any further demand or notice, to

(a) take whatever action at law or in equity may appear necessary or desirable to collect the Lease Payments then due or thereafter to become due during the Term of this Agreement, or enforce performance and observance of any obligation, agreement or covenant of the Water District under this Agreement; and

(b) as a matter of right, in connection with the filing of a suit or other commencement of judicial proceedings to enforce the rights of the City hereunder, cause the appointment of a receiver or receivers of the Surplus Revenues and other amounts pledged hereunder, with such powers as the court making such appointment shall confer; provided, however, that the City shall not have the right to declare all principal components of the unpaid Lease Payments, together with accrued interest thereon, to be immediately due and payable.

Section 8.3 No Remedy Exclusive. No remedy herein conferred upon or reserved to the City is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the City to exercise any remedy reserved to it in this Article 8 it shall not be necessary to give any notice, other than such notice as may be required in this Article 8 or by law.

Section 8.4 Agreement to Pay Attorneys' Fees and Expenses. In the event either party to this Agreement should default under any of the provisions hereof and the nondefaulting

party should employ attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party the reasonable fees of such attorneys and such other expenses so incurred. In the event that there is a disagreement as to the defaulting party, the prevailing party in any litigation, arbitration or other proceeding by which one party seeks to enforce its rights under this Agreement, or seeks a declaration of any rights or obligations under this Agreement, shall be awarded its reasonable attorneys' fees, costs and expenses.

Section 8.5 No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE 9

PREPAYMENT OF LEASE PAYMENTS

Section 9.1 Security Deposit. Notwithstanding any other provision of this Agreement, the Water District may on any date secure the payment of Lease Payments in whole or in part by irrevocably depositing with the City an amount of cash which is either (a) sufficient to pay all such Lease Payments, or (b) invested in whole or in part in non-callable Federal Securities in such amount as will, in the written opinion of an Independent Accountant, together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay all such Lease Payments when due pursuant to Section 4.2(a) or when due on any optional prepayment date pursuant to Section 9.2, as the Water District shall instruct at the time of said deposit. In the event of a security deposit pursuant to this Section 9.1 with respect to all of the Lease Payments, all obligations of the Water District under this Agreement, and all security provided by this Agreement for said obligations, shall cease and terminate, excepting only the obligation of the Water District to make, or cause to be made, all of such Lease Payments from such security deposit, and the obligation of the Water District to compensate and indemnify the City pursuant to Section 6.2 herein. Said security deposit shall be deemed to be and shall constitute a special fund for the payment of Lease Payments in accordance with the provisions of this Agreement.

Section 9.2 Optional Prepayment. The Water District may prepay the Lease Payments without penalty in whole or in part, on any date.

Section 9.3 Mandatory Prepayment From Proceeds of Insurance, Sale or Eminent Domain. The Water District shall be obligated to prepay the Lease Payments on any date from and to the extent of any proceeds of insurance award, sale of a substantial portion of the Enterprise or condemnation award with respect to the Enterprise subject to the first lien thereon under the Installment Sale Agreement.

ARTICLE 10

MISCELLANEOUS

Section 10.1 Further Assurances. The City agrees that it will execute and deliver any and all such further agreements, instruments or other assurances as may be reasonably necessary or requested by the Water District to carry out the intention or to facilitate the performance of this Agreement.

Section 10.2 Notices. Any notice, request, complaint, demand or other communication under this Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by telecopy, telex or other form of written telecommunication, at its number set forth below. Notice shall be effective either (a) upon confirmed transmission by telecopy, telex or other form of written telecommunication, (b) 48 hours after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Water District and the City may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the Water District: Victorville Water District
17185 Yuma Street
Victorville, California 92392
Attn: Director of Water District

If to the City: City of Victorville
14343 Civic Drive
Victorville, California 92392
Attn: City Manager

Section 10.3 Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of California.

Section 10.4 Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Water District and the City, and their respective successors and assigns, subject, however, to the limitations contained herein.

Section 10.5 Severability of Invalid Provisions. If any one or more of the provisions contained in this Agreement 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 this Agreement and such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement, and this Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Water District and the City each hereby declares that it would have entered into this Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Agreement may be held illegal, invalid or unenforceable.

Section 10.6 Article and Section Headings and References. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Agreement. All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof; and words of the masculine gender shall mean and include words of the feminine and neuter genders.

Section 10.7 Execution of Counterparts. This Agreement may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original and all of which shall together constitute but one and the same instrument.

Section 10.8 Waiver of Personal Liability. No member of the Water District Board of Directors, or officer, agent or employee of the Water District shall be individually or personally liable for the payment of Lease Payments or be subject to any personal liability or accountability by reason of this Agreement; but nothing herein contained shall relieve any such member or person from the performance of any official duty provided by law or by this Agreement.

Section 10.9 Benefit of Agreement. Nothing in this Agreement, expressed or implied, is intended to give to any person other than the Water District and the City any right, remedy or claim under or by reason of this Agreement.

IN WITNESS WHEREOF, the Water District and the City have caused this Agreement to be executed in their respective names by their duly authorized officers, all as of the date first above written.

CITY OF VICTORVILLE, as Lessor

By:_____
Rudy Cabriales, Mayor

VICTORVILLE WATER DISTRICT, as Lessee

By:_____
Rudy Cabriales, Chairman

ATTEST

By:_____
Victorville City Clerk

By:_____
Water District Secretary

APPROVED AS TO FORM

By:_____
City Attorney

By:_____
Water District Legal Counsel

City of Victorville and
Victorville Water District Risk Manager
Chuck Buquet

_____

RESOLUTION NO. 09-037

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF VICTORVILLE DESIGNATING THE CITY RECLAIMED WATER CONVEYANCE SYSTEM FOR RECLAIMED WATER FROM VVWRA AS LEASED PROPERTY UNDER THE WASTEWATER ENTERPRISE LEASE AGREEMENT TO THE VICTORVILLE WATER DISTRICT, AND APPROVING THE TAKING OF CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, the City of Victorville (the "City") owns and operates that certain reclaimed water conveyance system for VVWRA's treated wastewater effluent ("Reclaimed Water Conveyance System");" and

WHEREAS, the City paid for the construction of the Reclaimed Water Conveyance System; and

WHEREAS, the Water District functions under, and is authorized to carry out all authorized duties and responsibilities assigned to a county water district, which includes wastewater services; and

WHEREAS, the City Council previously made findings that administering the City's Wastewater Enterprise in the same manner and under the jurisdiction of the Water District together with the Water Enterprise will result in operational and administrative efficiencies; and

WHEREAS, the City Council finds that it is important to the long term growth of the City that the Water District secure the availability of significantly more reclaimed water; and

WHEREAS, the City Council previously approved the lease of the Wastewater Enterprise to the Water District pursuant to a lease agreement;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF VICTORVILLE DOES RESOLVE AS FOLLOWS:

Section 1. The City hereby designates the City owned Reclaimed Water Conveyance System as a part of the Wastewater Enterprise and subject to the Wastewater Enterprise Lease Agreement with the Water District.

Section 2. Any Responsible Officer is hereby authorized and directed to execute and deliver any and all documents and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by this Resolution.

Section 3. The City Clerk shall certify to the adoption of this Resolution, and thenceforth and thereafter the same shall be in full force and effect.

PASSED, APPROVED AND ADOPTED this 5th day of MAY 2009.

MAYOR OF THE CITY OF VICTORVILLE

ATTEST:

CITY CLERK

APPROVED AS TO FORM:

CITY ATTORNEY

I, CAROLEE BATES, City Clerk of the City of Victorville and ex-officio Clerk to the City Council of said City, DO HEREBY CERTIFY that the foregoing is a true and correct copy of Resolution No. 09-037 which was adopted at a meeting held on the 5th day of May 2009, by the following roll call vote, to wit:

AYES: Councilmembers Almond, Cabriales, Caldwell, McEachron and Rothschild

NOES: None

ABSENT: None

ABSTAIN: None

CITY CLERK OF THE CITY OF VICTORVILLE

RESOLUTION NO. JPFA-09-003

RESOLUTION OF THE GOVERNING BOARD OF VICTORVILLE JOINT POWERS FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF NOT TO EXCEED $55,000,000 PRINCIPAL AMOUNT OF ITS WASTEWATER REVENUE NOTES, 2009 SERIES (TAXABLE); APPROVING AN INDENTURE OF TRUST, AN INSTALLMENT SALE AGREEMENT, AND A PRIVATE PLACEMENT MEMORANDUM RELATED THERETO; AND APPROVING THE TAKING OF CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, the Victorville Joint Powers Financing Authority (the "Authority"), is a joint exercise of powers agency duly created, established and authorized to transact business and exercise its powers, all under and pursuant to the Joint Exercise of Powers Act (Articles 1 through 4 of Chapter 5, Division 7, Title 1 of the California Government Code) (the "Act") and the powers of such Authority include the power to issue bonds for any of its corporate purposes; and

WHEREAS, the City of Victorville (the "City") owns and operates that certain wastewater collection system referred to herein as the "Wastewater Enterprise;" and

WHEREAS, the City desires to finance the construction of a wastewater treatment plant (with reclaimed water production capabilities) as well as certain other improvements to the Wastewater Enterprise (the "Improvements"); and

WHEREAS, it has been proposed that the Authority assist the City in providing funds to finance such Improvements by issuing taxable notes (the "Notes"), which will be privately placed with an accredited investor; and

WHEREAS, the Victor Valley Water District and the Baldy Mesa Water District were merged into Victorville Water District (the "Water District"), a subsidiary district of the City; and

WHEREAS, the Water District provides water service to service area/territory of the merged districts (the "Water Enterprise"); and

WHEREAS, the Water District functions under, and is authorized to carry out all authorized duties and responsibilities assigned to a county water district, which includes wastewater services; and

WHEREAS, the City Council previously made findings that administering the City's Wastewater Enterprise in the same manner and under the jurisdiction of the Water District together with the Water Enterprise will result in operational and administrative efficiencies and will enhance the Authority's ability to issue and sell the Notes; and

WHEREAS, the City Council previously directed staff to solicit a proposal from the Water District to lease the Wastewater Enterprise from the City; and

WHEREAS, the City Council has held a public hearing to examine the proposal and the staff recommendations relating to such proposal received by the City; and

WHEREAS, upon reviewing and examining the proposal received and the staff's recommendations and the views expressed at the public hearing, the City Council has determined that significant benefits will result from the lease of the Wastewater Enterprise; and

WHEREAS, simultaneously with the delivery of the Notes, the Water District will lease the Wastewater Enterprise from the City pursuant to a lease agreement; and

WHEREAS, the Notes will be used finance the Improvements which will be purchased by the Water District pursuant to an installment sale agreement; and

WHEREAS, the Authority, with the aid of its staff, has reviewed the documentation relating to the issuance of the Notes; and

WHEREAS, the Authority has previously adopted Resolution No. JPFA-09-001 approving the issuance of the Notes, which resolution has been rescinded; and

WHEREAS, since the date of adoption of Resolution No. JPFA-09-001, no changes have occurred with respect the Notes;

NOW, THEREFORE, THE GOVERNING BOARD OF THE VICTORVILLE JOINT POWERS FINANCING AUTHORITY DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. Pursuant to the Act, the Authority hereby approves the issuance of the Notes in the aggregate principal amount not to exceed $55,000,000 in accordance with the terms and conditions of the Indenture of Trust relating to the Notes, substantially in the form annexed hereto, with such revisions, amendments and completions as shall be approved by the President of the Authority, the Vice-President, the Executive Director, the Treasurer, the Secretary or any member of the Board or any designee of any of them (each, a "Responsible Officer"), with the advice of bond counsel to the Authority, such approval to be conclusively evidenced by the execution and delivery thereof. The true interest cost of the Notes shall not exceed 12.0%.

Section 2. The Authority hereby approves the Installment Sale Agreement relating to the Notes in substantially the form annexed hereto, with such revisions, amendments and completions as shall be approved by a Responsible Officer with the advice of bond counsel to the Authority, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. The Authority hereby approves the Private Placement Memorandum prepared in connection with the issuance of the Notes (the "PPM"), substantially in the form annexed hereto, with such revisions, amendments and completions as shall be approved by a Responsible Officer with the advice of bond counsel and co-disclosure counsel to the Authority. Any Responsible Officer is authorized and directed to execute and deliver the PPM with such additions and changes as may be approved by the Responsible Officer executing the same, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. The Authority hereby appoints Kinsell, Newcomb & De Dios, Inc., Carlsbad, California, as the private placement agent in connection with the issuance of the Notes. The private placement agent fee shall not exceed 2.50% of the aggregate principal amount of the Notes.

Section 5. The Authority hereby appoints Fulbright & Jaworski L.L.P., Los Angeles, California, as Bond Counsel and Co-Disclosure Counsel and appoints Green de Bortnowsky & Quintanilla, LLP, Calabassas, California, as Co-Disclosure Counsel in connection with the issuance of the Notes, pursuant to the terms of the engagement letter attached hereto.

Section 6. Any Responsible Officer is 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 this resolution.

Section 7. The Secretary of the Authority shall certify to the adoption of this resolution, and thenceforth and thereafter the same shall be in full force and effect.

PASSED, APPROVED AND ADOPTED this 5th day of MAY 2009.

CHAIRMAN OF THE BOARD OF DIRECTORS

ATTEST:

BOARD SECRETARY

APPROVED AS TO FORM:

CITY ATTORNEY

I, CAROLEE BATES, City Clerk of the City of Victorville and ex-officio Clerk to the Joint Powers Financing Authority of said City, DO HEREBY CERTIFY that the foregoing is a true and correct copy of Resolution No. JPFA-09-003 which was adopted at a meeting held on the 5th day of May 2009, by the following roll call vote, to wit:

AYES: Board Members Almond, Cabriales, Caldwell, McEachron and Rothschild

NOES: None

ABSENT: None

ABSTAIN: None

CITY CLERK OF THE CITY OF VICTORVILLE

INDENTURE OF TRUST

by and among the

VICTORVILLE JOINT POWERS FINANCING AUTHORITY

and

VICTORVILLE WATER DISTRICT

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee

Dated as of May 1, 2009

Relating to:

$_____
Victorville Joint Powers Financing Authority
Taxable Wastewater Revenue Notes, 2009 Series
(Victorville Water District)

INDENTURE OF TRUST

THIS INDENTURE OF TRUST, is made and entered into as of May 1, 2009, by and among the **VICTORVILLE JOINT POWERS FINANCING AUTHORITY**, a joint exercise of powers agency organized and existing under the laws of the State of California (the "Authority"), the **VICTORVILLE WATER DISTRICT**, a county water district and a subsidiary district of the City of Victorville duly organized and existing under the laws of the State of California (the "Water District"), and **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.**, a national banking association organized and existing under the laws of the United State of America, and being qualified to accept and administer the trusts hereby created (the "Trustee").

WITNESSETH:

WHEREAS, the City of Victorville (the "City") owns that certain wastewater collection system (the "Leased Property"); and

WHEREAS, pursuant to that certain Wastewater Enterprise Lease Agreement, dated as of April __, 2009, by and between the City and the Water District, the City has leased the Leased Property to the Water District, including all rights, liabilities, duties and responsibilities of the City regarding the operation and maintenance of the Leased Property as well as the power to enter into, administer and enforce all contracts or other agreements relating to the operation and maintenance of the Leased Property; and

WHEREAS, the Leased Property, as operated by the Water District, and together with any improvements thereto acquired, constructed or installed by the Water District, including, without limitation, the Improvements, constitutes the Wastewater Enterprise of the Water District; and

WHEREAS, under Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Bond Law") the Authority is authorized to borrow money for the purpose of financing the acquisition of bonds, notes and other obligations of, or for the purpose of making loans to, public entities including the Water District, and to provide financing for public capital improvements of public entities including the Water District; and

WHEREAS, the Water District desires to finance the construction of a wastewater treatment plant as well as certain other improvements to the Wastewater Enterprise (the "Improvements"); and

WHEREAS, for the purpose of providing funds to finance the Improvements, the Authority has determined to issue its Victorville Joint Powers Financing Authority Taxable Wastewater Revenue Notes, 2009 Series (Victorville Water District) in the aggregate principal amount of $_____ (the "Notes"), all pursuant to and secured by this Indenture in the manner provided herein; and

WHEREAS, the Water District and the Authority have determined that it is necessary and desirable to enter into an Installment Sale Agreement, dated the date hereof, by and between the Water District and the Authority (the "Installment Sale Agreement"), pursuant to which the Authority will sell the Improvements to the Water District in consideration for Installment Payments equal in time and amount to the debt service on the Notes; and

WHEREAS, the Authority has determined that in order to provide for the authentication and delivery of the Notes, to establish and declare the terms and conditions upon which the Notes are to be

issued and secured and to secure the payment of the principal thereof and interest and premium (if any) thereon, the Authority has authorized the execution and delivery of this Indenture; and

WHEREAS, the Water District and the Authority have determined that all acts and proceedings required by law necessary to make the Notes, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the Authority, and to constitute this 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 this Indenture have been in all respects duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the payment of the principal of and the interest and premium (if any) on the Notes issued and Outstanding under this Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Notes are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Notes by the owners thereof, and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Authority does hereby covenant and agree with the Trustee, for the benefit of the respective Owners from time to time of the Notes, as follows:

ARTICLE I

DEFINITIONS; AUTHORIZATION AND PURPOSE OF NOTES; EQUAL SECURITY

SECTION 1.1 Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Indenture and of any Supplemental Indenture and of the Notes and of any certificate, opinion, request or other documents 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. In addition, all capitalized terms used herein and not otherwise defined in this Section shall have the respective meanings given such terms in the Installment Sale Agreement.

"Acquisition and Construction Fund" means the fund by that name established and held by the Trustee pursuant to Section 3.5.

"Additional Payments" means the payments so designated and required to be paid by the Water District pursuant to Section 4.10 of the Installment Sale Agreement.

"Agency" means the Redevelopment Agency of the City of Victorville.

"Authority" means the Victorville Joint Powers Financing Authority, a joint exercise of powers agency duly organized and existing pursuant to a Joint Exercise of Powers Agreement, dated as of September 1, 1990, between the City and the Agency.

"Authorized Representative" means: (a) with respect to the Authority, its President, Vice President, Executive Director, Treasurer, Secretary or any other person designated as an Authorized Representative of the Authority by a Written Certificate of the Authority signed by its President, Vice President, Executive Director, Treasurer or Secretary and filed with the Water District and the Trustee; and (b) with respect to the Water District, its Chairman, Vice Chairman, Executive Director, Director of Water District, Treasurer or any other person designated as an Authorized Representative of the Water

District by a Written Certificate of the Water District signed by its Chairman, Vice Chairman, Executive Director, Director of Water District or Treasurer and filed with the Trustee.

"Bond Counsel" means (a) Fulbright & Jaworski L.L.P., or (b) any other attorney or firm of attorneys appointed by or acceptable to the Water District of nationally recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

"Bond Law" means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State, as in existence on the Closing Date or as thereafter amended from time to time.

"Business Day" means a day (other than a Saturday or a Sunday) on which banks are not required or authorized to remain closed in the city in which the Office of the Trustee is located.

"Closing Date" means _____, 2009, being the date of delivery of the Notes. [To be completed upon pricing]

"Costs of Issuance" means all items of expense directly or indirectly relating to the authorization, issuance, sale and delivery of the Notes, including but not limited to printing expenses, filing and recording fees, fees, expenses and charges of the Water District, the Authority, the Trustee, and their respective counsel, including the Trustee's first annual administrative fee, costs of obtaining Permitted Investment for monies held in the funds and accounts created and held hereunder, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Notes and any other cost, charge or fee in connection with the original issuance of the Notes and the execution and delivery of the Installment Sale Agreement.

"Costs of Issuance Fund" means the fund by that name established and held by the Trustee pursuant to Section 3.4.

"Depository" means DTC and its successors and assigns or if (a) the then Depository resigns from its functions as securities depository of the Notes, or (b) the Authority discontinues use of the Depository pursuant to Section 2.12 hereof, any other securities depository which agrees to follow the procedures requested to be followed by a securities depository in connection with the Notes and which is selected by the Authority with the consent of the Trustee.

"Depository Participant" means a member of, or participant in, the Depository.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Event of Default" means any of the events described in Section 8.1.

"Federal Securities" means:

a. Direct 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 obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America, including instruments evidencing a direct ownership interest in securities described in this clause such as Stripped Treasury Coupons rated or assessed in the highest Rating

Category by S&P and Moody's and held by a custodian for safekeeping on behalf of holders of such securities; or

b. Notes or notes which are exempt from federal income taxes and for the payment of which cash or obligations described in clause (a) of this definition in an amount sufficient to pay the principal of, premium, if any, and interest on when due have been irrevocably deposited with a trustee or other fiscal depositary and which are rated in the highest Rating Category by S&P and Moody's.

"Indenture" means this Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions hereof.

"Independent Accountant" means any accountant or firm of such accountants appointed and paid by the Water District or the Authority, and who, or each of whom (a) is in fact independent and not under domination of the Water District or the Authority; (b) does not have any substantial interest, direct or indirect, with the Water District or the Authority; and (c) is not connected with the Water District or the Authority as an officer or employee of the Water District or the Authority, but who may be regularly retained to make annual or other audits of the books of or reports to the Water District or the Authority.

"Information Services" means Financial Information, Inc.'s "Daily Called Special Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Mergent/FIS, Inc., 5250 77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attention: Municipal News Reports; and Kenny S&P, 55 Water Street, 45th Floor, New York, New York 10041, Attention: Notification Department; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other information services providing information with respect to called Notes as the Authority or the Water District may designate in a Written Request of the Authority or the Water District delivered to the Trustee.

"Installment Payments" means the payments required to be paid by the Water District pursuant to Section 4.4 of the Installment Sale Agreement, including all prepayments thereof.

"Installment Sale Agreement" means that certain Installment Sale Agreement by and between the Authority and the Water District, with respect to the sale of the Improvements, dated as of April 1, 2009, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of this Indenture.

"Interest Payment Date" means June 1 and December 1 in each year, beginning December 1, 2009, and continuing so long as any Notes remain Outstanding.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Authority.

"Nominee" means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant hereto.

"Note Service Fund" means the fund by that name established and held by the Trustee pursuant to Section 4.2(a).

"Notes" means the Victorville Joint Powers Financing Authority Taxable Wastewater Revenue Notes, 2009 Series (Victorville Water District).

"Office" means the corporate trust office of the Trustee in Los Angeles, California, or at such other or additional offices as may be specified in writing to the Authority and the Water District.

"Outstanding", when used as of any particular time with reference to Notes, means all Notes theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except: (a) Notes theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Notes with respect to which all liability of the Authority shall have been discharged in accordance with Section 9.3; and (c) Notes for the transfer or exchange of or in lieu of or in substitution for which other Notes shall have been authenticated and delivered by the Trustee pursuant to this Indenture.

"Owner", when used with respect to any Note, means the person in whose name the ownership of such Note shall be registered on the Registration Books.

"Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein (the Trustee is entitled to conclusively rely upon a Written Request of the Water District directing investments as a certification to the Trustee that such investments are legal investment), but only to the extent that the same are acquired at fair market value:

(a) Direct 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 obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America, including instruments evidencing a direct ownership interest in securities described in this clause such as Stripped Treasury Coupons rated or assessed in the highest Rating Category by S&P and Moody's and held by a custodian for safekeeping on behalf of holders of such securities.

(b) Notes or notes which are exempt from federal income taxes and for the payment of which cash or obligations described in clause (a) of this definition in an amount sufficient to pay the principal of, premium, if any, and interest on when due have been irrevocably deposited with a trustee or other fiscal depositary and which are rated in the highest Rating Category by S&P and Moody's.

(c) Obligations, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following: Federal Home Loan Bank System, Government National Mortgage Association, Farmer's Home Administration, Federal Home Loan Mortgage Corporation or Federal Housing Administration; provided that with respect to the funds and accounts established under this Indenture, such obligations shall at no time exceed an amount equal to ten percent (10%) of the aggregate principal amount of the Notes Outstanding.

(d) Deposit accounts, certificates of deposit or savings accounts (i) fully insured by the Federal Deposit Insurance Corporation or (ii) with banks whose short term obligations are rated no lower than "A-1" by S&P and "P-1" by Moody's including those of the Trustee and its affiliates.

(e) Federal funds or banker's acceptances with a maximum term of one year of any bank that has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" by Moody's and "A-1" or "A" or better by S&P (including the Trustee).

(f) Repurchase obligations with a term not exceeding 30 days pursuant to a written agreement between the Trustee and either a primary dealer on the Federal Reserve reporting dealer list which falls under the jurisdiction of the SIPC or a federally chartered commercial bank whose long-term debt obligations are rated "A" or better by S&P and Moody's, with respect to any security described in

clause (1); provided that the securities which are the subject of such repurchase obligation (i) must be free and clear of all liens, (ii) in the case of a SIPC dealer, were not acquired pursuant to a repurchase or reverse repurchase agreement, (iii) must be deposited with the Trustee and maintained through weekly market valuations in an amount equal to 104% of the invested funds plus accrued interest; and further provided that the Trustee must have a valid first perfected security interest in such securities.

(g) Taxable government money market portfolios that have a rating by S&P of "Am-G" or "Am" or better and rated in one of the three highest rating categories of Moody's consisting of securities issued or guaranteed as to payment of principal and interest by the full faith and credit of the United States, subject to a maximum permissible limit equal to six months of principal and interest on the Notes including portfolios of the Trustee and its affiliates.

(h) Tax-exempt government money market portfolios that have a rating by S&P of "Am-G" or "Am" or better and rated in one of the three highest rating categories of Moody's consisting of securities which are rated in the highest Rating Categories of S&P and Moody's subject to a maximum permissible limit equal to six months of principal and interest on the Notes.

(i) Money market funds registered under the Investment Company Act of 1940, the shares in which are registered under the Securities Act of 1933 and that have a rating by S&P of "AAAm-G" or "AAAm" and rated in one of the two highest Rating Categories of Moody's, including those managed or advised by the Trustee or its affiliates.

(j) The Local Agency Investment Fund of the State, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

(k) Investment agreements, including guaranteed investment contracts ("GICs") forward purchase agreements and reserve fund put agreements with banks or other financial institutions rated, or guaranteed by institutions rated, or with senior unsecured debt rated, by S&P and Moody's, in one of the two highest rating categories assigned by such agencies.

"Record Date" means, with respect to any Interest Payment Date, the fifteenth (15th) calendar day of the month preceding such Interest Payment Date.

"Redemption Fund" means the fund by that name established and held by the Trustee pursuant to Section 4.2(b).

"Registration Books" means the books maintained by the Trustee pursuant to Section 2.7 for the registration and transfer of ownership of the Notes.

"Responsible Officer" means any Vice President, Assistant Vice President or Trust Officer or any other officer of the Trustee having regular responsibility for corporate trust matters related to this Indenture.

"Revenue Fund" means the fund by that name established and held by the Trustee pursuant to Section 4.2.

"Revenues" means (a) all amounts received by the Authority or the Trustee pursuant or with respect to the Installment Sale Agreement, including, without limiting the generality of the foregoing, all of the Installment Payments (including both timely and delinquent payments, any late charges, and whether paid from any source), prepayments, insurance proceeds, condemnation proceeds, but excluding

any Additional Payments; (b) all moneys and amounts held in the funds and accounts established hereunder; and (c) investment income with respect to any moneys held by the Trustee hereunder.

"S&P" means Standard & Poor's, a division of McGraw-Hill, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Authority.

"Securities Depositories" means The Depository Trust Company, 55 Water Street, 50th Floor, New York, N.Y. 10041-0099 Attn. Call Notification Department, Fax (212) 855-7232; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority may designate in a Written Request of the Authority delivered to the Trustee.

"State" means the State of California.

"Supplemental Indenture" means any indenture, agreement, resolution or other instrument hereafter duly adopted or executed in accordance with the provisions of Section 7.1 of this Indenture.

"Tax Code" means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Notes or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Notes, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Tax Code.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., appointed by the Authority to act as trustee hereunder pursuant to Section 6.1, and its assigns or any other corporation or association which may at any time be substituted in its place, as provided in Section 6.1.

"Water District" means the Victorville Water District, a county water district and a subsidiary district of the City of Victorville duly organized and existing pursuant to the laws of the State of California.

"Written Certificate", "Written Request" and "Written Requisition" of the Authority or the Water District mean, respectively, a written certificate, request or requisition signed in the name of the Authority or the Water 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.

SECTION 1.2 Rules of Construction. All references in this Indenture to "Articles," "Sections," and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; and the words "herein," "hereof," "hereunder," and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

SECTION 1.3 Equal Security. In consideration of the acceptance of the Notes by the Owners thereof, this Indenture shall be deemed to be and shall constitute a contract among the Authority, the Water District, the Trustee and the Owners from time to time of the Notes; and the covenants and agreements herein set forth to be performed on behalf of the Authority shall be for the equal and proportionate benefit, security and protection of all Owners of the Notes without preference, priority or distinction as to security or otherwise of any of the Notes over any of the others by reason of the number

or date thereof or the time of sale, execution or delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein.

ARTICLE II

AUTHORIZATION AND ISSUANCE OF NOTES

SECTION 2.1 Authorization of Notes. The Authority has reviewed all proceedings heretofore taken relative to the authorization of the Notes and has found, as a result of such review, and hereby finds and determines that, as of the date of issuance of the Notes, all things, conditions, and acts required by law to exist, happen and be performed precedent to and in the issuance of the Notes do exist, have happened and have been performed in due time, form and manner as required by law, and the Authority is now authorized, pursuant to the Bond Law and each and every requirement of law, to issue the Notes in the manner and form provided in this Indenture. Accordingly, the Authority hereby authorizes the issuance of the Notes pursuant to the Bond Law and this Indenture.

SECTION 2.2 Terms of Notes. The Notes authorized to be issued by the Authority under and subject to the Bond Law and the terms of this Indenture shall be designated the "Victorville Joint Powers Financing Authority Taxable Wastewater Revenue Notes, 2009 Series (Victorville Water District)" and shall be issued in the original principal amount of _____ Dollars ($_____). [To be completed upon pricing].

The Notes shall be issued in fully registered form without coupons in denominations of $100,000 or any integral multiple thereof. The Notes shall be dated the Closing Date, shall mature on _____, 2014 and bear interest at a rate of ____%. [To be completed upon pricing].

Interest on the Notes shall be payable semiannually calculated based on a 360-day year of twelve (12) thirty-day months 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 mailed on the Interest Payment Date by first class mail to the Owner at the address of such Owner as its appears on the Registration Books; provided however, that payment of interest will be made by wire transfer in immediately available funds to an account at a financial institution in the United States of America to any Owner of Notes in the aggregate principal amount of $1,000,000 or more who shall furnish written wire instructions to the Trustee before the applicable Record Date. Any such written request shall remain in effect until rescinded in writing by the Owner. Principal of any Note and any premium upon redemption shall be paid by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee. Principal of and interest and premium (if any) on the Notes shall be payable in lawful money of the United States of America.

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

SECTION 2.3 Redemption of Notes.

(a) Special Mandatory Redemption. The Notes shall be subject to special mandatory redemption as a whole or in part, on a pro rata basis among Owners, on any date, to the extent of the proceeds of an eminent domain award or proceeds of casualty insurance not used to repair or rebuild the Wastewater Enterprise, which proceeds may be used for such purpose pursuant to Sections 5.4 or 5.6 of the Installment Sale Agreement, at a redemption price equal to the principal amount of the Notes to be redeemed plus interest accrued thereon to the date fixed for redemption, without premium.

(b) Optional Redemption from Prepayments of Installment Payments. The Notes shall be subject to redemption, as a whole or in part, on a pro rata basis among Owners, prior to maturity on any date on or after ____ 1, 20__, from prepayment of Installment Payments made at the option of the Water District at the redemption price equal to the principal amount of the Notes to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

(c) Notice of Redemption. The Trustee on behalf and at the expense of the Authority shall mail (by first-class mail, postage prepaid) notice of any redemption to: (i) the respective Owners of any Notes designated for redemption, at least thirty (30) but not more than sixty (60) days prior to the redemption date, at their respective addresses appearing on the Registration Books, and (ii) the Securities Depositories and to one or more Information Services, at least thirty (30) but not more than sixty (60) days prior to the redemption; provided, however, that neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Notes or the cessation of the accrual of interest thereon. In addition to mailed notice, the notice to the Securities Depositories and Information Service shall be given by telephonically confirmed facsimile transmission or overnight delivery service or by such other means approved by such institutions. Such notice shall state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the series, CUSIP numbers, the Note numbers and the maturity or maturities (in the event of redemption of all of the Notes of such maturity or maturities in whole) of the Notes to be redeemed, and shall require that such Notes be then surrendered at the Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Notes will not accrue from and after the redemption date.

(d) Partial Redemption of Notes. In the event only a portion of any Note is called for redemption, then upon surrender of such Note the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Note or Notes of the same series and maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Note to be redeemed.

(e) Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the Notes so called for redemption shall have been duly provided, such Notes so called shall cease to be entitled to any benefit under this Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice. All Notes redeemed pursuant to this Section shall be canceled and shall be destroyed by the Trustee.

SECTION 2.4 Form of Notes. The Notes, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, shall be substantially in the forms set forth in Exhibit A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

SECTION 2.5 Execution of Notes. The Notes shall be signed in the name and on behalf of the Authority with the manual or facsimile signature of its President and attested by the manual or facsimile signature of its Secretary. The Notes shall then be delivered to the Trustee for authentication by it. In case any officer who shall have signed any of the Notes shall cease to be such officer before the Notes so signed shall have been authenticated or delivered by the Trustee or issued by the Authority, such Notes may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Authority as though the individual who signed the same had continued to be such officer of the Authority. Also, any Note may be signed on behalf of the Authority by any individual who on the actual date of the execution of such Note shall be the proper officer although on the nominal date of such Note such individual shall not have been such officer.

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

SECTION 2.6 Transfer and Exchange of Notes.

(a) Transfer of Notes. The registration of any Note may, in accordance with its terms, be transferred upon the Registration Books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Note for cancellation at the Office of the Trustee, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Note or Notes shall be surrendered for registration of transfer, the Trustee shall execute and deliver a new Note or Notes of the same series, maturity, interest rate and aggregate principal amount, in any authorized denominations. The Authority shall pay all costs of the Trustee incurred in connection with any such transfer, except that the Trustee may require the payment by the Note Owner of any tax or other governmental charge required to be paid with respect to such transfer. Provided, however, that no transfer of Notes shall be made by the Trustee unless the Trustee has received from the transferee, and delivered to the Authority, an investor's letter substantially in the form of Appendix C hereto.

(b) Exchange of Notes. Notes may be exchanged at the Office of the Trustee, for a like aggregate principal amount of Notes of other authorized denominations of the same series, interest rate and maturity. The Authority shall pay all costs of the Trustee incurred in connection with any such exchange, except that the Trustee may require the payment by the Note Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

(c) Limitations on Transfer or Exchange. The Trustee may refuse to transfer or exchange either (i) any Note during the period established by the Trustee for the selection of Notes for redemption pursuant to Section 2.3, or (ii) the portion of any Note which the Trustee has selected for redemption pursuant to the provisions of Section 2.3.

SECTION 2.7 Registration Books. The Trustee will keep or cause to be kept, at its Office, sufficient records for the registration and transfer of the Notes, which shall at all times during normal business hours, and upon reasonable notice, be open to inspection by the Water District and the Authority; 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 the Registration Books, Notes as hereinbefore provided.

SECTION 2.8 Issuance in Temporary Form. The Notes may be issued initially in temporary form exchangeable for definitive Notes when ready for delivery. The temporary Notes may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Authority and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Note shall be executed by the Authority and be registered and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Notes. If the Authority issues temporary Notes, it will execute and furnish definitive Notes without delay, and thereupon the temporary Notes may be surrendered, for cancellation, in exchange therefor at the Office of the Trustee, and the Trustee shall authenticate and deliver in exchange for such temporary Notes an equal aggregate principal amount of definitive Notes of authorized denominations. Until so exchanged, the temporary Notes shall be entitled to the same benefits under this Indenture as definitive Notes authenticated and delivered hereunder.

SECTION 2.9 Notes Mutilated, Lost, Destroyed or Stolen. If any Note shall become mutilated, the Authority, at the expense of the Owner of said Note, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Note of like series, tenor and authorized denomination in exchange and substitution for the Note so mutilated, but only upon surrender to the Trustee of the Note so mutilated. Every mutilated Note so surrendered to the Trustee shall be canceled by it and delivered to, or upon the order of, the Authority. If any Note issued hereunder 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 for the Authority and the Trustee satisfactory to the Trustee shall be given, the Authority, at the expense of the Note Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Note of like series and tenor in lieu of and in substitution for the Note so lost, destroyed or stolen (or if any such Note shall have matured or shall have been called for redemption, instead of issuing a substitute Note the Trustee may pay the same without surrender thereof upon receipt of indemnity for the Authority and the Trustee satisfactory to the Trustee). The Authority may require payment of a reasonable fee for each new Note issued under this Section and of the expenses which may be incurred by the Authority and the Trustee. Any Note issued under the provisions of this Section in lieu of any Note alleged to be lost, destroyed or stolen shall constitute an original contractual obligation on the part of the Authority whether or not the Note alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Notes secured by this Indenture.

SECTION 2.10 Book-Entry System; Limited Obligation. The Notes shall be initially executed, authenticated and delivered in the form of a separate single fully registered Note (which may be typewritten) for each of the maturities of the Notes. Upon initial execution, authentication and delivery, the ownership of each such global Note shall be registered in the Note Register in the name of the Nominee as nominee of the Depository. Except as provided in Section 2.12 hereof, all of the Outstanding Notes shall be registered in the Note Register kept by the Trustee in the name of the Nominee and the Notes may be transferred, in whole but not in part, only to the Depository, to a successor Depository or to another nominee of the Depository or of a successor Depository. Each global Note shall bear a legend substantially to the following effect: "UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AS DEFINED IN THE INDENTURE OF TRUST) TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY NOTE 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."

With respect to Notes registered in the Note Register in the name of the Nominee, the Authority and the Trustee shall have no responsibility or obligation to any Depository Participant or to any person on behalf of which such a Depository Participant holds a beneficial interest in the Notes. Without limiting the immediately preceding sentence, the Authority and the Trustee shall have no responsibility or obligation with respect to (a) the accuracy of the records of the Depository, the Nominee or any Depository Participant with respect to any beneficial ownership interest in the Notes, (b) the delivery to any Depository Participant, beneficial owner or any other person, other than the Depository, of any notice with respect to the Notes, including any Redemption Notice, (c) the selection by the Depository and the Depository Participants of the beneficial interests in the Notes to be redeemed in part, or (d) the payment to any Depository Participant, beneficial owner or any other person, other than the Depository, of any amount with respect to principal of, interest on, or premium, if any, of the Notes. The Authority and the Trustee may treat and consider the person in whose name each Note is registered in the Note Register as the holder and absolute Owner of such Note for the purpose of payment of principal of, premium, if any, and interest on the Note, for the purpose of giving Redemption Notices with respect to the Notes and other notices with respect to the Notes, and for all other purposes whatsoever, including, without limitation, registering transfers with respect to the Notes.

The Trustee shall pay all principal of, premium, if any, and interest on the Notes only to or upon the order of the respective Note Owners, as shown in the Note Register kept by the Trustee, or their respective attorneys duly authorized in writing, and all such payments shall be valid hereunder with respect to payment of principal of, premium, if any, and interest on, the Notes to the extent of the sum or sums so paid. No person other than a Note Owner, as shown in the Note Register, shall receive a Note evidencing the obligation to make payments of principal of, premium, if any, and interest on such Note pursuant to this Indenture of Trust. Upon delivery by the Depository to the Trustee and the Authority 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 this Indenture of Trust shall refer to such new nominee of the Depository.

SECTION 2.11 Representation Letter. In order to qualify the Notes for the Depository's book-entry system, the Authorized Representative is hereby authorized to execute, countersign and deliver on behalf of the Authority to such Depository a letter from the Authority representing such matters as shall be necessary to so qualify the Notes (the "Representation Letter"). The execution and delivery of the Representation Letter shall not in any way limit the provisions of Section 2.10 hereof or in any other way impose upon the Authority or the Water District any obligation whatsoever with respect to persons having beneficial interests in the Notes other than the Owners, as shown in the Note Register kept by the Trustee. In the written acceptance by the Trustee of the Representation Letter, the Trustee shall agree, and hereby agrees, to take all actions necessary for all representations of the Trustee in the Representation Letter with respect to the Trustee to at all times be complied with. In addition to the execution and delivery of the Representation Letter, the Authority Representative and all other officers of the Authority, and their respective deputies and designees, each is hereby authorized to take any other actions, not inconsistent with this Indenture of Trust, to qualify the Notes for the Depository's book-entry program.

SECTION 2.12 Transfers Outside Book-Entry System. If at any time the Depository notifies the Authority that it is unwilling or unable to continue as Depository with respect to the Notes or if at any time the Depository shall no longer be registered or in good standing under the Securities Exchange Act or other applicable statute or regulation and a successor Depository is not appointed by the Authority within 90 days after the Authority receives notice or becomes aware of such condition, as the case may be, Section 2.10 hereof shall no longer be applicable and the Authority shall execute and the Trustee shall authenticate and deliver bonds representing the Notes as provided below. In addition, the Authority may determine at any time that the Notes shall no longer be represented by global bonds and that the provisions of Section 2.10 hereof shall no longer apply to the Notes. In any such event the

Authority shall execute and the Trustee shall authenticate and deliver bonds representing the Notes as provided below. Notes executed, authenticated and delivered in exchange for global bonds pursuant to this Section shall be registered in such names and delivered in such Authorized Denominations as the Depository, pursuant to instructions from the Depository Participants or otherwise, shall instruct the Authority and the Trustee. The Trustee shall deliver such Notes representing the Notes to the persons in whose names such Notes are so registered.

If the Authority determines to replace the Depository with another qualified securities depository, the Authority shall prepare or cause to be prepared a new fully-registered global Note for each of the maturities of the Notes, registered in the name of such successor or substitute securities depository or its nominee, or make such other arrangements as are acceptable to the Authority, the Trustee and such securities depository and not inconsistent with the terms of this Indenture of Trust.

SECTION 2.13 Payments and Notices to the Nominee. Notwithstanding any other provision of this Indenture of Trust to the contrary, so long as any Note is registered in the name of the Nominee, all payments of principal of, premium, if any, and interest on such Note and all notices with respect to such Note shall be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Depository.

SECTION 2.14 Initial Depository and Nominee. The initial Depository under this Indenture of Trust shall be DTC. The initial Nominee shall be Cede & Co., as nominee of DTC.

ARTICLE III

ISSUANCE OF NOTES AND APPLICATION OF PROCEEDS

SECTION 3.1 Issuance of Notes. Upon the execution and delivery of this Indenture, the Authority shall execute and deliver Notes in the aggregate principal amount of _____ Dollars ($_____) and shall deliver the Notes to the Trustee for authentication upon the Written Request of the Authority.

SECTION 3.2 Application of Proceeds and Other Moneys. Upon the receipt of payment for the Notes on the Closing Date, the Trustee shall deposit the full amount thereof as follows:

(a) The Trustee shall transfer to the Costs of Issuance Fund the amount of $_____.

(b) The Trustee shall transfer to the Acquisition and Construction Fund the amount of $_____.

(c) The Trustee shall transfer to the Note Service Fund the amount of $_____, which amount shall be used pay interest on the Notes.

The Trustee may, in its discretion, establish a temporary fund or account in its books and records to facilitate such transfers.

SECTION 3.3 Reserved.

SECTION 3.4 Costs of Issuance Fund. The Trustee shall establish, maintain and hold in trust a separate fund to be known as the "Costs of Issuance Fund." The Trustee shall disburse moneys in the Costs of Issuance Fund from time to time to pay Costs of Issuance (or to reimburse the Authority for

payment of Costs of Issuance) upon receipt by the Trustee of a Written Request of the Authority, substantially in the form of the first such request delivered by the Authority to the Trustee on the Closing Date, which: (a) states with respect to each disbursement to be made (i) the requisition number, (ii) the name and address of the person, firm or corporation to whom payment will be made, (iii) the amount to be disbursed, (iv) that each obligation mentioned therein is a proper charge against the Costs of Issuance Fund, and has not previously been disbursed by the Trustee from amounts in the Costs of Issuance Fund, and (v) that the amount of such disbursement is for payment of Costs of Issuance incurred and payable by the Authority; (b) specifies in reasonable detail the nature of the obligation; and (c) is accompanied by a bill or statement of account (if any) for each obligation. Upon the earlier of 180 days from the Closing Date, or the filing with the Trustee of a Written Certificate of the Authority stating that all Costs of Issuance have been paid, the Trustee shall withdraw all amounts then on deposit in the Costs of Issuance Fund and transfer such amounts to the Note Service Fund.

SECTION 3.5 Acquisition and Construction Fund. The Trustee shall establish, maintain and hold in trust a separate fund to be known as the "Acquisition and Construction Fund." Before any payment from the Acquisition and Construction Fund shall be made, the Water District shall file or cause to be filed with the Trustee, a Requisition of the Water District which shall be substantially in the form attached hereto as Exhibit B. The Trustee shall be entitled to rely on the representations of the Water District contained in such Requisition and shall not be required to independently verify the contents of such Requisition.

Within five (5) Business Days following receipt of each such Requisition, the Trustee shall pay the amount set forth in such Requisition as directed by the terms thereof out of the Acquisition and Construction Fund. Upon the Request of the Water District accompanied by a Certificate of the Water District stating that all Acquisition and Construction Costs have been paid or provision made for their payment, any unexpended moneys in the Acquisition and Construction Fund may be used to pay the costs associated with any other improvements to the Wastewater Enterprise. Any unexpended moneys in the Acquisition and Construction Fund subsequent to the payment of all Acquisition and Construction Costs which are not used to pay the cost of other improvements to the Wastewater Enterprise shall be transferred to the Note Service Fund upon receipt by the Trustee of a Request of the Water District accompanied by a Certificate of the Water District stating that all Acquisition and Construction Costs have been paid or provision made for their payment.

SECTION 3.6 Validity of Notes. The validity of the authorization and issuance of the Notes shall not be affected in any way by any proceedings taken by the Authority or the Trustee with respect to or in connection with the Installment Sale Agreement and the recital contained in the Notes that the same are issued pursuant to the Bond Law shall be conclusive evidence of their validity and of the regularity of their issuance.

ARTICLE IV

REVENUES; FLOW OF FUNDS

SECTION 4.1 Assignment of Revenues. The Authority hereby assigns to the Trustee, on behalf of the Owners, all of the Authority's right, title and interest to and in the Revenues. This assignment is an assignment of all of the Authority's right, title and interest in and to the Revenues, and such right, title and interest, and the Revenues constitute property of the Trustee on behalf of the Owners of the Notes. Subject to Section 4.3, all Revenues the Trustee collects and receives shall be applied to the payment of principal of and interest and premium (if any) on the Notes equally, without priority for series, issue, number or date, in accordance with the terms hereof. So long as any of the Notes are

Outstanding, the Revenues and such moneys shall not be used for any other purpose; except that a portion of the Revenues may be used for purposes as expressly permitted by Section 4.2 hereof.

The assignment under this section to the Trustee is solely in the Trustee's capacity as Trustee under this Indenture and the duties, powers and liabilities of the Trustee in acting pursuant to such assignment shall be subject to the provisions of this Indenture, including, without limitation, the provisions of Article VI hereof. The Trustee shall not be responsible for any representations, warranties, covenants or obligations of the Authority.

SECTION 4.2 Receipt, Deposit and Application of Revenues. Except as provided in Section 4.3 hereof with regard to the deposit of earnings on investments, all of the Revenues shall be deposited by the Trustee immediately upon receipt in the Revenue Fund (which the Trustee shall establish and hold in trust hereunder). Amounts in the Revenue Fund shall be applied solely for the uses and purposes set forth herein. The Trustee shall withdraw amounts on deposit in the Revenue Fund and apply such amounts at the times and for the purposes, and in the priority, as follows:

(a) Note Service Fund. On or before the fifteenth (15th) calendar day of the month preceding each Interest Payment Date, so long as any Notes remain Outstanding hereunder, the Trustee shall withdraw from the Revenue Fund and deposit into the Note Service Fund (which the Trustee shall establish and hold in trust hereunder) an amount which is at least equal to the aggregate amount of principal of and interest coming due and payable on the Notes on such Interest Payment Date. Notwithstanding the foregoing sentence, in the event that insufficient funds are on hand in the Revenue Fund to make the transfer described in the sentence above, then such transfer shall be made in an amount equal to the total amount on deposit in the Revenue Fund and amounts on deposit in the Note Service Fund shall be used to make up any shortfall. So long as sufficient amounts are on deposit in the Note Service Fund to make up such shortfall, failure to transfer an amount which is at least equal to the aggregate amount of principal of and interest coming due and payable on the Notes on or before the fifteenth (15th) calendar day of the month preceding any Interest Payment Date shall not constitute an Event of Default hereunder or under the Installment Sale Agreement.

Amounts in the Note Service Fund shall be applied by the Trustee solely for the purpose of paying the principal of and interest on the Outstanding Notes when and as such principal and interest becomes due and payable (including accrued interest on any Notes purchased or redeemed pursuant hereto).

If after all of the Notes have been paid or deemed to have been paid, there are moneys remaining in the Note Service Fund, such moneys shall be transferred by the Trustee to the Water District, after the payment of any outstanding fees and expenses of the Trustee.

(b) Redemption Fund. The Trustee shall deposit into the Redemption Fund all amounts required to redeem any Notes which are subject to redemption pursuant to Sections 2.3(a) or (b) when and as such amounts become available. Amounts in the Redemption Fund shall be applied by the Trustee solely for the purpose of paying the redemption price of Notes to be redeemed pursuant to Sections 2.3(a) or (b). Following any such redemption of all of the Notes, any moneys remaining in the Redemption Fund shall be transferred by the Trustee to the Water District.

SECTION 4.3 Investments. All moneys in any of the funds or accounts established with the Trustee pursuant to this Indenture shall be invested by the Trustee solely in Permitted Investments, as directed pursuant to the Written Request of the Water District filed with the Trustee at least two (2) Business Days in advance of the making of such investments. In the absence of any such directions from the Water District, the Trustee shall invest any such moneys in Permitted Investments described in

paragraph (i) of the definition thereof. 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 fund or account from which such investment was made. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder. The Trustee may act as sponsor, principal or agent in the acquisition or disposition of any investment. The Trustee shall incur no liability for losses arising from any investments made pursuant to this Section.

The Trustee may sell, or present for prepayment, any Permitted Investment so purchased by the Trustee whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from any such Permitted Investment.

The Authority (and the Water District by its execution of the Installment Sale Agreement) acknowledge that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority or the Water District the right to receive brokerage confirmations of security transactions as they occur, the Authority and the Water District specifically waive receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Authority and the Water District periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

SECTION 4.4 Acquisition, Disposition and Valuation of Investments.

(a) All investments of amounts deposited in any fund or account created by or pursuant to this Indenture, or otherwise containing gross proceeds of the Notes, shall be acquired and disposed of at fair market value, provided the Trustee is not responsible to determine fair market value.

Notwithstanding anything to the contrary herein, in making any valuations of investments hereunder, the Trustee may utilize computerized securities pricing services that may be available to it, including those available through its regular accounting system and rely thereon.

ARTICLE V

COVENANTS OF THE AUTHORITY; SPECIAL TAX COVENANTS

SECTION 5.1 Punctual Payment; Compliance With Documents. The Authority shall punctually pay or cause to be paid the interest and principal to become due with respect to all of the Notes in strict conformity with the terms of the Notes and of this Indenture, and will faithfully observe and perform all of the conditions, covenants and requirements of this Indenture and all Supplemental Indentures.

SECTION 5.2 Extension of Payment of Notes. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Notes or the time of payment of any claims for interest by the purchase of such Notes or by any other arrangement, and in case the maturity of any of the Notes or the time of payment of any such claims for interest shall be extended, such Notes or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Notes then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the Authority to issue Notes for the purpose of refunding any Outstanding Notes, and such issuance shall not be deemed to constitute an extension of maturity of the Notes.

SECTION 5.3 Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under this Indenture while any of the Notes are Outstanding, except the pledge and assignment created by this Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, and reserves the right to issue other obligations for such purposes.

SECTION 5.4 Power to Issue Notes and Make Pledge and Assignment. The Authority is duly authorized pursuant to law to issue the Notes and to enter into this Indenture and to pledge and assign the Revenues and other assets purported to be pledged and assigned, respectively, under this Indenture in the manner and to the extent provided in this Indenture. The Notes and the provisions of this Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee shall at all times, subject to the provisions of Article VI and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Note Owners under this Indenture against all claims and demands of all persons whomsoever.

SECTION 5.5 Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of Notes, the Revenues, the Installment Sale Agreement, and all funds and accounts held by the Trustee under this Indenture. Such books of record and account shall be available for inspection by the Authority and the Water District, during business hours and under reasonable circumstances.

SECTION 5.6 No Additional Obligations. The Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of the Revenues in whole or in part.

SECTION 5.7 Reserved.

SECTION 5.8 Installment Sale Agreement. The Trustee shall promptly collect all amounts due from the Water District pursuant to the Installment Sale Agreement. Subject to the provisions of Article VI, the Trustee shall enforce, and take all steps, actions and proceedings which the Trustee determines to be reasonably necessary for the enforcement of all of its rights thereunder as assignee of the Authority and for the enforcement of all of the obligations of the Water District under the Installment Sale Agreement.

SECTION 5.9 Waiver of Laws. The Authority 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 this Indenture or in the Notes, and all benefit or advantage of any such law or laws is hereby expressly waived by the Authority to the extent permitted by law.

SECTION 5.10 Further Assurances. The Authority will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming unto the Trustee and Owners of the Notes the rights and benefits provided in this Indenture.

ARTICLE VI

THE TRUSTEE

SECTION 6.1 Appointment of Trustee. The Bank of New York Mellon Trust Company, N.A. in Los Angeles, California, a national banking association organized and existing under and by virtue of the laws of the United States of America, is hereby appointed Trustee by the Authority for the purpose of receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use and apply the same as provided in this Indenture. The Authority agrees that it will maintain a Trustee having a combined capital and surplus of at least Fifty Million Dollars ($50,000,000), and subject to supervision or examination by federal or State authority, so long as any Notes are Outstanding. If such bank 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 Section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

SECTION 6.2 Payment of Notes; Registration Books. The Trustee is hereby authorized to pay the Notes when duly presented for payment at maturity, or on redemption or purchase prior to maturity, and to cancel all Notes upon payment thereof. The Trustee shall keep accurate records of all funds administered by it and of all Notes paid and discharged. The Trustee will keep or cause to be kept at its Office sufficient books for the registration and transfer of the Notes, which shall at all times during regular business hours be open to inspection by the Water District and the Authority. 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 said books, as provided in this Indenture with respect to the Notes.

SECTION 6.3 Acceptance of Trusts. The Trustee hereby accepts the trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default hereunder has occurred (which has not been cured or waived) the Trustee may exercise such of the rights and powers vested in it by this Indenture, and shall use the same degree of care and skill in their exercise, as a prudent trustee would exercise or use under the circumstances.

(b) The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, and shall have no liability for the actions of any such attorney, agent or receiver chosen with reasonable care, and the Trustee shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder. The Trustee shall not be liable for any action taken or not taken in reliance upon advice or opinion of such counsel.

(c) The Trustee shall not be responsible for any recital herein, or in the Notes, or for any of the supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Notes issued hereunder or intended to be secured hereby and the Trustee shall not be bound to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the Authority hereunder. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with Section 4.3 of this Indenture.

(d) The Trustee shall not be accountable for the use of any proceeds of sale of the Notes delivered hereunder. The Trustee may become the Owner of Notes secured hereby with the same

rights which it would have if not the Trustee; may acquire and dispose of other bonds or evidence of indebtedness of the Authority with the same rights it would have if it were not the Trustee; and may act as a 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 Owners of Notes, whether or not such committee shall represent the Owners of the majority in principal amount of the Notes then Outstanding.

(e) In the absence of bad faith on its part, the Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram, requisition, facsimile transmission, electronic mail or other paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken or omitted to be taken by the Trustee in good faith and without negligence pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Note, shall be conclusive and binding upon all future Owners of the same Note and upon Notes issued in exchange therefor or in place thereof. The Trustee shall not be bound to recognize any person as an Owner of any Note or to take any action at his request unless the ownership of such Note by such person shall be reflected on the Registration Books.

(f) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a Written Certificate of the Water District or a Written Certificate of the Authority as sufficient evidence of the facts therein contained and prior to the occurrence of an Event of Default hereunder of which the Trustee has been given notice or is deemed to have notice, as provided in Section 6.3(h) hereof, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed by it to be necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a Written Certificate of the Authority to the effect that an authorization in the form therein set forth has been adopted by the Authority, as conclusive evidence that such authorization has been duly adopted and is in full force and effect.

(g) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct. The immunities and exceptions from liability of the Trustee shall extend to its officers, directors, employees and agents.

(h) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default hereunder or under the Installment Sale Agreement, except failure by the Water District to make any of the payments to the Trustee required to be made by the Water District pursuant to the Installment Sale Agreement, or failure by the Authority to file with the Trustee any document required by this Indenture to be so filed subsequent to the issuance of the Notes, unless a Responsible Officer the Trustee shall be specifically notified in writing of such default by the Owners of at least twenty-five percent (25%) in aggregate principal amount of the Notes then Outstanding and all notices or other instruments required by this Indenture or under the Installment Sale Agreement to be delivered to the Trustee must, in order to be effective, be delivered at the Office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default hereunder or thereunder except as aforesaid.

(i) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right (but not the duty) fully to inspect the Wastewater Enterprise, all books, papers and records of the Water District or the Authority pertaining to the Wastewater Enterprise and the Notes, and to take such memoranda from and with regard thereto as may be desired but which is not privileged by statute or by law.

(j) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(k) Notwithstanding anything elsewhere in this Indenture with respect to the execution of any Notes, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Indenture, the Trustee shall have the right, but shall not be required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, as may be deemed desirable for the purpose of establishing the right of the Authority to the execution of any Notes, or the right of the Water District or the Authority to the withdrawal of any cash, or the taking of any other action by the Trustee.

(l) Before taking the action referred to in Section 8.3 the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful default in connection with any such action.

(m) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law. The Trustee shall not be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

(n) No provision in this Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder. The Trustee shall provide the Authority and the Water District with seven days' notice prior to making any advance of its own funds hereunder, and, if the Water District or the Authority does not provide moneys in the amount needed, the Trustee shall be entitled to interest on the amounts advanced at a rate equal to the then 3-month certificates of deposit rate (by reference to the Wall Street Journal); provided that no such prior notice need be given and such interest on amounts advanced shall accrue from the date of any such advance following the occurrence of an Event of Default hereunder.

(o) 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 Notes.

(p) The Trustee shall not be liable for any action taken or not taken by it in accordance with the direction of Owners of a majority (or other percentage provided for herein) in aggregate principal amount of the Notes Outstanding relating to the exercise of any right, power or remedy available to the Trustee.

(q) 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, 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 project, 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.

(r) The Trustee agrees to accept and act upon facsimile transmission of written instructions and/or directions pursuant to this Indenture provided, however, that: (i) subsequent to such facsimile transmission of written instructions and/or directions the Trustee shall forthwith receive the originally executed instructions and/or directions, (ii) such originally executed instructions and/or directions shall be signed by a person as may be designated and authorized to sign for the party signing such instructions and/or directions, and (iii) the Trustee shall have received a current incumbency certificate containing the specimen signature of such designated person.

SECTION 6.4 Fees, Charges and Expenses of Trustee. The Trustee shall be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all reasonable advances, reasonable counsel fees (including expenses) and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services, but solely from Additional Payments made by the Water District under the Installment Sale Agreement. Upon the occurrence of an Event of Default, the Trustee shall have a first lien with right of payment prior to payment of any Note upon the amounts held hereunder for the foregoing fees, charges and expenses incurred by it respectively.

SECTION 6.5 Notice to Note Owners of Default. If an Event of Default hereunder occurs with respect to any Notes, of which the Trustee has been given or is deemed to have notice, as provided in Section 6.3(h), then the Trustee shall promptly give written notice thereof by first-class mail to the Owner of each such Note, unless such Event of Default shall have been cured before the giving of such notice.

SECTION 6.6 Intervention by Trustee. In any judicial proceeding to which the Authority is a party which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of Owners of any of the Notes, the Trustee may intervene on behalf of such Note Owners, and subject to Section 6.3(l), shall do so if requested in writing by the Owners of a majority in aggregate principal amount of such Notes then Outstanding.

SECTION 6.7 Removal of Trustee. The Owners of a majority in aggregate principal amount of the Outstanding Notes, or the Authority (so long as no Event of Default has occurred or is continuing), may at any time remove the Trustee initially appointed, and any successor thereto, by an instrument or concurrent instruments in writing delivered to the Trustee.

SECTION 6.8 Resignation by Trustee. The Trustee and any successor Trustee may at any time resign by giving written notice by registered or certified mail to the Water District and the Authority. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee in accordance with Section 6.9. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. Upon such acceptance, the successor Trustee shall mail notice thereof to the Note Owners at their respective addresses set forth on the Registration Books.

SECTION 6.9 Appointment of Successor Trustee. In the event of the removal or resignation of the Trustee pursuant to Sections 6.6 or 6.7, respectively, the Authority shall promptly appoint a successor Trustee; provided that any such successor shall be a bank or trust company meeting the requirements of Section 6.1. In the event the Authority shall for any reason whatsoever fail to appoint a successor Trustee within sixty (60) days following the delivery to the Trustee of the instrument described in Section 6.6 or within sixty (60) days following the receipt of notice by the Authority pursuant to Section 6.7, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee meeting the requirements of Section 6.1. Any such successor Trustee appointed by such court shall become the successor Trustee hereunder notwithstanding any action by the Authority purporting to appoint a successor Trustee following the expiration of such sixty (60) day period. Upon the acceptance by any successor Trustee of appointment as such, the successor Trustee shall cause notice

thereof to be given by first class mail to the Note Owners at their respective addresses set forth on the Registration Books.

SECTION 6.10 Merger or Consolidation. Any company into which the Trustee may be merged or converted or 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 Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall be eligible under Section 6.1, shall be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

SECTION 6.11 Concerning any Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Authority an instrument in writing accepting such appointment hereunder and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor shall, nevertheless, on the Written Request of the Authority, or of its successor, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as the Trustee hereunder to its successor. Should any instrument in writing from the Authority be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority.

SECTION 6.12 Appointment of Co-Trustee. It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the law of the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in the case of litigation under this Indenture, and in particular in case of the enforcement of the rights of the Trustee on default, or in the case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the properties, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate or co-trustee. The following provisions of this Section are adopted to these ends.

In the event that the Trustee appoints an additional individual or institution as a separate or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate or co-trustee but only to the extent necessary to enable such separate or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee shall run to and be enforceable by either of them.

Should any instrument in writing from the Authority be required by the separate trustee or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority. In case any separate trustee or co-trustee, or a successor to either, shall become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as

permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

SECTION 6.13 Indemnification; Limited Liability of Trustee. The Authority further covenants and agrees to indemnify and save the Trustee and its officers, directors, agents and employees, harmless against any loss, costs, claims, expense and liabilities which it may incur arising out of or in the exercise and performance of its powers and duties hereunder, including the costs and expenses of defending against any claim of liability, but excluding any and all losses, costs, claims, expenses and liabilities which are due to the negligence or willful misconduct of the Trustee, its officers, directors or employees. No provision in this Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability hereunder or pursuant to the Installment Sale Agreement. The Trustee shall not be liable for any action taken or omitted to be taken by it in accordance with the direction of the Owners of a majority in aggregate principal amount of Notes Outstanding relating to the time, method and place of conducting any proceeding or remedy available to the Trustee under this Indenture. The obligations of the Authority under this paragraph shall be payable solely from Additional Payments made by the Water District under the Installment Sale Agreement and shall survive the resignation or removal of the Trustee under this Indenture or any defeasance of the Notes. The Trustee's rights to immunities and protection from liability hereunder and its rights to payment of its fees and expenses shall survive its resignation or removal and final payment or defeasance of the Notes. All indemnifications and releases from liability granted herein to the Trustee shall extend to the directors, officers, employees and agents of the Trustee.

The Trustee shall have no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of these Notes. Before taking any action under Article VIII or this Article at the request of the Owners, the Trustee may require that a satisfactory indemnity Note be furnished by the Owners for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any action so taken.

ARTICLE VII

MODIFICATION AND AMENDMENT OF THIS INDENTURE

SECTION 7.1 Amendment by Consent of Note Owners. This Indenture and the rights and obligations of the Authority and of the Owners of the Notes may be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Notes then Outstanding, exclusive of Notes disqualified as provided in Section 7.2 hereof, are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Note or otherwise alter or impair the obligation of the Authority to pay the principal, interest or redemption premiums at the time and place and at the rate and in the currency provided therein of any Note without the express written consent of the Owner of such Note, (b) reduce the percentage of Notes required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

This Indenture and the rights and obligations of the Authority and of the Owners of the Notes may also be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption, without the consent of any Note Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Authority in this Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the Authority; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Indenture, or in any other respect whatsoever as the Authority may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not materially adversely affect the interests of the Owners of the Notes, in the opinion of Bond Counsel.

The Trustee shall not be required to enter into or consent to any amendment or modification which, in the sole judgment of the Trustee, might adversely affect the rights, obligations, powers, privileges, indemnities, immunities or other security provided the Trustee herein.

SECTION 7.2 Disqualified Notes. Notes owned or held by or for the account of the Water District or the Authority (but excluding Notes held in any employees' retirement fund) shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Notes in this article provided for, and shall not be entitled to consent to, or take any other action in this article provided for, unless all of the Outstanding Notes shall be owned or held by or for the account of the Water District or the Authority, provided however, that the Trustee shall not be deemed to have knowledge that any Note is owned by the Authority or the Water District or for the account of the Authority or the Water District unless the Authority or the Water District is a Registered Owner or the Trustee has received written notice that any other Registered Owner is the Owner of a Note for the account of the Water District or Authority.

SECTION 7.3 Endorsement or Replacement of Notes After Amendment. After the effective date of any action taken as hereinabove provided, the Authority may determine that the Notes shall bear a notation, by endorsement in form approved by the Authority, as to such action, and in that case upon demand of the Owner of any Note Outstanding at such effective date and presentation of his Note for that purpose at the Office of the Trustee, a suitable notation as to such action shall be made on such Note. If the Authority shall so determine, new Notes so modified as, in the opinion of the Authority, shall be necessary to conform to such Note Owners' action shall be prepared and executed, and in that case upon demand of the Owner of any Note Outstanding at such effective date such new Notes shall be exchanged at the Office of the Trustee, without cost to each Note Owner, for Notes then Outstanding, upon surrender of such Outstanding Notes.

SECTION 7.4 Amendment by Mutual Consent. The provisions of this Article shall not prevent any Note Owner from accepting any amendment as to the particular Note held by such Owner, provided that due notation thereof is made on such Note.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF NOTE OWNERS

SECTION 8.1 Events of Default and Acceleration of Maturities. The following events shall be Events of Default hereunder:

(a) Default in the due and punctual payment of the principal of any Note when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise.

(b) Default in the due and punctual payment of any installment of interest on any Note when and as such interest installment shall become due and payable.

(c) Default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in this Indenture or in the Notes contained, 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 Water District and the Authority by the Trustee; provided, however, that if in the reasonable opinion of the Authority the default stated in the notice (other than a default in the payment of any fees and expenses owing to the Trustee) can be corrected, but not within such thirty (30) day period, such default shall not constitute an Event of Default hereunder if the Authority shall commence to cure such default within such thirty (30) day period and thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The filing by the Authority of a petition or answer seeking reorganization or arrangement under the Federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Authority, seeking reorganization under the Federal bankruptcy laws or any other applicable law of the United States of America, 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 Authority or of the whole or any substantial part of its property.

(e) The occurrence and continuation of an Event of Default under and as defined in the Installment Sale Agreement.

Upon the occurrence and during the continuance of any Event of Default the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Notes at the time Outstanding, the Trustee shall, declare the principal of all of the Notes 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 this Indenture or in the Notes contained to the contrary notwithstanding. This provision, however, is subject to the condition that if, at any time after the principal of the Notes shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Authority shall deposit with the Trustee a sum sufficient to pay all of the principal of and interest on the Notes having come due prior to such declaration, with interest on such overdue principal and interest calculated at the net effective rate of interest per annum then borne by the Outstanding Notes, and the reasonable fees and expenses of the Trustee, together with interest thereon at the prime rate of the Trustee then in effect, and any and all other defaults known to the Trustee (other than in the payment of the principal of and interest on the Notes having come due and payable solely by reason of such declaration) 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 or the Owners of a majority in aggregate principal amount of the Notes at the time Outstanding may, by written notice to the Authority and to the Trustee, on behalf of the Owners of all of the Outstanding Notes, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

SECTION 8.2 Application of Funds Upon Acceleration. All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of this Indenture shall be applied by the Trustee in the following order upon presentation of the several Notes, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under this Indenture; and

Second, to the payment of the whole amount then owing and unpaid upon the Notes for interest and principal, with interest on such overdue amounts to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Notes, and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Notes, then to the payment of such interest, principal and interest on overdue amounts without preference or priority among such interest, principal and interest on overdue amounts ratably to the aggregate of such interest, principal and interest on overdue amounts.

SECTION 8.3 Other Remedies: Rights of Note Owners. Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy, in addition to the remedy specified in Section 8.1, at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Notes, and to enforce any rights of the Trustee under or with respect to this Indenture.

If an Event of Default shall have occurred and be continuing and if requested so to do by the Owners of a majority in aggregate principal amount of Outstanding Notes and indemnified as provided in Section 6.3(l), the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Article, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Note Owners.

No remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to the Note Owners) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Note Owners hereunder or now or hereafter existing at law or in equity.

No delay or omission to exercise any right or power accruing upon 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 acquiescence therein; such right or power may be exercised from time to time as often as nay be deemed expedient.

SECTION 8.4 Power of Trustee to Control Proceeding. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Notes then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Notes, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Notes hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation. Any suit, action or proceeding which any Owner of Notes shall have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners of Notes similarly situated and the Trustee is hereby appointed (and the successive respective Owners of the Notes issued hereunder, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners of the Notes for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Notes as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

SECTION 8.5 Appointment of Receivers. Upon the occurrence of an Event of Default hereunder, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Note Owners under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues and other amounts pledged hereunder, pending such proceedings, with such powers as the court making such appointment shall confer.

SECTION 8.6 Non-Waiver. Nothing in this Article or in any other provision of this Indenture, or in the Notes, shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the interest on and principal of the Notes to the respective Owners of the Notes at the respective dates of maturity, as herein provided, out of the Revenues and other moneys herein pledged for such payment.

A waiver of any default or breach of duty or contract by the Trustee or any Note Owners shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission of the Trustee or any Owner of any of the Notes to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy conferred upon the Trustee or Note Owners by the Bond Law or by this Article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Note Owners, as the case may be.

SECTION 8.7 Rights and Remedies of Note Owners. No Owner of any Note issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, or the Installment Sale Agreement, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Notes then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have refused or omitted 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) the Trustee has not received any inconsistent direction during such 60-day period from the Owners of a majority in aggregate principal amount of the Outstanding Notes.

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 Notes of any remedy hereunder; it being understood and intended that no one or more Owners of Notes shall have any right in any manner whatever by his or their action to enforce any right under this Indenture, or the Installment Sale Agreement, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Notes.

The right of any Owner of any Note to receive payment of the principal of and interest and premium (if any) on such Note as herein provided or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Indenture.

SECTION 8.8 Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined

adversely, then and in every such case, the Authority, the Trustee and the Note Owners shall be restored to their former positions and rights hereunder, respectively, with regard to the property subject to this Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

ARTICLE IX

MISCELLANEOUS

SECTION 9.1 Limited Liability of Authority. Notwithstanding anything in this Indenture contained, the Authority shall not be required to advance any moneys derived from any source of income other than the Revenues for the payment of the principal of or interest on the Notes, or any premiums upon the redemption thereof, or for the performance of any covenants herein contained (except to the extent any such covenants are expressly payable hereunder from the Revenues or any Additional Revenues). The Authority may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the Authority for such purpose without incurring indebtedness.

The Notes shall be revenue Notes, payable exclusively from the Revenues and other funds pledged hereunder as in this Indenture provided. The general fund of the Authority is not liable, and the credit of the Authority is not pledged, for the payment of the interest on or principal of the Notes. The Owners of the Notes shall never have the right to compel the forfeiture of any property of the Authority. The principal of and interest on the Notes, and any premiums upon the redemption of any thereof, shall not be a debt of the Authority, or a legal or equitable pledge, charge, lien or encumbrance upon any property of the Authority or upon any of its income, receipts or revenues except the Revenues and other funds pledged to the payment thereof as in this Indenture provided.

SECTION 9.2 Benefits of Indenture Limited to Parties. Nothing in this Indenture, expressed or implied, is intended to give to any person other than the Water District, the Authority, the Trustee and the Owners of the Notes, any right, remedy or claim under or by reason of this Indenture. Any covenants, stipulations, promises or agreements in this Indenture contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Trustee and the Owners of the Notes.

SECTION 9.3 Discharge of Indenture. If the Authority shall pay and discharge each Outstanding Note in any one or more of the following ways -

(a) by well and truly paying or causing to be paid the principal of and interest and premium (if any) on such Notes, as and when the same become due and payable;

(b) by irrevocably depositing with the Trustee, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established pursuant to this Indenture, is fully sufficient to pay such Notes, including all principal, interest and redemption premiums;

(c) by irrevocably depositing with the Trustee, in trust, Federal Securities in such amount as Bond Counsel or an Independent Accountant shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established pursuant to this Indenture, be fully sufficient to pay and discharge the indebtedness on such Notes (including all principal, interest and redemption premiums) at or before their respective maturity dates; and if such Notes are to be redeemed prior to the maturity thereof notice of such redemption shall have been mailed

pursuant to Section 2.3(c) or provision satisfactory to the Trustee shall have been made for the mailing of such notice; or

(d) by delivering such Notes to the Trustee for cancellation -

then, at the election of the Authority, and notwithstanding that any of such Notes shall not have been surrendered for payment, the pledge of the Revenues and other funds provided for in this Indenture with respect to such Notes, and all other pecuniary obligations of the Authority under this Indenture with respect to all such Notes, shall cease and terminate, except only the obligation of the Authority to pay or cause to be paid to the Owners of such Notes not so surrendered and paid all sums due thereon from amounts set aside for such purpose as aforesaid, and all expenses and costs of the Trustee. Notice of such election shall be filed with the Trustee. Any funds thereafter held by the Trustee, which are not required for said purposes, shall be paid over to the Water District.

SECTION 9.4 Successor Is Deemed Included in All References to Predecessor. Whenever in this Indenture or any Supplemental Indenture either the Authority is named or referred to, such reference shall be deemed to include the successor to the powers, duties and functions, with respect to the management, administration and control of the affairs of the Authority, that are presently vested in the Authority, and all the covenants, agreements and provisions contained in this Indenture by or on behalf of the Authority shall bind and inure to the benefit of its successors whether so expressed or not.

SECTION 9.5 Execution of Documents by Note Owners. Any request, consent or other instrument required by this Indenture to be signed and executed by Note Owners may be in any number of concurrent writings of substantially similar tenor and may be signed or executed by such Note Owners in person or by 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, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and of the Authority 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 affidavit of a witness of such execution or 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 or writing acknowledged to him the execution thereof.

The ownership of Notes shall be provided by the Registration Books. Any request, consent or vote of the Owner of any Note shall bind every future Owner of the same Note and the Owner of any Note issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in pursuance of such request, consent or vote.

In determining whether the Owners of the requisite aggregate principal amount of Notes have concurred in any demand, request, direction, consent or waiver under this Indenture, Notes which are owned or held by or for the account of the Authority (but excluding Notes held in any employees' retirement fund) shall be disregarded and deemed not to be Outstanding for the purpose of any such determination.

In lieu of obtaining any demand, request, direction, consent or waiver in writing, the Trustee may call and hold a meeting of the Note Owners upon such notice and in accordance with such rules and obligations as the Trustee considers fair and reasonable for the purpose of obtaining any such action.

SECTION 9.6 Waiver of Personal Liability. No member of the Authority's Board of Directors, or officer, agent or employee of the Authority shall be individually or personally liable for the payment of the interest on or principal of the Notes; but nothing herein contained shall relieve any such officer, agent or employee from the performance of any official duty provided by law.

SECTION 9.7 Partial Invalidity. If any one or more of the covenants or agreements, or portions thereof, provided in this Indenture on the part of the Authority (or of the Trustee) to be performed should be contrary to law, then such covenant or covenants, such agreement or agreements, or such portions thereof, shall be null and void and shall be deemed separable from the remaining covenants and agreements or portions thereof and shall in no way affect the validity of this Indenture or of the Notes; but the Note Owners shall retain all rights and benefits accorded to them under the Bond Law or any other applicable provisions of law. The Authority hereby declares that it would have entered into this Indenture and each and every other section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Notes pursuant hereto irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases of this Indenture or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

SECTION 9.8 Destruction of Canceled Notes. Whenever in this Indenture provision is made for the surrender to the Authority of any Notes which have been paid or canceled pursuant to the provisions of this Indenture, Trustee shall destroy such Notes and furnish to the Authority upon the Authority's Written Request a certificate of such destruction.

SECTION 9.9 Funds and Accounts. Any fund or account required by this Indenture to be established and maintained by the Authority or the Trustee may be established and maintained in the accounting records of the Authority or the Trustee, as the case may be, either as a fund or an account, and may, for the purpose of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account. All such records with respect to all such funds and accounts held by the Authority shall at all times be maintained in accordance with generally accepted accounting principles and all such records with respect to all such funds and accounts held by the Trustee shall be at all times maintained in accordance with corporate trust industry practices; in each case with due regard for the protection of the security of the Notes and the rights of every Owner thereof.

SECTION 9.10 Notices. All written notices to be given under this Indenture shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication, (b) upon receipt after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Water District, the Authority or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the Water District:

Victorville Water District
17185 Yuma Street
Victorville, California 92392
Attention: Director of Water District
Tel: (760) 955-2557
Fax: (760) 269-0088

If to the Authority:	Victorville Joint Powers Financing Authority 14343 Civic Drive Victorville, California 92393-5001 Attention: Executive Director Tel: (760) 955-5000 Fax: (760) 955-5042
If to the Trustee:	The Bank of New York Mellon Trust Company, N.A. 700 South Flower Street, Suite 500 Los Angeles, California 90017-4104 Attention: Corporate Trust Tel: (213) 630-6231 Fax: (213) 630-6215

SECTION 9.11 Unclaimed Moneys. Anything in this Indenture to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Notes which remain unclaimed for two (2) years after the date when such Notes or interest thereon have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee at such date, or for two (2) years after the date of deposit of such moneys if deposited with the Trustee after said date when such Notes become due and payable, shall be repaid by the Trustee to the Authority, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Note Owners shall look only to the Authority for the payment of such Notes; provided, however, that before being required to make any such payment to the Authority, the Trustee shall, at the Written Request of the Authority (and at its expense), cause to be mailed to the Owners of all such Notes, at their respective addresses appearing on the Registration Books, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall not be less than thirty (30) days after the date of mailing of such notice, the balance of such moneys then unclaimed will be returned to the Authority.

SECTION 9.12 Execution in Several Counterparts. This 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 Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

SECTION 9.13 Governing Law. This Indenture shall be governed by and construed in accordance with the laws of the State.

IN WITNESS WHEREOF, the **VICTORVILLE JOINT POWERS FINANCING AUTHORITY** and the **VICTORVILLE WATER DISTRICT** have caused this Indenture of Trust to be signed in their names by their respective authorized officers, and **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,** in token of its acceptance of the trust created hereunder, has caused this Indenture to be signed in its corporate name by its officer identified below, all as of the day and year first above written.

VICTORVILLE JOINT POWERS FINANCING AUTHORITY

By: _____
Title: President

VICTORVILLE WATER DISTRICT

By: _____
Title: Chairman

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee

By: _____
Authorized Officer

ATTEST

By: _____
Authority Secretary

By: _____
Water District Secretary

APPROVED AS TO FORM

By:_____
Authority Counsel

By:_____
Water District Legal Counsel

Victorville Water District Risk Manager
Chuck Buquet

_____

EXHIBIT A

[FORM OF NOTE]

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AS DEFINED IN THE INDENTURE OF TRUST) TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY NOTE 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.

NEITHER THE PAYMENT OF THE PRINCIPAL OR ANY PART THEREOF NOR ANY INTEREST THEREON CONSTITUTES A DEBT, LIABILITY OR OBLIGATION OF THE CITY OF VICTORVILLE OR THE REDEVELOPMENT AGENCY OF THE CITY OF VICTORVILLE.

No. _____ ***$_____***

VICTORVILLE JOINT POWERS FINANCING AUTHORITY
TAXABLE WASTEWATER REVENUE NOTE, 2009 SERIES
(VICTORVILLE WATER DISTRICT)

INTEREST RATE	MATURITY DATE	ISSUE DATE	CUSIP
_____%	_____ 1, 20___	_____, 2009	_____

REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT: ***DOLLARS***

The VICTORVILLE JOINT POWERS FINANCING AUTHORITY, a joint powers authority organized and existing under the laws of the State of California (the "Authority") for value received, hereby promises to pay (but only out of the Revenues and other assets pledged therefor as hereinafter mentioned) to the Registered Owner stated above, or registered assigns, on the Maturity Date stated above (subject to any right of prior redemption hereinafter mentioned), the Principal Amount stated 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 Note (unless this Note is authenticated as of a day during the period commencing after the fifteenth day of the month preceding an Interest Payment Date and ending on or before such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless this Note is authenticated on or before November 15, 2009, in which event it shall bear interest from the Issue Date stated above) until payment of such principal sum shall be discharged as provided in the Indenture hereinafter mentioned, at the Interest Rate

per annum stated above, payable semiannually on each June 1 and December 1, commencing December 1, 2009 (each, an "Interest Payment Date").

The principal (or redemption price) hereof is payable at the Office (as defined in the Indenture referred to below) of The Bank of New York Mellon Trust Company, N.A., Los Angeles, California (together with any successor trustee under the Indenture, the "Trustee"). Interest hereon is payable by check of the Trustee mailed on each Interest Payment Date to the Registered Owner as of the fifteenth (15th) day of the month preceding each Interest Payment Date at the address shown on the registration books maintained by the Trustee; provided however, that payment of interest will be made by wire transfer in immediately available funds to an account in the United States of America to any Owner of Notes in the aggregate principal amount of $1,000,000 or more who shall furnish written wire instructions to the Trustee before the fifteenth day of the month preceding the applicable Interest Payment Date.

It is hereby certified and recited that any and all things, conditions and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Note do exist, have happened and have been performed in due time, form and manner as required by the Bond Law and by the laws of the State of California, and that the amount of this Note, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Bond Law or by the Constitution and laws of the State of California, and is not in excess of the amount of Notes permitted to be issued under the Indenture.

This Note 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.

This Note is one of a duly authorized issue of notes of the Authority designated as its "Victorville Joint Powers Financing Authority Taxable Wastewater Revenue Notes, 2009 Series (Victorville Water District)" (the "Notes"), in the aggregate principal amount of _____ Dollars ($_____), authorized pursuant to the provisions of Article 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6584) of the California Government Code (the "Bond Law"), and issued pursuant to an Indenture of Trust, dated as of May 1, 2009 (the "Indenture"), by and among the Authority, the Victorville Water District (the "Water District"), and the Trustee.

Reference is hereby made to the Indenture (a copy of which is on file at said Office of the Trustee) and all indentures supplemental thereto and to the Bond Law for a description of the rights thereunder of the owners of the Notes, of the nature and extent of the security, of the rights, duties and immunities of the Trustee and of the rights and obligations of the Authority thereunder. The Registered Owner of this Note, by acceptance hereof, assents and agrees to all the provisions of the Indenture.

The Notes have been issued by the Authority to assist the Water District in financing the construction of a wastewater treatment plant as well as certain other improvements to the Wastewater Enterprise. Pursuant to an Installment Sale Agreement, dated as of May 1, 2009, by and between the Water District and the Authority, the Authority will sell to the Water District such improvements and the Water District will pay, in consideration therefor, Installment Payments, secured by the Net Revenues of the Wastewater Enterprise, as defined in the Indenture. The scheduled Installment Payments are equal to the debt service payments on the Notes.

The Notes and the interest thereon are payable from Revenues (as such term is defined in the Indenture), consisting primarily of Installment Payments to be made by the Water District under the Installment Sale Agreement as consideration for the purchase of the Wastewater Enterprise, and are secured by a pledge and assignment of said Revenues, subject only to the provisions of the Indenture

permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. The Notes are special obligations of the Authority and are not a lien or charge upon the funds or property of the Authority, except to the extent of the aforesaid pledge and assignment.

The Notes shall be subject to special mandatory redemption as a whole or in part, on a pro rata basis among Owners, on any date, to the extent of the proceeds of an eminent domain award or proceeds of casualty insurance not used to repair or rebuild the Wastewater Enterprise, which proceeds may be used for such purpose pursuant to Sections 5.4 or 5.6 of the Installment Sale Agreement, at a redemption price equal to the principal amount of the Notes to be redeemed plus interest accrued thereon to the date fixed for redemption, without premium

The Notes shall be subject to redemption, as a whole or in part, on a pro rata basis among Owners, prior to maturity on any date on or after ____ 1, 20__, from prepayment of Installment Payments made at the option of the Water District at the redemption price equal to the principal amount of the Notes to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

The Trustee on behalf and at the expense of the Authority shall mail (by first class mail) notice of any redemption to: (i) the respective Owners of any Notes designated for redemption, at least thirty (30) but not more than sixty (60) days prior to the redemption date, at their respective addresses appearing on the Registration Books, and (ii) the Securities Depositories and to one or more Information Services (as such terms are defined in the Indenture), at least thirty (30) but not more than sixty (60) days prior to the redemption; *provided, however,* that neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Notes or the cessation of the accrual of interest thereon. Interest on the Notes called for redemption will not accrue from and after the redemption date.

The Notes are issuable as fully registered Notes in denominations of $100,000 and any integral multiple thereof. Subject to the limitations provided in the Indenture, Notes may be exchanged, at said Office of the Trustee, for a like aggregate principal amount of Notes of other authorized denominations of the same maturity.

The Trustee has no obligation or liability to the Registered Owners to make payments of principal of or interest on the Notes, except from amounts on deposit for such purposes with the Trustee. The Trustee's sole obligations are to administer for the benefit of the Registered Owners the various funds and accounts established under the Indenture of Trust and, to the extent provided in the Indenture of Trust, to enforce the rights of the Authority under the Installment Sale Agreement.

This Note is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at said Office of the Trustee, but only in the manner, subject to the limitations provided in the Indenture, and upon surrender and cancellation of this Note. Upon such transfer, a new Note or Notes, of authorized denomination or denominations, of the same series, maturity and for the same aggregate principal amount, will be issued to the transferee in exchange herefor.

If an Event of Default, as defined in the Indenture, shall occur, the principal of all outstanding Notes 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.

The Indenture and the rights and obligations of the Authority and of the owners of the Notes and of the Trustee may be modified or amended from time to time and at any time in the manner, to the extent, and upon the terms provided in the Indenture; provided that no such modification or amendment

shall (a) extend the maturity of or reduce the interest rate on any Note or otherwise alter or impair the obligation of the Authority to pay the principal, interest or redemption premiums at the time and place and at the rate and in the currency provided therein of any Note without the express written consent of the owner of such Note, (b) reduce the percentage of Notes required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee, all as more fully set forth in the Indenture.

The Authority and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes and the Authority and the Trustee shall not be affected by any notice to the contrary.

IN WITNESS WHEREOF, the Victorville Joint Powers Financing Authority has caused this Note to be executed in its name and on its behalf by the manual signature of its President and attested to by the manual signature of its Secretary, all as of the Issue Date stated above.

VICTORVILLE JOINT POWERS FINANCING AUTHORITY

By _____
President

Attest:

_____
Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Notes described in the within-mentioned Indenture.

Dated: _____, 2009

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee

By _____
Authorized Signatory

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto

_____

(Name, Address and Tax Identification or Social Security Number)

the within-mentioned Note 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: _____

Signature Guaranteed:

_____

Signature(s) must be guaranteed by a qualified guarantor.

_____

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Note in every particular without alteration or enlargement or any change whatsoever.

EXHIBIT B

VICTORVILLE JOINT POWERS FINANCING AUTHORITY
TAXABLE WASTEWATER REVENUE NOTES, 2009 SERIES
(VICTORVILLE WATER DISTRICT)

(Issue Dated Date: _____, 2009)

Requisition of the Water District
(Acquisition and Construction Fund)
(Section 3.5 of the Indenture)

The Bank of New York Mellon Trust Company, N.A.
Attention: Corporate Trust Department

Request No.: P-___ (to be sequentially numbered)

Project Component	Amount of This Draw	Aggregate Amount Draws Including This Draw

(Continue on Additional Sheet if Necessary)

Name and Address of party to whom payment is to be made:

_____

Purpose for which the obligation was incurred:

_____

The undersigned (the "Water District") hereby certifies that (i) each such cost or expense constitutes a proper charge against the Acquisition and Construction Fund for services rendered, and has not been the subject of any other payment request filed with you; and (ii) if the payment is to be made to the Water District for amounts that it has paid or will pay to third parties, then the Water District has either made payment or will make payment within three business days of receipt of moneys requisitioned hereunder and that the aggregate number of business days during this calendar year during which it has held such amounts before making payment does not exceed twenty.

Date: _____

VICTORVILLE WATER DISTRICT

By:_____
Title:_____

APPENDIX C

FORM OF INVESTOR LETTER

[date of transfer]

Victorville Joint Powers Financing Authority
Victorville, California

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

$_____
Victorville Joint Powers Financing Authority
Taxable Wastewater Revenue Notes, 2009 Series
(Victorville Water District)

Ladies and Gentlemen:

The undersigned certifies that [he/she] is an authorized officer or representative of _____ (the "Purchaser"), the purchaser of the above-captioned notes (the "Notes") issued and delivered pursuant to that certain Indenture of Trust, dated as of May 1, 2009 (the "Indenture"), among the Victorville Joint Powers Financing Authority (the "Authority"), the Victorville Water District and The Bank of New York Mellon Trust Company, N.A., as trustee, and hereby represents to, and acknowledges and agrees with, each of you as follows:

(i) it is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion for investment and not with a view to distribute and that it or such account is a "Qualified Institutional Buyer" (as defined in Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"));

(ii) if it should resell or otherwise transfer the Notes, it will do so only (a) to the Authority, or (b) to a Qualified Institutional Buyer that, prior to such transfer, furnishes to the Trustee a signed letter containing certain representations and agreements relating to the restrictions on transfer of such Notes (the form of which letter can be obtained from such Trustee);

(iii) none of the Authority or any person representing the Authority has made any representation to it with respect to the Authority or the offer or sale of any Notes, other than the information contained in the Private Placement Memorandum and as part of transcript of proceeding relating to the Notes, which has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes;

(iv) it has had access to such financial and other information concerning the Authority and the Notes as it has deemed necessary in connection with its decision to purchase the Notes, including an opportunity to ask questions of and request information from the Authority;

(v) the Authority and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Notes are no longer accurate, it shall promptly notify the Authority; and

(vi) if it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it has sole investment discretion with respect to each account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

(vii) It represents and covenants that it is not acquiring the Notes for or on behalf of, and will not sell or otherwise transfer the Notes to, any employee benefit plan (as defined in Section 3 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) or a plan (as defined in section 4975(e)(1) of the Internal Revenue Code of 1986, as amended (the "Code")), except:

(a) to the extent such purchase is made by or on behalf of a bank collective investment fund maintained by the purchaser in which (i) at any time while the Notes are held by the purchaser, no plan (together with any other plan or plans maintained by the same employer or employee organization) has an interest in excess of ten percent (10%) of the total assets in such collective investment fund and (ii) the conditions of Prohibited Transaction Class Exemption ("PTE") 91-38 issued by the Department of Labor are satisfied;

(b) to the extent such purchase is made by or on behalf of an insurance company pooled separate account maintained by the purchaser in which (i) at any time while the Notes are held by the purchaser, no plan (together with any other plans maintained by the same employer or employee organization) has an interest in excess of ten percent (10%) of the total assets in such pooled separate account and (ii) the conditions of PTE 90-1 issued by the Department of Labor are satisfied;

(c) to the extent such purchase is made on behalf of a plan by a qualified professional asset manager, as such term is used in PTE 84-14 issued by the Department of Labor, and the assets of such plan when combined with the assets of other plans established or maintained by the same employer (or affiliate thereof) or employee organization and managed by such investment adviser, bank, insurance company or savings and loan do not represent more than twenty percent (20%) of the total client assets maintained by such investment adviser, bank, insurance company or savings and loan and the conditions of PTE 84-14 are satisfied;

(d) to the extent such plan is a governmental plan or church plan (as defined in Section 3 of ERISA) which is not subject to the provisions of Title I of ERISA or Section 4975 of the Code;

(e) to the extent such purchase is made by or on behalf of an insurance company with assets in its insurance company general account, and the conditions of PTE 95-60 issued by the Department of Labor are satisfied; to the extent such purchase is made on behalf of a plan by an in-house asset manager and the conditions of PTE 96-23 issued by the Department of Labor are satisfied; or

(f) to the extent such purchase is made on behalf of a plan by an in-house asset manager and the conditions of Part I of Prohibited Transactions Class Exemption 96-23 issued by the Department of Labor are satisfied.

_____

By:_____

Name:_____

Title:_____

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CITY OF VICTORVILLE

SUPERIOR COURT OF CALIFORNIA

COUNTY OF SAN BERNARDINO — VICTORVILLE DISTRICT

ROBERT WILSON Plaintiff, vs. HOMELAND DEVELOPMENT, INC., SKYLAND INVESTMENT, INC., APPLE VALLEY CONSTRUCTION, CATALINA CONSTRUCTION, JESSICA LA FRENZ, CITY OF VICTORVILLE, and DOES 1 through 50, inclusive, Defendants. AND CONSOLIDATED ACTIONS.	Case No. CIVVS 801239 cons. w/ CIVVS801240, CIVVS 804467 **RESPONSE TO REQUEST FOR THE PRODUCTION OF DOCUMENTS, SET ONE, PROPOUNDED BY PLAINTIFF, CADY CAMERON**

PROPOUNDING PARTY: Plaintiff, CADY CAMERON

RESPONDING PARTY: Defendant/Cross-Complainant/Cross-Defendant, CITY OF VICTORVILLE

SET NUMBER: One

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CITY OF VICTORVILLE, hereby provides the following responses to plaintiff, CADY CAMERON, Request for the Production of Documents pursuant to Code of Civil Procedure § 2031.030.

Each of the following responses are rendered and based upon information in the possession of the responding party at the time of the preparation of said responses after diligent inquiry. Discovery will continue as long as permitted by statute or stipulation of the parties, and investigation of this responding party's attorneys and agents will continue up to and throughout the trial of this action. The responding party specifically reserves the right to introduce at the time of trial any evidence from any source, including testimony from any witnesses, which may hereinafter be discovered.

If any information has been unintentionally omitted from these responses, the responding party hereby reserves the right to apply for relief to permit the amendment of these responses to include the omitted information. These introductory paragraphs apply to each and every response herein and shall be incorporated by this reference as though fully set forth in each and every following response.

GENERAL OBJECTIONS

1. In the context of some of the discovery requests, the definitions of "YOU" and "YOUR" are overbroad, burdensome and oppressive and invade attorney-client and work product privileges as to defendant and its counsel. For example, the definitions include any of its numerous employees wherever they may be located and regardless of whether they have any knowledge regarding the subject accident.

2. The responding party has no personal knowledge of the information contained within the requests. As a result, when the responding party provides verified responses to these interrogatories, the responses are made on information and belief only, since its knowledge of these matters comes only from hearsay and not from personal knowledge of its officers, directors, or managing agents.

///

///

RESPONSES TO REQUEST FOR THE PRODUCTION OF DOCUMENTS

REQUEST FOR THE PRODUCTION OF DOCUMENTS NUMBER 1:

_____Any and all Street Improvement Plans for all of Eucalyptus Street, East and West of Mesa Linda Street in the City of Victorville, CA.

RESPONSE TO REQUEST FOR THE PRODUCTION OF DOCUMENTS NUMBER 1:

The requested documents are provided in the attached CD.

Dated: May ____, 2009

GRAVES & KING LLP
Attorneys at Law

By:_____
HARVEY WIMER, III
ROBERT C. KREPS
CHRISTOPHER A. McINTIRE
Attorneys for the defendant/cross-complainant/cross-defendant,
CITY OF VICTORVILLE

J:\WP_FILES\PLG-TEAM\hww\4901\DISCOVERY\RESP'RFP'CAMERON'01.wpd

VERIFICATION

STATE OF CALIFORNIA, COUNTY OF SAN BERNARDINO

I am the authorized representative of the CITY OF VICTORVILLE, in the above-entitled action. I have read the foregoing **RESPONSE TO REQUEST FOR THE PRODUCTION OF DOCUMENTS, SET ONE, PROPOUNDED BY PLAINTIFF, CADY CAMERON,** and know the contents thereof, except as to those matters which are therein stated upon my information and belief, and as to those matters, I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this ____ day of May, 2009, at Victorville, California.

_____
Signature

_____
Print Name

Marcie Wolters

From: Lynne M. Frattini [lfrattini@gravesandking.com]
Sent: Monday, May 04, 2009 4:03 PM
To: Marcie Wolters
Subject: Wilson v. Homeland
Attachments: RESP'RFP'CAMERON'01.pdf

Hi Marcie,

Attached is the City's response to request for production of documents, set one, propounded by Cady Cameron. Please have Mr. Buquet sign the verification. Chip is not sure what time he will be in on Wednesday and the responses are due to be served Wednesday, May 6th. He is going to let me know. Either way, if there is a way you could intercept the the signed verifications and scan a copy to me, I would really appreciate it. That way I don't have to worry about getting the originals in a timely manner. I can either pick them up myself or you could just mail them to me.

Let me know what you think is the best plan of action and the most convenient for you and Mr. Buquet.

Also, the documents on the SPOSATO matter are not ready for review yet. They will be forwarded at a later time by Robert Kreps' assistant.

Thanks.

Best Regards,

Lynne M. Frattini
Paralegal
Graves & King LLP
3610 Fourteenth Street, Second Floor
Riverside, California 92501
(951) 680-0100 phone
(951) 680-0700 fax
lfrattini@gravesandking.com

INSTALLMENT SALE AGREEMENT

by and between

VICTORVILLE JOINT POWERS FINANCING AUTHORITY,
as Seller

VICTORVILLE WATER DISTRICT,
as Purchaser

Dated as of May 1, 2009

Relating to:

$_____
Victorville Joint Powers Financing Authority
Taxable Wastewater Revenue Notes, 2009 Series
(Victorville Water District)

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EXHIBIT A – Schedule of Installment Payments
EXHIBIT B – Description of the Wastewater Enterprise

INSTALLMENT SALE AGREEMENT

THIS INSTALLMENT SALE AGREEMENT, dated as of May 1, 2009, by and among the **VICTORVILLE JOINT POWERS FINANCING AUTHORITY**, a joint exercise of powers agency duly organized and existing under the laws of the State of California (the "Authority"), and the **VICTORVILLE WATER DISTRICT,** a county water district and a subsidiary district of the City of Victorville duly organized and existing under the laws of the State of California (the "Water District"),

WITNESSETH:

WHEREAS, the City of Victorville (the "City") owns that certain wastewater collection system (the "Leased Property"); and

WHEREAS, pursuant to that certain Wastewater Enterprise Lease Agreement, dated as of April __, 2009, by and between the City and the Water District, the City has leased the Leased Property to the Water District, including all rights, liabilities, duties and responsibilities of the City regarding the operation and maintenance of the Leased Property as well as the power to enter into, administer and enforce all contracts or other agreements relating to the operation and maintenance of the Leased Property; and

WHEREAS, the Leased Property, as operated by the Water District and together with any improvements thereto acquired, constructed or installed by the Water District, including, without limitation, the Improvements, constitutes the Wastewater Enterprise of the Water District; and

WHEREAS, the Authority is a joint exercise of powers agency duly created, established and authorized to transact business and exercise its powers, all under and pursuant to the Joint Exercise of Powers Act (Articles 1 through 4 of Chapter 5, Division 7, Title 1 of the California Government Code) (the "Act") and the powers of such Authority include the power to issue bonds for any of its corporate purposes; and

WHEREAS, the Water District desires to finance the construction of a wastewater treatment plant as well as certain other improvements (the "Improvements") to the Wastewater Enterprise; and

WHEREAS, the Authority has approved the issuance of its Taxable Wastewater Revenue Notes, 2009 Series (Victorville Water District) (the "Notes") to assist the Water District in providing funds to finance the Improvements; and

WHEREAS, the Water District has determined that it is necessary and desirable to enter into this Installment Sale Agreement pursuant to which the Water District is to purchase the Improvements in consideration for Installment Payments equal in time and amount to the debt service on the Notes allocable to the Installment Sale Agreement; and

WHEREAS, the Water District has approved the purchase of the Improvements from the Authority as provided in this Agreement; and

WHEREAS, the Authority and the Water District have duly authorized the execution and delivery of this Agreement;

NOW, THEREFORE, for and in consideration of the promises and the material covenants hereinafter contained, the parties hereto hereby covenant, agree and bind themselves as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1 Definitions. Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms in this Agreement shall have the respective meanings specified in the Indenture. In addition, the following terms defined in this Section shall, for all purposes of this Agreement, have the respective meanings herein specified.

"Acquisition and Construction" means, with respect to any of the Improvements, the acquisition, construction, improvement, equipping, renovation, remodeling or reconstruction thereof.

"Acquisition and Construction Costs" means, with respect to any of the Improvements, all costs of the Acquisition and Construction thereof which are paid from moneys on deposit in the Acquisition and Construction Fund, including but not limited to:

(a) all costs required to be paid to any person under the terms of any agreement for or relating to the Acquisition and Construction of the Improvements;

(b) obligations incurred for labor and materials in connection with the Acquisition and Construction of the Improvements;

(c) the cost of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect in connection with the Acquisition and Construction of the Improvements;

(d) all costs of engineering and architectural services, including the actual out-of-pocket costs for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees, sales commissions, and for supervising construction, as well as for the performance of all other duties required by or consequent to the proper Acquisition and Construction of the Improvements;

(e) any sums required to reimburse the City or the Water District for advances made for any of the above items or for any other costs incurred and for work done which are properly chargeable to the Acquisition and Construction of the Improvements;

(f) all financing costs incurred in connection with the Acquisition and Construction of the Improvements, including but not limited to Costs of Issuance and Acquisition and Construction of other costs incurred in connection with this Agreement and the financing of the Improvements; and

(g) the interest components of the Installment Payments during the period of Acquisition and Construction of the Improvements, to the extent not paid from the proceeds of the Notes deposited in the Note Service Fund pursuant to the Indenture.

"Additional Payments" means the amounts payable by the Water District pursuant to Section 4.10.

"Agreement" means this Installment Sale Agreement, together with any duly authorized and executed amendments hereto.

"Event of Default" means any of the events described in Section 8.1.

"Gross Revenues" means all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Wastewater Enterprise, including, without limiting the generality of the foregoing, (1) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the Water District from the sale, furnishing and supplying of wastewater treatment 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 Wastewater Enterprise, including, without limitation, reclaimed water, plus (2) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, or other moneys, including Water District reserves, but excluding in all cases customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the Water District and excluding any proceeds of taxes required by law to be used by the Water District to pay bonds hereafter issued.

"Indenture" means the Indenture of Trust, dated as of May 1, 2009, by and between the Water District and the Bank of New York Mellon Trust Company, N.A., as trustee, relating to the Notes.

"Improvements" means the capital improvements to the Wastewater Enterprise financed with proceeds of the Notes as described in Exhibit B attached hereto, as such description may be amended by the Water District from time to time pursuant to and in accordance with Section 3.2 hereof.

"Installment Payment Date" means the fifteenth (15th) day of each May and November during the Term of this Agreement, commencing November 15, 2009.

"Installment Payments" means the amounts payable by the Water District pursuant to Section 4.4, including any prepayments thereof pursuant to Article IX hereof.

"Net Revenues" means, for any period, an amount equal to all of the Gross Revenues received during such period minus the amount required to pay all Operation and Maintenance Costs becoming payable during such period.

"Operation and Maintenance Costs" means the reasonable and necessary costs and expenses paid by the Water District for maintaining and operating the Wastewater Enterprise, including but not limited to (a) the cost of utilities, including electricity and other forms of energy supplied to the Wastewater Enterprise, (b) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Wastewater Enterprise in good repair and working order and (c) the reasonable administrative costs of the Water District attributable to the operation and maintenance of the Wastewater Enterprise, including insurance and other costs described in Article V hereof, but in all cases excluding (i) debt service payable on obligations incurred by the Water District with respect to the Wastewater Enterprise, including but not limited to the Installment Payments, (ii) depreciation, replacement and obsolescence charges or reserves therefor and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

"Purchase Price" means the amount to be paid by the Water District hereunder as the purchase price of the Improvements, being equal to the aggregate principal amount of the Notes.

"Term of this Agreement" means the time during which this Agreement is in effect, as provided in Section 4.2 hereof.

"Wastewater Enterprise" means the entire wastewater system of the Water District, including all facilities, properties and improvements at any time owned, controlled or operated by the Water District

for the collection and/or treatment of wastewater, and any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto at any time acquired, constructed or installed by the Water District, including the Leased Property and the Improvements.

"Water Enterprise" means the entire water system of the Water District, including all facilities, properties and improvements at any time owned, controlled or operated by the Water District for the distribution of water, and any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto at any time acquired, constructed or installed by the Water District.

"Wastewater Enterprise Fund" means the fund by that name held by the Water District.

ARTICLE II

COVENANTS AND REPRESENTATIONS

SECTION 2.1 Covenants and Representations of the Water District. The Water District makes the following covenants and representations to the Authority that as of the Closing Date:

(a) The Water District is a county water district and a subsidiary district of the City of Victorville duly organized and validly existing under the laws of the State, has full legal right, power and authority to enter into this Agreement and to carry out and consummate all transactions on its part contemplated hereby, by proper action has duly authorized the execution and delivery of this Agreement.

(b) The representatives of the Water District executing this Agreement are fully authorized to execute the same.

(c) This Agreement has been duly authorized, executed and delivered by the Water District, and constitutes the legal, valid and binding agreement of the Water District, enforceable against the Water District in accordance with its terms.

(d) The execution and delivery of this Agreement, the consummation of the transactions herein contemplated and the fulfillment of or compliance with the terms and conditions hereof, will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the Water District is a party or by which it or its facilities are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Water District, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Agreement or the financial condition, assets, facilities or operations of the Wastewater Enterprise.

(e) No consent or approval of any trustee or holder of any indebtedness of the Water District or of the voters of the Water District, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Agreement or the consummation of any transaction herein

and therein contemplated, except as have been obtained or made and as are in full force and effect.

(f) There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or threatened against or affecting the Water District or the Wastewater Enterprise which, if determined adversely to the Water District or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Agreement or upon the financial condition or operation of the Wastewater Enterprise, and the Water District is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Agreement, or the financial condition or operations of the Wastewater Enterprise.

(g) The City has heretofore established the Wastewater Enterprise Fund into which the Water District deposits and will continue to deposit all Gross Revenues, and which the Water District will maintain throughout the Term of this Agreement.

(h) There are no outstanding bonds, notes, loans, leases, installment sale agreements or other obligations which have any security interest in the Gross Revenues or the Net Revenues, which security interest or claim is superior to or on a parity with the Installment Payments.

(i) The Water District has determined that it is necessary and proper for Water District uses and purposes that the Water District acquire the Improvements in the manner provided for in this Agreement, in order to provide essential services and facilities to persons residing in the Water District.

SECTION 2.2 Covenants and Representations of the Authority. The Authority makes the following covenants and representations as the basis for its undertakings herein contained:

(a) The Authority is a joint exercise of powers agency, duly organized and existing under the laws of the State. The Authority has the power to enter into the transactions contemplated by this Agreement and to carry out its obligations hereunder. By proper action of its governing body, the Authority has been duly authorized to execute, deliver and duly perform this Agreement and the Indenture.

(b) To finance the Improvements and the Costs of Issuance, the Authority will issue its Notes, which will mature, bear interest and be subject to redemption as set forth in the Indenture.

(c) The Notes will be issued under and secured by the Indenture, and pursuant thereto, certain of the Authority's interests in this Agreement have been assigned to the Trustee as security for payment of the principal of, premium, if any, and interest on the Notes.

(d) The Authority is not in default under any of the provisions of the laws of the State, which default would affect its existence or its powers referred to in subsection (a) of this Section.

ARTICLE III

ISSUANCE OF BONDS; ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS

SECTION 3.1 The Notes. The Authority has authorized the issuance of the Notes pursuant to the Indenture in the aggregate principal amount of _____ Dollars ($_____). The Authority and the Water District agree that the proceeds of sale of the Notes shall be paid to the Trustee on the Closing Date for deposit pursuant to the terms and conditions of the Indenture. The Water District hereby approves the Indenture, the assignment to the Trustee of the rights of the Authority assigned under and pursuant to the Indenture, and the issuance of the Notes by the Authority under and pursuant to the Indenture.

SECTION 3.2 Documentation Required for the Improvements. Before any payment is made for the Improvements or any component thereof to be constructed by the Water District from amounts on deposit in the Acquisition and Construction Fund, the Water District shall have filed with the Authority detailed plans and specifications relating thereto. The Water District may from time to time file amendments to such plans and specifications with the Authority, and may thereby change or modify the description of such Improvements or component thereof.

SECTION 3.3 Acquisition and Construction of the Improvements. The Authority hereby agrees with due diligence to supervise and provide for, or cause to be supervised and provided, for the Acquisition and Construction of the Improvements in accordance with plans and specifications, construction contracts and other documents relating thereto and approved by the Water District pursuant to all applicable requirements of law. Direct payment of the Acquisition and Construction Costs shall be made from amounts on deposit in the Acquisition and Construction Fund, pursuant to Section 3.5 of the Indenture. All contracts for, and all work relating to, the Acquisition and Construction of the Improvements shall be subject to all applicable provisions of law relating to the acquisition and construction of public works by the Water District.

The Water District shall have the right from time to time in its sole discretion to amend the description of the Improvements to be financed and improved hereunder. In order to exercise such right, the Water District shall file with the Authority an amended Exhibit B hereto.

Upon the completion of the Acquisition and Construction of the Improvements, but in any event not later than thirty (30) days following such completion, the Water District Representative shall execute and deliver to the Authority and the Trustee a Written Certificate which (a) states that the Acquisition and Construction of such Improvements have been substantially completed, (b) identifies the total Acquisition and Construction Costs thereof, and (c) identifies (i) the amounts, if any, to remain on deposit in the Acquisition and Construction Fund for payment of Acquisition and Construction Costs thereafter intended to be requisitioned by the Authority and (ii) the amounts to be transferred to the Note Service Fund.

SECTION 3.4 Grant of Easements. The Water District hereby grants to the Authority all necessary easements, rights of way and rights of access in and to all real property or interests therein now or hereafter acquired and owned by the Water District, as may be necessary or convenient to enable the Authority to acquire, construct and install the Improvements thereon or thereabouts. The Water District covenants that it will execute, deliver and record any and all additional documents as may be required to be executed, delivered and recorded to establish such easements, rights of way and rights of access.

SECTION 3.5 Appointment of Water District as Agent of Authority. The Authority hereby appoints the Water District as its agent to carry out all phases of the Acquisition and Construction of the Improvements pursuant to and in accordance with the provisions hereof. The Water District hereby accepts such appointment and assumes all rights, liabilities, duties and responsibilities of the Authority regarding the Acquisition and Construction of the Improvements. The Authority, or the Water District as agent of the Authority hereunder, shall enter into, administer and enforce all purchase orders or other contracts relating to the Acquisition and Construction of the Improvements. All contracts for, and all work relating to, the Acquisition and Construction of the Improvements shall be subject to all applicable provisions of law relating to the acquisition, construction, improvement, and equipping of like facilities and property by the Water District.

ARTICLE IV

SALE OF IMPROVEMENTS; INSTALLMENT PAYMENTS

SECTION 4.1 Sale. In consideration for the Installment Payments and other consideration set forth in this Agreement, the Authority hereby agrees to sell, transfer and convey to the Water District all of the Authority's right title and interest in and to the Improvements, and the Water District hereby agrees to purchase the Improvements from the Authority, upon the terms and conditions set forth in this Agreement.

SECTION 4.2 Term. The Term of this Agreement shall commence on the Closing Date, and shall end on the date on which the Water District shall have paid all of the Installment Payments and all other amounts due and payable hereunder. The provisions of this Section are subject in all respects to any other provisions of this Agreement relating to the termination hereof with respect to the Wastewater Enterprise or any portion thereof.

SECTION 4.3 Title. On the Closing Date, title to the Improvements shall be deemed conveyed to and vested in the Water District. The Authority and the Water District shall execute, deliver and cause to be recorded any and all documents necessary to convey such title to the Water District.

SECTION 4.4 Installment Payments.

(a) Obligation to Pay. The Water District agrees to pay to the Authority, its successors and assigns, but solely from the Net Revenues and other funds pledged hereunder, the Purchase Price, together with interest on the unpaid principal balance, payable in Installment Payments coming due and payable in the respective amounts and on the respective Installment Payment Dates specified in Exhibit A hereto. The Installment Payments shall be paid by the Water District to the Trustee, as assignee of the Authority pursuant to the Indenture, in the amounts and at the times as set forth in Section 4.5(b), to the extent such amounts are available from Net Revenues. On any Installment Payment Date that Net Revenues are unavailable in an amount which is sufficient to pay the full amount of the Installment Payment then due and payable, the Water District shall receive a credit against such Installment Payment in an amount equal to the difference between the available Net Revenues and the amount of the Installment Payment then due and payable from moneys on deposit in the Note Service Fund held under the Indenture. To the extent amounts are on deposit in the Note Service Fund to supplement such insufficient Net Revenues, no Event of Default shall have occurred hereunder.

(b) Effect of Prepayment. In the event that the Water District prepays all remaining Installment Payments in full pursuant to Article IX, the Water District's obligations under this Agreement shall thereupon cease and terminate, including but not limited to the Water District's

obligation to pay Installment Payments therefor under this Section; provided, however, that the Water District's obligations to compensate and indemnify the Trustee pursuant to Sections 4.10 and 6.3 shall survive such prepayment. In the event that the Water District prepays the Installment Payments in part but not in whole pursuant to Section 9.1, the principal component of each succeeding Installment Payment shall be reduced in inverse order of Installment Payment Date or pro rata among such dates, as determined by the Water District, and the interest component of each remaining Installment Payment shall be reduced by the aggregate corresponding amount of interest which would otherwise be payable on the Notes thereby redeemed pursuant to Section 2.3 of the Indenture. In any event, the remaining Installment Payments shall be equal in time and amount to the remaining debt service on the Notes.

(c) Rate on Overdue Payments. In the event the Water District should fail to make any of the payments required in this Section and Section 4.10, the payment in default shall continue as an obligation of the Water District until the amount in default shall have been fully paid, and the Water District agrees to pay the same with interest thereon, from the date of default to the date of payment, at a rate of interest per annum equal to the rate borne by the Outstanding Notes.

(d) Assignment. The Water District understands and agrees that all Installment Payments have been assigned by the Authority to the Trustee in trust, pursuant to the Indenture, for the benefit of the Owners of the Notes, and the Water District hereby assents to such assignment. The Authority hereby directs the Water District, and the Water District hereby agrees, to pay to the Trustee at its Office, all amounts payable by the Water District pursuant to this Section and all amounts payable by the Water District pursuant to Article IX.

SECTION 4.5 Pledge and Application of Net Revenues.

(a) Pledge of Net Revenues. All of the Net Revenues, and all moneys on deposit in the Wastewater Enterprise Fund, are hereby irrevocably pledged, charged and assigned to the punctual payment of the Installment Payments, and except as otherwise provided herein the Net Revenues and such other funds shall not be used for any other purpose so long as any of the Installment Payments remain unpaid. Such pledge, charge and assignment shall constitute a first lien on the Net Revenues and such other moneys for the payment of the Installment Payments in accordance with the terms hereof.

(b) Deposits Into Funds; Transfers to Make Installment Payments. All of the Gross Revenues shall be deposited by the Water District immediately upon receipt in the Wastewater Enterprise Fund, which fund has been established by the City and is held by the Water District. The Water District shall pay Operation and Maintenance Costs from the Wastewater Enterprise Fund as such payments become due and payable. The Water District covenants and agrees that all Net Revenues will be held by the Water District in the Wastewater Enterprise Fund in trust for the benefit of the Trustee (as assignee of the rights of the Authority hereunder) and the Note Owners. On or before each Installment Payment Date, the Water District shall withdraw from the Wastewater Enterprise Fund and transfer to the Trustee for deposit in the Revenue Fund, an amount of Net Revenues which, together with the balance then on deposit in the Note Service Fund (other than amounts resulting from the prepayment of the Installment Payments pursuant to Article IX and other than amounts required for payment of principal of or interest on any Notes which have matured or been called for redemption but which have not been presented for payment), is equal to the aggregate amount of the Installment Payments coming due and payable on the next succeeding Interest Payment Date.

The Water District shall manage, conserve and apply the Revenues on deposit in the Wastewater Enterprise Fund in such a manner that all deposits required to be made pursuant to this subsection (b) will be made at the times and in the amounts so required. Subject to the foregoing sentence, so long as no Event of Default shall have occurred and be continuing hereunder, the Water District may use and apply Net Revenues in the Wastewater Enterprise Fund for (i) the payment of Additional Payments, (ii) the payment of any subordinate obligations or any unsecured obligations, (iii) the acquisition and construction of extensions and betterments to the Wastewater Enterprise, (iv) the prepayment of any obligations of the Water District relating to the Wastewater Enterprise, (v) transfers from the Wastewater Enterprise Fund to the General Fund of the Water District for in-lieu fees and administrative costs, or (vi) any other lawful purposes of the Wastewater Enterprise Fund. All monies in the Wastewater Enterprise Fund may be invested by the Water District from time to time in any Authorized Investment.

SECTION 4.6 Special Obligation of the Water District; Obligations Absolute. The Water District's obligation to pay the Installment Payments, the Additional Payments and any other amounts coming due and payable hereunder shall be a special obligation of the Water District limited solely to the Net Revenues. Under no circumstances shall the Water District be required to advance moneys derived from any source of income other than the Net Revenues and other sources specifically identified herein for the payment of the Installment Payments and the Additional Payments, nor shall any other funds or property of the Water District be liable for the payment of the Installment Payments and the Additional Payments and any other amounts coming due and payable hereunder.

The obligations of the Water District to make the Installment Payments and the Additional Payments from the Net Revenues and to perform and observe the other agreements contained herein shall be absolute and unconditional and shall not be subject to any defense or any right of setoff, counterclaim or recoupment arising out of any breach of the Water District, the Authority or the Trustee of any obligation to the Water District or otherwise with respect to the Wastewater Enterprise, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the Water District by the Authority or the Trustee. Until such time as all of the Installment Payments, all of the Additional Payments and all other amounts coming due and payable hereunder shall have been fully paid or prepaid, the Water District (a) will not suspend or discontinue payment of any Installment Payments, Additional Payments or such other amounts, (b) will perform and observe all other agreements contained in this Agreement, and (c) will not terminate the Term of this Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Wastewater Enterprise, failure to complete the Acquisition and Construction of any Improvements by the estimated Completion Date thereof, sale of the Wastewater Enterprise, the taking by eminent domain of title to or temporary use of any component of the Wastewater Enterprise, commercial frustration of purpose, any change in the tax or law other laws of the United States of America or the State or any political subdivision of either thereof or any failure of the Authority or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Indenture or this Agreement.

Nothing contained in this Section shall be construed to release the Authority or the Trustee from the performance of any of the agreements on its part contained herein or in the Indenture, and in the event the Authority or the Trustee shall fail to perform any such agreements, the Water District may institute such action against the Authority or the Trustee as the Water District may deem necessary to compel performance so long as such action does not abrogate the obligations of the Water District contained in the preceding paragraph. The Water District may, however, at the Water District's own cost and expense and in the Water District's own name or in the name of the Authority prosecute or defend any action or proceeding or take any other action involving third persons which the Water District deems reasonably necessary in order to secure or protect the Water District's rights hereunder, and in such event the

Authority hereby agrees to cooperate fully with the Water District and to take such action necessary to effect the substitution of the Water District for the Authority in such action or proceeding if the Water District shall so request.

SECTION 4.7 Reserved.

SECTION 4.8 Superior and Subordinate Obligations. The Water District shall not issue or incur any additional bonds or other obligations during the Term of this Agreement having any priority in payment of principal or interest out of the Gross Revenues or the Net Revenues over the Installment Payments. Nothing herein is intended or shall be construed to limit or affect the ability of the Water District to issue or incur obligations which are either unsecured or which are secured by an interest in the Net Revenues which is junior and subordinate to the pledge of and lien upon the Net Revenues established hereunder.

SECTION 4.9 Reserved.

SECTION 4.10 Additional Payments. In addition to the Installment Payments, the Water District shall pay when due all costs and expenses incurred by the Authority to comply with the provisions of the Indenture, including without limitation all Costs of Issuance (to the extent not paid from amounts on deposit in the Costs of Issuance Fund or the Acquisition and Construction Fund), and shall pay to the Trustee upon request therefor all compensation for fees due to the Trustee and all of its costs and expenses payable as a result of the performance of and compliance with its duties hereunder or under the Indenture or any related documents, together with all amounts required to indemnify the Trustee pursuant to Section 6.3 hereof or Section 6.13 of the Indenture, and all costs and expenses of attorneys, auditors, engineers and accountants. The rights of the Trustee and the obligations of the Water District under this Section shall survive the termination of this Agreement.

ARTICLE V

MAINTENANCE; TAXES; INSURANCE; AND OTHER MATTERS

SECTION 5.1 Maintenance, Utilities, Taxes and Assessments. Throughout the Term of this Agreement, all improvement, repair and maintenance of the Wastewater Enterprise shall be the responsibility of the Water District, and the Water District shall pay for or otherwise arrange for the payment of all utility services supplied to the Wastewater Enterprise, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Wastewater Enterprise resulting from ordinary wear and tear.

The Water District shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Authority or the Water District affecting any Wastewater Enterprise or the respective interests or estates therein; provided, however, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Water District shall be obligated to pay only such installments as are required to be paid during the Term of this Agreement as and when the same become due.

The Water District may, at the Water District's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority shall notify the Water District that, in its opinion, by nonpayment of any such items, the interest of the Authority hereunder or under the Indenture will be

materially adversely affected, in which event the Water District shall promptly pay such taxes, assessments or charges or provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority.

SECTION 5.2 Operation of Wastewater Enterprise. The Water District covenants and agrees to operate the Wastewater Enterprise in an efficient and economical manner and to operate, maintain and preserve the Wastewater Enterprise in good repair and working order. The Water District covenants that, in order to fully preserve and protect the priority and security of the Notes, the Water District shall pay from the Gross Revenues and discharge all lawful claims for labor, materials and supplies furnished for or in connection with the Wastewater Enterprise which, if unpaid, may become a lien or charge upon the Gross Revenues or the Net Revenues prior or superior to the lien granted hereunder, or which may otherwise impair the ability of the Water District to pay the Installment Payments in accordance herewith.

SECTION 5.3 Public Liability and Property Damage Insurance. The Water District shall maintain or cause to be maintained, throughout the Term of this Agreement, but only if and to the extent available at reasonable cost from reputable insurers, a standard comprehensive general insurance policy or policies in protection of the Authority, the Water District and their respective members, officers, agents and employees. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Wastewater Enterprise. Said policy or policies shall provide coverage in such liability limits and shall be subject to such deductibles as shall be customary with respect to works and property of a like character. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the Water District, and may be maintained in whole or in part in the form of self-insurance by the Water District, subject to the provisions of Section 5.5, or in the form of the participation by the Water District in a joint powers agency or other program providing pooled insurance. The proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which such proceeds shall have been paid.

SECTION 5.4 Casualty Insurance. The Water District shall procure and maintain, or cause to be procured and maintained, throughout the Term of this Agreement, but only in the event and to the extent available from reputable insurers at reasonable cost, casualty insurance against loss or damage to any improvements constituting any part of the Wastewater Enterprise, covering such hazards as are customarily covered with respect to works and property of like character. Such insurance may be subject to deductible clauses which are customary for works and property of a like character. Such insurance may be maintained as part of or in conjunction with any other casualty insurance carried by the Water District and may be maintained in whole or in part in the form of self-insurance by the Water District, subject to the provisions of Section 5.5, or in the form of the participation by the Water District in a joint powers agency or other program providing pooled insurance. All amounts collected from insurance against accident to or destruction of any portion of the Wastewater Enterprise shall be used to repair, rebuild or replace such damaged or destroyed portion of the Wastewater Enterprise, and to the extent not so applied, shall be paid to the Trustee to be applied to pay or prepay the Installment Payments (and the Notes, under Section 2.3(a) of the Indenture) in accordance with written instructions of the Water District filed with the Trustee.

SECTION 5.5 Insurance Net Proceeds: Form of Policies. The Water District shall pay or cause to be paid when due the premiums for all insurance policies required by this Agreement. The Trustee shall not be responsible for the sufficiency of any insurance herein required and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss. In the event that any insurance required pursuant to Sections 5.3 or 5.4 shall be provided in the form of self-insurance, the Water District shall file with the Trustee annually, within

ninety (90) days following the close of each fiscal year, a statement of an independent actuarial consultant identifying the extent of such self-insurance and stating the determination that the Water District maintains sufficient reserves with respect thereto. In the event that any such insurance shall be provided in the form of self-insurance by the Water District, the Water District shall not be obligated to make any payment with respect to any insured event except from Net Revenues or such reserves. On or before July 1 of each year, the Water District shall certify to the Trustee that all policies of insurance are in conformance with the requirements of this Installment Sale Agreement and the Trustee shall be entitled to rely on such certification without independent investigation.

SECTION 5.6 Eminent Domain. Any amounts received as awards as a result of the taking of all or any part of the Wastewater Enterprise by the lawful exercise of eminent domain, at the election of the Water District (evidenced by a Written Certificate of the Water District filed with the Trustee and the Authority) shall either (a) be used for the acquisition or construction of improvements and extension of the Wastewater Enterprise, or (b) be paid to the Trustee to be applied to pay or prepay the Installment Payments (and the Notes, under Section 2.3(a) of the Indenture), in accordance with written instructions of the Water District filed with the Trustee.

SECTION 5.7 Records and Accounts. The Water District shall keep proper books of record and accounts of the Wastewater Enterprise, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the Wastewater Enterprise. Said books shall, upon prior request, be subject to the reasonable inspection by the Owners of not less than ten percent (10%) in aggregate principal amount of the Outstanding Notes, or their representatives authorized in writing. The Water District shall cause the books and accounts of the Wastewater Enterprise to be audited annually by an Independent Accountant, not more than two hundred forty (240) days after the close of each Fiscal Year, and shall make a copy of such report available for inspection by the Note Owners at the office of the Water District.

SECTION 5.8 Refunding. The Authority covenants and agrees to issue refunding bonds (the "Refunding Bonds") at such time and in such amounts as will be sufficient to refund all of the Notes at maturity. In furtherance of this covenant, on or prior to June 30, 2013, the Water District shall have taken action to fix, prescribe and revise rates, fees and charges for the services and facilities furnished by the Wastewater Enterprise that are projected to yield Net Revenues for the fiscal year ending June 30, 2014 in an amount at least equal to one hundred twenty percent (120%) of the maximum annual debt service on the Refunding Bonds assuming the principal of the Refunding Bonds is amortized over 30 years and the bond yield with respect to the Refunding Bonds is 7%. Furthermore, to the extent necessary for the successful issuance of the Refunding Bonds, the Water District shall obligate itself to loan available funds from the funds and accounts relating to its Water Enterprise, on a subordinate basis to any existing bonded indebtedness, to the Wastewater Enterprise to pay installment payments securing the Refunding Bonds in the event Net Revenues are not sufficient therefor. Any loan repayment obligations shall be secured by Net Revenues on a subordinate basis to the obligation to pay installment payments securing the Refunding Bonds.

SECTION 5.9 Further Assurances. The Water District will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Agreement and the Indenture, and for the better assuring and confirming unto the Trustee and Owners of the Notes the rights and benefits provided herein and in the Indenture.

ARTICLE VI

DISCLAIMER OF WARRANTIES; ACCESS

SECTION 6.1 Disclaimer of Warranties. The Authority and the Trustee make no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the Water District of the Wastewater Enterprise, or any other representation or warranty with respect to the Wastewater Enterprise. In no event shall the Authority or the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising out of this Agreement or the Indenture for the existence, furnishing, functioning or Water District's use of the Wastewater Enterprise.

SECTION 6.2 Access to the Wastewater Enterprise. The Water District agrees that the Authority and the Trustee, and any duly authorized representative thereof, shall have the right at all reasonable times to enter upon and to examine and inspect the Wastewater Enterprise. The Water District further agrees that the Authority and the Trustee, and any duly authorized representative thereof, shall have such rights of access to the Wastewater Enterprise as may be reasonably necessary to cause the proper maintenance of the Wastewater Enterprise in the event of failure by the Water District to perform its obligations hereunder.

SECTION 6.3 Release and Indemnification Covenants. The Water District to the extent permitted by law shall and hereby agrees to indemnify and save the Authority and the Trustee and their respective officers, agents, successors and assigns harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (a) the use, maintenance, condition or management of, or from any work or thing done on the Wastewater Enterprise by the Water District, (b) any breach or default on the part of the Water District in the performance of any of its obligations under this Agreement, (c) any negligence or willful misconduct of the Water District or of any of its agents, contractors, servants, employees or licensees with respect to the Wastewater Enterprise, (d) any act or negligence of any sublessee of the Water District with respect to the Wastewater Enterprise, (e) the Acquisition and Construction of the Wastewater Enterprise or the authorization of payment of the Acquisition and Construction Costs, (f) the performance by the Trustee of its duties and obligations under the Indenture, including any duties referred to in Section 8.4 of the Indenture, or (g) the offer, sale and issuance of the Notes. No indemnification is made under this Section or elsewhere in this Agreement for willful misconduct or negligence by the Authority or the Trustee, or their respective officers, employees, successors or assigns. The rights of the Trustee and the obligations of the Water District under this Section shall survive the termination of this Agreement and the resignation or removal of the Trustee.

SECTION 6.4 Non-Liability of Authority for Wastewater Enterprise Obligations. The Authority and its successor and assigns shall have no obligation and shall incur no liabilities or debts whatsoever for the obligations, liabilities and debts of the Water District incurred in connection with the Wastewater Enterprise.

ARTICLE VII

ASSIGNMENT, SALE AND AMENDMENT

SECTION 7.1 Assignment by the Authority. The Authority's rights under this Agreement, including the right to receive and enforce payment of the Installment Payments to be made by the Water District under this Agreement have been pledged and assigned to the Trustee pursuant to the Indenture, to which pledge and assignment the Water District hereby consents.

SECTION 7.2 Assignment by the Water District. This Agreement may not be assigned by the Water District.

SECTION 7.3 Sale of Wastewater Enterprise Property. Except as provided herein, the Water District covenants that the Wastewater Enterprise shall not be encumbered, sold, leased, pledged, any charge placed thereon, or otherwise disposed of, as a whole or substantially as a whole unless such sale is to a public entity. Neither the Net Revenues nor any other funds pledged or otherwise made available to secure payment of the Installment Payments shall be mortgaged, encumbered, sold, leased, pledged, any charge placed thereon, or disposed or used except as authorized by the terms of this Agreement. The Water District shall not enter into any agreement which impairs the operation of the Wastewater Enterprise or any part of it necessary to secure adequate Net Revenues to pay the Installment Payments, or which otherwise would impair the rights of the Note Owners with respect to the Net Revenues. If any substantial part of the Wastewater Enterprise shall be sold, the payment therefor shall either (a) be used for the acquisition or construction of improvements, extensions or replacements of facilities constituting part of the Wastewater Enterprise, or (b) to the extent not so used, be paid to the Trustee to be applied to pay or prepay the Installment Payments, in accordance with written instructions of the Water District filed with the Trustee.

SECTION 7.4 Amendment Hereof. The Water District and the Authority shall have the right to modify or amend this Agreement, without the consent of the Trustee or any of the Note Owners, but only if such amendment or modification (a) does not materially adversely affect the interests of the Owners of the Notes in the opinion of Bond Counsel, (b) does not modify any of the rights or obligations of the Trustee without the Trustee's written consent, and (c) only is for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Water District contained in this Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the Water District; or

(ii) to cure any ambiguity, or to cure, correct or supplement any defective provision contained herein, or in any other respect whatsoever as the Authority and the Water District may deem necessary or desirable.

ARTICLE VIII

EVENTS OF DEFAULT

SECTION 8.1 Events of Default Defined. The following events shall be Events of Default hereunder:

(a) Failure by the Water District to pay any Installment Payment when and as the same become due and payable hereunder.

(b) Failure by the Water District to pay any Additional Payment when due and payable hereunder, and the continuation of such failure for a period of thirty (30) days.

(c) Failure by the Water District to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding clauses (a) or (b), for a period of ninety (90) days after written notice specifying such failure and requesting that it be remedied has been given to the Water District by the Authority or the

Trustee; provided, however, that if the Water District shall notify the Authority and the Trustee that in its reasonable opinion the failure stated in the notice can be corrected, but not within such 90-day period, such failure shall not constitute an event of default hereunder if the Water District shall commence to cure such failure within such ninety (90) day period and thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The filing by the Water District of a voluntary petition in bankruptcy, or failure by the Water District promptly to lift any execution, garnishment or attachment, or adjudication of the Water District as a bankrupt, or assignment by the Water District for the benefit of creditors, or the entry by the Water District into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Water District in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.

SECTION 8.2 Remedies on Default. Whenever any Event of Default shall have happened and be continuing, the Trustee, as assignee of the Authority, shall have the right, at its option and without any further demand or notice, but subject in all respects to the provisions of Article VIII of the Indenture, to:

(a) declare all principal components of the unpaid Installment Payments, together with accrued interest thereon at the net effective rate of interest per annum then borne by the Outstanding Notes from the immediately preceding Interest Payment Date on which payment was made, to be immediately due and payable, whereupon the same shall immediately become due and payable;

(b) take whatever action at law or in equity may appear necessary or desirable to collect the Installment Payments then due or thereafter to become due during the Term of this Agreement, or enforce performance and observance of any obligation, agreement or covenant of the Water District under this Agreement; and

(c) as a matter of right, in connection with the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and the Note Owners hereunder, cause the appointment of a receiver or receivers of the Gross Revenues and other amounts pledged hereunder, with such powers as the court making such appointment shall confer.

The provisions of the preceding clause (a), however, are subject to the condition that if, at any time after the principal components of the unpaid Installment Payments shall have been so declared due and payable pursuant to the preceding clause (a), and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Water District shall deposit with the Trustee a sum sufficient to pay all principal components of the Installment Payments coming due prior to such declaration and all matured interest components (if any) of the Installment Payments, with interest on such overdue principal and interest components calculated at the net effective rate of interest per annum then borne by the Outstanding Notes, and the reasonable fees and expenses of the Trustee (including any fees and expenses of its attorneys), and any and all other defaults known to the Trustee (other than in the payment of the principal and interest components of the Installment Payments due and payable solely by reason of such declaration) shall have been made good, then, and in every such case, with the written consent of the Trustee, shall rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon. As provided in Section 8.6, the Trustee shall be required to exercise the remedies provided herein in accordance with the Indenture.

SECTION 8.3 No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in this Article it shall not be necessary to give any notice, other than such notice as may be required in this Article or by law.

SECTION 8.4 Agreement to Pay Attorneys' Fees and Expenses. In the event either party to this Agreement should default under any of the provisions hereof and the nondefaulting party, the Trustee or the Owner of any Notes should employ attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party, the Trustee or such Owner, as the case may be, the reasonable fees of such attorneys and such other expenses so incurred. In the event that there is a disagreement as to the defaulting party, the prevailing party in any litigation, arbitration or other proceeding by which one party seeks to enforce its rights under this Agreement, or seeks a declaration of any rights or obligations under this Agreement, shall be awarded its reasonable attorneys' fees, costs and expenses.

SECTION 8.5 No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

SECTION 8.6 Trustee and Note Owners to Exercise Rights. Such rights and remedies as are given to the Authority under this Article have been assigned by the Authority to the Trustee under the Indenture, to which assignment the Water District hereby consents. Such rights and remedies shall be exercised by the Trustee and the Owners of the Notes as provided in the Indenture.

ARTICLE IX

PREPAYMENT OF INSTALLMENT PAYMENTS

SECTION 9.1 Special Mandatory Prepayment. The principal component of the Installment Payments shall be prepaid in whole or in part on any date, in integral multiples of $100,000, by paying a prepayment price equal to the aggregate principal components of the Installment Payments to be prepaid, together with the interest component of the Installment Payment required to be prepaid on or accrued to such date, as required by Sections 5.4 and 5.6 hereof, and pursuant to Section 2.3(a) of the Indenture. Any such prepayment price shall be deposited by the Trustee in the Redemption Fund to be applied to the redemption of Notes pursuant to Section 2.3(a) of the Indenture. The Water District shall give the Trustee and the Authority written notice of its intention to mandatorily prepay Certificates under this Section not less than sixty (60) days in advance of the date of prepayment (or such lesser period of time as shall be consented to by the Trustee and the Autority).

SECTION 9.2 Credit for Amounts on Deposit. In the event of prepayment of the principal components of the Installment Payments in full under this Article, such that the Indenture shall be discharged by its terms as a result of such prepayment, and upon payment in full of all Additional Payments and other amounts then due and payable hereunder, all available amounts then on deposit in the funds and accounts established under the Indenture shall be credited towards the amounts then required to be so prepaid.

SECTION 9.3 Optional Prepayment. The Water District may exercise its option to prepay the principal components of the Installment Payments in whole or in part (in integral multiples of $100,000) to the extent the Authority has the ability to effect an optional redemption of the Notes under the Indenture. The Water District shall give the Trustee and the Authority written notice of its intention to exercise its option under this Section not less than sixty (60) days in advance of the date of exercise (or such lesser period of time as shall be consented to by the Trustee and the Authority).

ARTICLE X

MISCELLANEOUS

SECTION 10.1 Further Assurances. The Water District agrees that it will execute and deliver any and all such further agreements, instruments, financing statements or other assurances as may be reasonably necessary or requested by the Authority or the Trustee to carry out the intention or to facilitate the performance of this Agreement, including, without limitation, to perfect and continue the security interests herein intended to be created.

SECTION 10.2 Amendment of Indenture. The Authority covenants that it shall take no action to amend or supplement the Indenture in any manner without obtaining the prior written consent of the Water District to such amendment or supplement.

SECTION 10.3 Notices. Any notice, request, demand or other communication under this Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by telecopy, telex or other form of telecommunication, at its number set forth below. Notice shall be effective either (a) upon transmission by telecopy, telex or other form of telecommunication, (b) upon receipt after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Authority, the Water District or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the Authority: Victorville Joint Powers Financing Authority
14343 Civic Drive
Victorville, California 92393-5001
Attention: Executive Director
Tel: (760) 955-5000
Fax: (760) 955-5042

If to the Water District: Victorville Water District
17185 Yuma Street
Victorville, California 92392
Attention: Director of Water District
Tel: (760) 955-2557
Fax: (760) 269-0088

If to the Trustee: The Bank of New York Mellon Trust Company, N.A.
700 South Flower Street, Suite 500
Los Angeles, California 90017-4104
Attention: Corporate Trust
Tel: (213) 630-6231
Fax: (213) 630-6215

SECTION 10.4 Third Party Beneficiary. The Trustee shall be and is hereby made a third party beneficiary hereunder with all rights of a third party beneficiary.

SECTION 10.5 Payment on Non-Business Day. Whenever in this Agreement any payment is required to be made on a day which is not a Business Day, such payment shall be made on the first Business Day following such day.

SECTION 10.6 Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State.

SECTION 10.7 Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Authority and the Water District, and their respective successors and assigns, subject, however, to the limitations contained herein.

SECTION 10.8 Severability of Invalid Provisions. If any one or more of the provisions contained in this Agreement 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 this Agreement and such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement, and this Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority and the Water District each hereby declares that it would have entered into this Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Agreement may be held illegal, invalid or unenforceable.

SECTION 10.9 Article and Section Headings and References. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Agreement. All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof; and words of the masculine gender shall mean and include words of the feminine and neuter genders.

SECTION 10.10 Execution of Counterparts. This Agreement may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original and all of which shall together constitute but one and the same instrument.

SECTION 10.11 Waiver of Personal Liability. No member of the Water District Board of Directors, officer, agent or employee of the Water District shall be individually or personally liable for the payment of Installment Payments or Additional Payments or be subject to any personal liability or accountability by reason of this Agreement; but nothing herein contained shall relieve any such member of the Water District Board of Directors, officer, agent or employee from the performance of any official duty provided by law or by this Agreement.

IN WITNESS WHEREOF, the Authority and the Water District have caused this Agreement to be executed in their respective names by their duly authorized officers, all as of the date first above written.

VICTORVILLE WATER DISTRICT
as purchaser

By: _____
Title: Chairman

VICTORVILLE JOINT POWERS
FINANCING AUTHORITY, as seller

By: _____
Title: President

ATTEST

By: _____
Victorville City Clerk

By: _____
Water District Secretary

APPROVED AS TO FORM

By: _____
City Attorney

By: _____
Water District Legal Counsel

City of Victorville and
Victorville Water District Risk Manager
Chuck Buquet

_____

EXHIBIT A

SCHEDULE OF INSTALLMENT PAYMENTS

Interest Payment Date*	Principal Component	Interest Component	Total

* Installment Payments are due on the 15th day of each May and November, commencing November 15, 2009.

EXHIBIT B

DESCRIPTION OF IMPROVEMENTS

The Water District intends to construct a wastewater treatment plant (the "Treatment Facility") to be located at the Southern California Logistics Airport ("SCLA") for treatment of wastewater from residential customers within the City, the Federal Bureau of Prisons, as well as a new beverage manufacturing and distribution facility to be located at SCLA, as well as certain other improvements to the Wastewater Enterprise described below. The Treatment Facility will be designed to treat 2.5 million gallons per day ("MGD") of wastewater (including 1 MGD industrial) and will include anaerobic and aerobic wastewater treatment utilizing membrane bioreactor technology and ultraviolet disinfection.

The Improvements also include:

- A new 27 inch diameter trunk sewer;
- A new 21 inch trunk sewer;
- A new industrial trunk sewer; and
- A new lift station.

PRIVATE PLACEMENT MEMORANDUM DATED MAY ___, 2009

NEW ISSUE – BOOK-ENTRY ONLY **UNRATED**

In the opinion of Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel, under existing law, interest on the Notes is exempt from personal income taxes of the State of California. ***The Authority has taken no action to cause, and does not intend, interest on the Notes to be excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes.*** *See "TAX MATTERS" herein.*

$_____

VICTORVILLE JOINT POWERS FINANCING AUTHORITY
TAXABLE WASTEWATER REVENUE NOTES, 2009 SERIES
(VICTORVILLE WATER DISTRICT)

Dated: Date of Delivery Interest Rate: ___% Price: 100.00% Maturity Date: _____, 2014

The Victorville Joint Powers Financing Authority Taxable Wastewater Revenue Notes, 2009 Series(Victorville Water District) (the "Notes") will be issued pursuant to the terms of an Indenture of Trust, dated as of May 1, 2009 (the "Indenture") by and among the Victorville Joint Powers Financing Authority (the "Authority"), the Victorville Water District (the "Water District") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). See "INTRODUCTORY STATEMENT – Security for the Notes" herein.

Interest on the Notes is due and payable semiannually on each June 1 and December 1, commencing December 1, 2009.

The Notes are being executed and delivered as fully registered notes, in denominations of $100,000 principal amount or integral multiples thereof and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Beneficial owners of the Notes will not receive physical certificates representing the Notes, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the Owner of the Notes, principal amount, premium, if any, and interest on the Notes will be paid by the Trustee directly to DTC, which will, in turn, remit such principal amount, premium, if any, and interest to its participants for subsequent disbursement to the beneficial owners of the Notes as described herein. See "THE NOTES – Book-Entry Only System" herein for additional information concerning the Book-Entry System.

The Notes are subject to redemption prior to maturity as provided herein.

The Notes are being issued to (i) finance the construction of a wastewater treatment facility as well as certain other improvements to the Wastewater Enterprise (as defined herein) (the "Improvements"), (ii) fund capitalized interest on the Notes in a manner described herein, and (iii) pay costs of issuance of the Notes.

The Notes are special obligations of the Authority payable from and secured by the Revenues, defined in the Indenture as (a) all amounts received by the Authority or the Trustee pursuant or with respect to the Installment Sale Agreement (consisting primarily of the Installment Payments but excluding any Additional Payments); (b) all moneys and amounts held in the funds and accounts established under the Indenture; and (c) investment income with respect to any moneys held by the Trustee pursuant to the Indenture.

The Water District's obligation to make payments under the Installment Sale Agreement is secured by and payable from Net Revenues of the Wastewater Enterprise. See "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES" herein.

The Notes are limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the Revenues. The full faith and credit of the Authority, the Water District, the City or the Agency (which are parties to the agreement creating the Authority) is not pledged for the payment of the principal of or interest or premium, if any, on the Notes and no tax or other source of funds, other than the Revenues, is pledged to pay the principal of or interest or premium, if any, on the Notes. The payment of the principal of or interest or premium, if any, on the Notes does not constitute a debt, liability or obligation of the Authority, the Water District, the City or the Agency for which any such entity is obligated to levy or pledge any form of taxation or for which any such entity has levied or pledged any form of taxation. The Authority has no taxing power.

THE AUTHORITY HAS COVENANTED TO ISSUE REFUNDING BONDS AT SUCH TIME IN SUCH AMOUNTS AS WILL BE SUFFICIENT TO REFUND ALL OF THE NOTES AT OR BEFORE MATURITY. NO ASSURANCE CAN BE GIVEN THAT THE AUTHORITY WILL BE ABLE TO ISSUE REFUNDING BONDS.

FOR CERTAIN RESTRICTIONS ON THE OFFER, SALE, RESALE AND DELIVERY OF THE NOTES, SEE "TRANSFER RESTRICTIONS" HEREIN.

This cover page of the Private Placement Memorandum contains information for quick reference only. It is not a complete summary of the Notes. Investors should read the entire Private Placement Memorandum to obtain information essential to the making of an informed investment decision. Attention is hereby directed to certain Risk Factors more fully described herein.

The Notes are offered, when, as and if issued, subject to the approval of Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel. Certain legal matters will be passed upon for the Authority and the Water District by their Counsel, Green, de Bortnowsky & Quintanilla, LLP, Calabasas, California.

KINSELL, NEWCOMB DE DIOS, INC.
INVESTMENT BANKING
As Placement Agent

VICTORVILLE JOINT POWERS FINANCING AUTHORITY
VICTORVILLE WATER DISTRICT

AUTHORITY GOVERNING BOARD/WATER DISTRICT BOARD OF DIRECTORS

Rudy Cabriales, President/Chairman
Mike Rothschild, Vice President/Vice Chairman
JoAnn Almond, Member/Director
Terry E. Caldwell, Member/Director
Ryan McEachron, Member/Director

AUTHORITY/WATER DISTRICT STAFF

James L. Cox, Executive Director/Executive Director
Reginald A. Lamson, Director of Water District
John Sullivan, Treasurer/Treasurer
Carolee Bates, Secretary/Secretary

SPECIAL SERVICES

Authority Counsel and Water District Counsel
Green, de Bortnowsky & Quintanilla, LLP
Calabasas, California

Bond Counsel
Fulbright & Jaworski L.L.P.
Los Angeles, California

Trustee
The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE NOTES HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE OR JURISDICTION AND, UNLESS SO REGISTERED, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS.

THE NOTES ARE BEING OFFERED TO "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A OF THE SECURITIES ACT).

No dealer, broker, salesperson or other person has been authorized by the Authority or the Private Placement Agent to give any information or to make any representations other than those contained in this Private Placement Memorandum, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. The Private Placement Memorandum does not constitute an offer to sell or the solicitation of an offer to buy by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been obtained from the Authority and other sources that are believed to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Private Placement Memorandum nor any sale made hereunder, under any circumstances, shall create any implication that there has been no change in the affairs of the Authority, or any other party described herein subsequent to the date as of which such information is presented.

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PRIVATE PLACEMENT MEMORANDUM

$_____

VICTORVILLE JOINT POWERS FINANCING AUTHORITY
TAXABLE WASTEWATER REVENUE NOTES, 2009 SERIES
(VICTORVILLE WATER DISTRICT)

INTRODUCTORY STATEMENT

General

This Private Placement Memorandum, including the cover page, is provided to furnish information in connection with the sale by the Victorville Joint Powers Financing Authority (the "Authority") of $_____ aggregate principal amount of its Taxable Wastewater Revenue Notes, 2009 Series (Victorville Water District) (the "Notes"). The Authority is a joint exercise of powers agency organized under the laws of the State of California whose members are the City of Victorville (the "City") and the Redevelopment Agency of the City of Victorville (the "Agency"). The Authority was formed, among other things, to finance and refinance, through the issuance of bonds or other instruments of indebtedness, capital improvements and working capital and other costs as permitted by the Act.

The Notes are being issued pursuant to the Constitution and laws of the State of California (the "State"), including the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"), and the Indenture of Trust, dated as of May 1, 2009 (the "Indenture"), by and among the Authority, the Victorville Water District (the "Water District') and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Capitalized terms, if not otherwise defined here, shall have the meanings set forth in the Indenture. See "APPENDIX A – INDENTURE OF TRUST; INSTALLMENT SALE AGREEMENT."

The proceeds of the sale of the Notes will be used to finance the construction of a wastewater treatment facility as well as certain other improvements to the Wastewater Enterprise (as defined below), to fund capitalized interest on the Notes in the manner described herein, and to pay costs of issuance of the Notes. See "SOURCES AND USES OF FUNDS" and "PLAN OF FINANCING" herein. The Authority and the Water District will enter into an Installment Sale Agreement, dated as of May 1, 2009 (the "Installment Sale Agreement"). Pursuant to the Installment Sale Agreement, the Authority will sell the Improvements to the Water District in consideration for Installment Payments.

Wastewater Enterprise

The City owns and operates that certain wastewater collection system (the "Leased Property"), which provides wastewater collection and treatment services to its residents. Currently, all of the wastewater is treated at a regional wastewater system owned and operated by the Victor Valley Wastewater Reclamation Authority (the "VVWRA") whose members include the City, Town of Apple Valley, City of Hesperia and the County Services Area No. 42 and No. 64. Pursuant to the terms of that certain Wastewater Enterprise Lease Agreement, dated as of May 1, 2009 (the "Lease Agreement"), by and between the City and the Water District, the City will lease the Leased Property to the Water District. The Leased Property, as operated by the Water District, together with any improvements thereto acquired, constructed or installed by the Water District, including, without limitation, the Improvements, constitutes the Wastewater Enterprise of the Water District. See "APPENDIX A – INDENTURE OF TRUST; INSTALLMENT SALE AGREEMENT; LEASE AGREEMENT." The Improvements, upon completion,

will constitute a component of the Wastewater Enterprise and will be owned and operated by the Water District.

Security for the Notes

The Notes are special obligations of the Authority secured by and payable solely from the Revenues, consisting of (a) all amounts received by the Authority or the Trustee pursuant or with respect to the Installment Sale Agreement, including, without limiting the generality of the foregoing, all of the Installment Payments (including both timely and delinquent payments, any late charges, and whether paid from any source), prepayments, insurance proceeds, condemnation proceeds, but excluding any Additional Payments; (b) all moneys and amounts held in the funds and accounts established under the Indenture; and (c) investment income with respect to any moneys held by the Trustee pursuant to the Indenture.

The Water District's obligation to make payments under the Installment Sale Agreement is secured by and payable from Net Revenues of the Wastewater Enterprise (as described herein). See "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES."

The Authority has covenanted to issue refunding bonds (the "Refunding Bonds") at such time and in such amounts as will be sufficient to refund all of the Notes at or before maturity. In furtherance of this covenant, on or prior to June 30, 2013, the Water District shall have taken action to fix, prescribe and revise rates, fees and charges for the services and facilities furnished by the Wastewater Enterprise that are projected to yield Net Revenues for the fiscal year ending June 30, 2014 in an amount at least equal to one hundred twenty percent (120%) of the maximum annual debt service on the Refunding Bonds assuming the principal of the Refunding Bonds is amortized over 30 years and the bond yield with respect to the Refunding Bonds is 7%. Furthermore, to the extent necessary for the successful issuance of the Refunding Bonds, the Water District shall obligate itself to loan available funds from the funds and accounts relating to its Water Enterprise, on a subordinate basis to any existing bonded indebtedness, to the Wastewater Enterprise to pay installment payments securing the Refunding Bonds in the event Net Revenues are not sufficient therefor. Any loan repayment obligations shall be secured by Net Revenues on a subordinate basis to the obligation to pay installment payments securing the Refunding Bonds. No Assurance can be given that the Authority will be able to issue the Refunding Bonds. See "RISK FACTORS – No Liability of the Authority to the Noteowners" herein.

THE NOTES ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE OR LIEN UPON, ANY PROPERTY OF THE AUTHORITY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE REVENUES. THE FULL FAITH AND CREDIT OF THE AUTHORITY, THE DISTRICT, THE CITY OR THE AGENCY, WHICH ARE PARTIES TO THE AGREEMENT CREATING THE AUTHORITY, ARE NOT PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST OR PREMIUM, IF ANY, ON THE NOTES AND NO TAX OR OTHER SOURCE OF FUNDS, OTHER THAN THE REVENUES, IS PLEDGED TO PAY THE PRINCIPAL OF OR INTEREST OR PREMIUM, IF ANY, ON THE NOTES. THE PAYMENT OF THE PRINCIPAL OF OR INTEREST OR PREMIUM, IF ANY, ON THE NOTES DOES NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE AUTHORITY, THE DISTRICT, THE CITY OR THE AGENCY FOR WHICH ANY SUCH ENTITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH ANY SUCH ENTITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE AUTHORITY HAS NO TAXING POWER.

Further Information

The summaries and references of documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each document, statute, report, or instrument. The capitalization of any word not conventionally capitalized or otherwise defined herein, indicates that such word is defined in a particular agreement or other document and, as used herein, has the meaning given it in such agreement or document. References herein to the Notes are qualified in their entirety by reference to the forms thereof included in the Indenture. Copies of the Indenture and the Installment Sale Agreement are available for inspection at the office of the Authority.

This Private Placement Memorandum speaks only as of its date, and the information contained herein is subject to change.

PLAN OF FINANCING

The City has experienced tremendous commercial and industrial growth in recent years primarily resulting from the development of former George Air Force Base into a fully dedicated business and logistics park that integrates ground and aviation transportation into a single location benefiting logistics operators and manufacturers. The Southern California Logistics Airport ("SCLA"), a 5,000-acre business and industrial park, master-planned for 43.5 million square feet of commercial space, is the largest commercial development in the northern Inland Empire and home to Boeing, General Electric Aircraft Engines, Newell Rubbermaid, and other corporations utilizing SCLA's air and ground transportation services logistics hub.

To accommodate and further encourage commercial and industrial enterprise, the City has also developed additional commercial/industrial space, including the 233-acre Foxborough Industrial Park ("Foxborough"). Commercial tenants at SCLA and Foxborough include: Goodyear Tire (400,000 square foot facility); Pratt & Whitney (67,500 square foot hangar); Mars Incorporated (500,000 square foot facility); Nutro Products (385,000 square foot dry dog food manufacturing, warehousing and distribution center); ConAgra Foods (250,000 square foot distribution center); General Electric Aircraft Engines (161,700 square foot hangar housing a Boeing 747); and a Newell Rubbermaid Distribution Center (407,000 square foot facility).

Dr. Pepper Snapple Group ("DPSG") has agreed to build an 850,000 square foot manufacturing and distribution facility capable of producing up to 40-million cases of beverage product to the western United States on the western portion of SCLA (the "DPSG Plant"). In exchange for building the DPSG Plant, the Victorville Redevelopment Agency agreed to provide certain of the needed public infrastructure. In addition, DPSG has entered into a Wastewater Capacity and Treatment Agreement (the "DPSG Agreement") with the City pursuant to which the City will provide wastewater treatment services to the DPSG Plant. The DPSG Agreement requires DPSG to pay $1,950,000 annually to the Water District in exchange for the treatment of 585,000 gallons per day of heavily concentrated industrial wastewater discharged from the DPSG Plant. The initial term of the contract is for 20 years. The DPSG Agreement further permits DPSG to discharge an additional 165,000 gallons per day when it expands its plant operations. See "APPENDIX E – WASTEWATER CAPACITY AND TREATMENT AGREEMENT."

The net proceeds of the Notes will be used by the Water District to finance the construction of a wastewater treatment facilities (the "Treatment Facilities") to be located at SCLA as well as certain other improvements to the Wastewater Enterprise described below. The Treatment Facilities will serve

residential and commercial customers within the City, the Federal Bureau of Prisons, as well as the DPSG Plant.

The Treatment Facilities are designed to treat 2.5 million gallons per day ("MGD") of wastewater (including 1 MGD industrial) and will include anaerobic and aerobic wastewater treatment utilizing membrane bioreactor technology and ultraviolet disinfection. The Treatment Facilities effluent will be discharged into the Water District's reclaimed water system. The Water District intends for the reclaimed water to be used for cooling tower make-up water at a nearby power plant and irrigation of West Winds Golf Course. The waste bio-solids from the Treatment Facilities will either be dewatered at the Treatment Facilities and disposed of by the Water District or will be piped to VVWRA for conditioning, dewatering, and disposal. To the extent the waste bio-solids are disposed of by the Water District, additional capital costs of approximately $600,000 would need to be incurred and the Water District would have an additional $200,000 operation and maintenance costs per year. To help reduce operating costs, the Treatment Facilities are designed to reuse the methane gas that is created as a result of the anaerobic digestion process and recycle the biogas to be burned by electricity generating equipment already owned by the City. The Treatment Facilities will also recapture heat from the electrical generator and use that heat to raise the temperature of wastewater influent to create an optimal treatment condition. The Treatment Facilities are also currently designed to accommodate expansion (up to 15 MGD) in the event wastewater treatment demand increases.

In addition to providing wastewater treatment services to DPSG, wastewater will also be diverted through the Water District's wastewater collection system from the Bureau of Prisons (.75 MGD) and from residential dwelling units (.75 MGD) for treatment at the Treatment Facilities. Improvements to the Wastewater Enterprise are required to facilitate the diversion of flows which principally include:

- A new 27 inch diameter trunk sewer will intercept approximately 0.70 MGD of existing domestic wastewater flow at approximately Tawney Ridge Lane and Brucite Road. The capacity of the new trunk sewer will be 8.0 MGD which will provide sufficient capacity to accommodate future growth of the southwest portion of the City. This trunk line will flow in a northerly direction, through the City of Adelanto, before entering SCLA on the westerly side.

- A new 21 inch trunk sewer will intercept existing SCLA wastewater flows, including a portion of the Federal Bureau of Prisons wastewater flow, and direct them northwards to the Treatment Facilities. The trunk sewer has sufficient capacity to accommodate future growth on the east side of SCLA as well as additional wastewater flow from the Federal Bureau of Prisons.

- A new industrial trunk sewer (12" – 21" diameter) will accept the industrial strength wastewater from the west side of SCLA and convey it to the anaerobic side of the Treatment Facilities. The new industrial trunk sewer will serve DPSG (1.0 MGD) and have sufficient capacity for an additional 4.0 MGD for future high-strength industrial users.

- A new lift station will carry wastewater from the Federal Bureau of Prisons to an existing wastewater line in Nevada Street to be conveyed for treatment at the Treatment Facilities.

Total cost of the above-described improvements including the Treatment Facilities is projected to be approximately $46,129,081. The design phase of the Improvements is approximately 90% complete and construction is expected to begin in May of 2009. All of the Improvements are expected to be completed by the second quarter of 2010, which is when the DPSG Plant is expected to be operational.

The City and Benham DB, Inc., an Oklahoma Corporation (the "Construction Manager"), have entered into that certain Standard Form of Agreement between Owner and Construction Manager pursuant to which the Construction Manager was engaged to provide construction management services associated with the construction of the Treatment Facilities. See "APPENDIX G – STANDARD FORM OF AGREEMENT BETWEEN OWNER AND CONSTRUCTION MANAGER."

CEQA Proceedings

A number of required California Environmental Quality Act (California Public Resources Code §21000 et seq., ("CEQA")) approvals made by the City of Victorville City Council relating to the Improvements are subject to challenge pursuant to the provisions of CEQA and the CEQA Guidelines (14 California Code of Regulations §15000 et seq.) as follows:

1. The Mitigated Negative Declaration for construction of the SCLA – Central Wastewater Treatment Facility was approved by the Victorville City Council following a duly noticed public hearing on April 21, 2009. As a general rule, the period for challenging this type of approval on CEQA grounds expires thirty (30) days after the City files the required Notice of Determination with the San Bernardino County Clerk ("County Clerk") and the County Clerk posts same. The Notice of Determination was filed with and posted by the County Clerk on April ___, 2009. As a general rule and with the exception of the California Attorney General, only persons who both objected to approval of this project and presented to the City such specific objection(s) and the alleged grounds for noncompliance with CEQA orally or in writing during the public comment period provided or prior to the close of the public hearing on this project, have standing to challenge the approval. **[CITY TO CONFIRM STATUS OF ANY COMMENTS AND/OR OBJECTIONS.]**

2. The Mitigated Negative Declaration for construction of the SCLA Northern Reclaimed Water Line was approved by the Victorville City Council following a duly noticed public hearing on May 5, 2009. As a general rule, the period for challenging this type of approval on CEQA grounds expires thirty (30) days after the City files the required Notice of Determination with the County Clerk and the County Clerk posts same. The Notice of Determination was filed with and posted by the County Clerk on May ___, 2009. As a general rule and with the exception of the California Attorney General, only persons who both objected to approval of this project and presented to the City such specific objection(s) and the alleged grounds for noncompliance with CEQA orally or in writing during the public comment period provided or prior to the close of the public hearing on this project, have standing to challenge the approval. **[CITY TO CONFIRM STATUS OF ANY COMMENTS AND/OR OBJECTIONS.]**

3. The Mitigated Negative Declaration for construction of the SCLA East Sewer Trunk Line was approved by the Victorville City Council following a duly noticed public hearing on May 5, 2009. As a general rule, the period for challenging this type of approval on CEQA grounds expires thirty (30) days after the City files the required Notice of Determination with the County Clerk and the County Clerk posts same. The Notice of Determination was filed with and posted by the San Bernardino County Clerk on May ___, 2009. As a general rule and with the exception of the California Attorney General, only persons who both objected to approval of this project and presented to the City such specific objection(s) and the alleged grounds for noncompliance with CEQA orally or in writing during the public comment period provided or prior to the close of the public hearing on this project, have standing to challenge the approval. **[CITY TO CONFIRM STATUS OF ANY COMMENTS AND/OR OBJECTIONS.]**

4. The Mitigated Negative Declaration for construction of the SCLA West Side Sewer and Industrial Sewer Trunk Lines was approved by the Victorville City Council following a duly noticed public hearing on May 5, 2009. The period for challenging this type of approval on CEQA grounds expires thirty (30) days after City files the required Notice of Determination with the County Clerk and

the County Clerk posts same. As a general rule, the Notice of Determination was filed with and posted by the San Bernardino County Clerk on May ___, 2009. As a general rule and with the exception of the California Attorney General, only persons who both objected to approval of this project and presented to the City such specific objection(s) and the alleged grounds for noncompliance with CEQA orally or in writing during the public comment period provided or prior to the close of the public hearing on this project, have standing to challenge the approval. **[CITY TO CONFIRM STATUS OF ANY COMMENTS AND/OR OBJECTIONS.]**

5. A Notice of Exemption for construction of the SCLA Wastewater Treatment Plant Sludge Line was approved by the Victorville City Council on April 7, 2009. A public hearing was not required. As a general rule, the period for challenging this type of approval on CEQA grounds expires thirty-five (35) days after City files the required Notice of Exemption with the County Clerk and the County Clerk posts same. The Notice of Exemption was filed with and posted by the County Clerk on May ___, 2009.

Any challenge to any of the above project approvals may have an adverse impact on the Water District's ability to timely proceed with construction of the Improvements.

SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Notes is summarized as follows:

Sources	
Principal Amount of the Notes	$
Total Sources	$
Uses	
Acquisition and Construction Fund	$
Note Service Fund[1]	
Costs of Issuance Fund[2]	
Total Uses	$

(1) Amounts will be used to fund interest on the Notes on the following dates in the following estimated amounts: _____.

(2) Includes fees and expenses of Bond Counsel, Placement Agent, Authority Counsel, Trustee and other costs of issuance of the Notes.

THE NOTES

Description of the Notes

The Notes are authorized to be issued by the Authority under and subject to the terms of the Indenture and the Act and shall be dated the date of their initial delivery. The principal of the Notes is payable on _____, 2014. Interest on the Notes is payable semiannually on June 1 and December 1, commencing December 1, 2009.

Interest on the Notes shall be computed on the basis of a 360-day year of twelve 30-day months.

The Notes shall be issued as fully registered Notes in the denomination of $100,000 principal amount, or any integral thereof (not exceeding the principal amount of Notes maturing at any one time). The Notes shall be numbered as determined by the Trustee. The Notes shall bear interest from the

Interest Payment Date next preceding the date of registration thereof, unless such date of registration is during the period from the fifteenth day immediately preceding an Interest Payment Date to and including such Interest Payment Date, in which event they shall bear interest from such Interest Payment Date, or unless such date of registration is on or before the fifteenth day immediately preceding the first Interest Payment Date, in which event they shall bear interest from their dated date; provided, however, that if, at the time of registration of any Note, interest is then in default on the Outstanding Notes, such Note shall bear interest from the Interest Payment Date to which interest previously has been paid or made available for payment on the Outstanding Notes. Payment of interest on the Notes due on or before the maturity or prior redemption of such Notes shall be made to the person whose name appears on the Note registration books of the Trustee as the registered owner thereof, as of the close of business on the fifteenth day immediately preceding the Interest Payment Date, such interest to be paid by check mailed on each Interest Payment Date by first-class mail to such registered owner at his address as it appears on such books, or, upon written request received by the Trustee prior to the fifteenth day immediately preceding an Interest Payment Date, of an Owner of at least $1,000,000 in aggregate principal amount of Notes, by wire transfer in immediately available funds to an account within the continental United States designated by such Owner.

Principal of and redemption premiums, if any, on the Notes shall be payable upon the surrender thereof at maturity or the earlier redemption thereof at the Corporate Trust Office of the Trustee. Principal of and redemption premiums, if any, and interest on the Notes shall be paid in lawful money of the United States of America.

Transfer Restrictions

The Notes will not be registered under the Securities Act and are subject to certain restrictions on transfer. See "TRANSFER RESTRICTIONS" herein.

Redemption of Notes

The Notes shall be subject to special mandatory redemption as a whole or in part, on a pro rata basis among Owners, on any date, to the extent of the proceeds of an eminent domain award or proceeds of casualty insurance not used to repair or rebuild the Wastewater Enterprise, at a redemption price equal to the principal amount of the Notes to be redeemed plus interest accrued thereon to the date fixed for redemption, without premium.

The Notes shall be subject to redemption, as a whole or in part, on a pro rata basis among Owners, prior to maturity on any date on or after _____ 1, 20__, from prepayment of Installment Payments made at the option of the Water District at the redemption price equal to the principal amount of the Notes to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

See "APPENDIX A – INDENTURE OF TRUST; INSTALLMENT SALE AGREEMENT."

Book-Entry Only System

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Notes. The Notes will be registered in the name of Cede & Co. (DTC's partnership nominee), and will be available to ultimate purchasers in the denomination of $100,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Ultimate purchasers of Notes will not receive physical certificates representing their interest in the Notes. So long as the Notes are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners shall mean Cede & Co., and shall not mean the ultimate purchasers of the Notes. Payments of the principal of, premium, if any, and interest on

the Notes will be made directly to DTC, or its nominee, Cede & Co., by the Trustee, so long as DTC or Cede & Co. is the registered owner of the Notes. Disbursements of such payments to DTC's Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants. See "APPENDIX C – BOOK-ENTRY ONLY SYSTEM."

TRANSFER RESTRICTIONS

Under the Indenture, no sale or transfer of the Notes shall be made by the Trustee unless the Trustee has received from the transferee an investor's letter stating that, among other things, the following:

(i) it is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion for investment and not with a view to distribute and that it or such account is a "Qualified Institutional Buyer" (as defined in Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"));

(ii) if it should resell or otherwise transfer the Notes, it will do so only (a) to the Authority, or (b) to a Qualified Institutional Buyer that, prior to such transfer, furnishes to the Trustee a signed letter containing certain representations and agreements relating to the restrictions on transfer of such Notes (the form of which letter can be obtained from such Trustee);

(iii) none of the Authority or any person representing the Authority has made any representation to it with respect to the Authority or the offer or sale of any Notes, other than the information contained in the Private Placement Memorandum, which has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes;

(iv) it has had access to such financial and other information concerning the Authority and the Notes as it has deemed necessary in connection with its decision to purchase the Notes, including an opportunity to ask questions of and request information from the Authority;

(v) the Authority and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Notes are no longer accurate, it shall promptly notify the Authority; and

(vi) if it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it has sole investment discretion with respect to each account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

(vii) It represents and covenants that it is not acquiring the Notes for or on behalf of, and will not sell or otherwise transfer the Notes to, any employee benefit plan (as defined in Section 3 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) or a plan (as defined in section 4975(e)(1) of the Internal Revenue Code of 1986, as amended (the "Code")), except:

(a) to the extent such purchase is made by or on behalf of a bank collective investment fund maintained by the purchaser in which (i) at any time while the Notes are held by the purchaser, no plan (together with any other plan or plans maintained by the same employer or employee organization) has an interest in excess of ten percent (10%) of the total assets in such collective investment fund and (ii) the conditions of Prohibited Transaction Class Exemption ("PTE") 91-38 issued by the Department of Labor are satisfied;

(b) to the extent such purchase is made by or on behalf of an insurance company pooled separate account maintained by the purchaser in which (i) at any time while the Notes are held by the purchaser, no plan (together with any other plans maintained by the same employer or employee organization) has an interest in excess of ten percent (10%) of the total assets in such pooled separate account and (ii) the conditions of PTE 90-1 issued by the Department of Labor are satisfied;

(c) to the extent such purchase is made on behalf of a plan by a qualified professional asset manager, as such term is used in PTE 84-14 issued by the Department of Labor, and the assets of such plan when combined with the assets of other plans established or maintained by the same employer (or affiliate thereof) or employee organization and managed by such investment adviser, bank, insurance company or savings and loan do not represent more than twenty percent (20%) of the total client assets maintained by such investment adviser, bank, insurance company or savings and loan and the conditions of PTE 84-14 are satisfied;

(d) to the extent such plan is a governmental plan or church plan (as defined in Section 3 of ERISA) which is not subject to the provisions of Title I of ERISA or Section 4975 of the Code;

(e) to the extent such purchase is made by or on behalf of an insurance company with assets in its insurance company general account, and the conditions of PTE 95-60 issued by the Department of Labor are satisfied; to the extent such purchase is made on behalf of a plan by an in-house asset manager and the conditions of PTE 96-23 issued by the Department of Labor are satisfied; or

(f) to the extent such purchase is made on behalf of a plan by an in-house asset manager and the conditions of Part I of Prohibited Transactions Class Exemption 96-23 issued by the Department of Labor are satisfied.

In addition, no action has been taken by the Authority or the Private Placement Agent that would permit or be deemed to be a public offering of the Notes, or the possession or distribution of this Private Placement Memorandum, or any amendment or supplement hereto, or any other offering material relating to the Notes, in any jurisdiction where any action for such purpose may be required.

SECURITY AND SOURCES OF PAYMENT FOR THE NOTES

Assignment of Revenues

In the Indenture, the Authority assigns to the Trustee, on behalf of the Owners of the Notes, all of the Authority's right, title and interest to and in the Revenues. This assignment is an assignment of all of the Authority's right, title and interest in and to the Revenues, and such right, title and interest, and the Revenues constitute property of the Trustee on behalf of the Owners of the Notes. All Revenues the Trustee collects and receives shall be applied to the payment of principal of and interest and premium (if any) on the Notes equally, without priority for series, issue, number or date, in accordance with the terms hereof. So long as any of the Notes are Outstanding, the Revenues and such moneys shall not be used for any other purpose.

"Revenues" are defined in the Indenture as (a) all amounts received by the Authority or the Trustee pursuant or with respect to the Installment Sale Agreement, including, without limiting the generality of the foregoing, all of the Installment Payments (including both timely and delinquent payments, any late charges, and whether paid from any source), prepayments, insurance proceeds,

condemnation proceeds, but excluding any Additional Payments; (b) all moneys and amounts held in the funds and accounts established under the Indenture; and (c) investment income with respect to any moneys held by the Trustee pursuant to the Indenture.

Installment Payments

The Water District is obligated to make Installment Payments, but solely from "Net Revenues," which is comprised of Gross Revenues less the amount required to pay all Operation and Maintenance Costs. These terms are defined in the Indenture and the Installment Sale Agreement as follows:

> "Net Revenues" is defined in the Installment Sale Agreement as, for any period, an amount equal to all of the Gross Revenues received during such period minus the amount required to pay all Operation and Maintenance Costs becoming payable during such period.
>
> "Gross Revenues" is defined in the Installment Sale Agreement as all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Wastewater Enterprise, including, without limiting the generality of the foregoing, (1) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the Water District from the sale, furnishing and supplying of wastewater treatment 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 Wastewater Enterprise including, without limitation, reclaimed water, plus (2) the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other moneys, including Water District reserves, but excluding in all cases customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the Water District and excluding any proceeds of taxes required by law to be used by the Water District to pay Notes hereafter issued.
>
> "Operation and Maintenance Costs" is defined as the reasonable and necessary costs and expenses paid by the Water District for maintaining and operating the Wastewater Enterprise, including but not limited to (a) the cost of utilities, including electricity and other forms of energy supplied to the Wastewater Enterprise, (b) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Wastewater Enterprise in good repair and working order and (c) the reasonable administrative costs of the Water District attributable to the operation and maintenance of the Wastewater Enterprise, including insurance and other costs described in the Indenture, but in all cases excluding (i) debt service payable on obligations incurred by the Water District with respect to the Wastewater Enterprise, including but not limited to the Installment Payments, (ii) depreciation, replacement and obsolescence charges or reserves therefor and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

Under the Installment Sale Agreement, all of the Net Revenues, and all moneys on deposit in the Wastewater Enterprise Fund are irrevocably pledged, charged and assigned to the punctual payment of the Installment Payments and except as otherwise provided therein, the Net Revenues and such other funds shall not be used for any other purpose so long as any of the Installment Payments remain unpaid. Such pledge, charge and assignment shall constitute a first lien on the Net Revenues and such other moneys for the payment of the Installment Payments in accordance with the terms thereof.

Refunding

Net Revenues will not be sufficient to pay the principal of the Notes on the maturity date thereof.

The Authority has covenanted to issue refunding bonds (the "Refunding Bonds") at such time and in such amounts as will be sufficient to refund all of the Notes at maturity. In furtherance of this covenant, on or prior to June 30, 2013, the Water District shall have taken action to fix, prescribe and revise rates, fees and charges for the services and facilities furnished by the Wastewater Enterprise that are projected to yield Net Revenues for the fiscal year ending June 30, 2014 in an amount at least equal to one hundred twenty percent (120%) of the maximum annual debt service on the Refunding Bonds assuming the principal of the Refunding Bonds is amortized over 30 years and bond yield with respect to the Refunding Bonds is 7%. Furthermore, to the extent necessary for the successful issuance of the Refunding Bonds, the Water District shall obligate itself to loan available funds from the funds and accounts relating to its water enterprise, on a subordinate basis to any existing bonded indebtedness, to the Wastewater Enterprise to pay installment payments securing the Refunding Bonds in the event Net Revenues are not sufficient therefor. Any loan repayment obligations shall be secured by Net Revenues on a subordinate basis to the obligation to pay installment payments securing the Refunding Bonds. No Assurance can be given that the Authority will be able to issue the Refunding Bonds. See "RISK FACTORS – No Liability of the Authority to the Noteowners" herein.

THE WASTEWATER ENTERPRISE

General Background

The wastewater collection system in the City is primarily a gravity pipeline network distributed throughout the community. The gravity network consists of approximately 430 miles of various sized pipes which connect to the VVWRA regional treatment facility. The City does not currently treat the wastewater generated within the City limits but rather the City is a member of VVWRA which operates a treatment plant for its member agencies. The City currently has 7 physical connection locations to the VVWRA wastewater collection system, including an emergency by-pass connection to allow VVWRA to reduce their wastewater flow.

The Wastewater Enterprise currently serves the entire territorial limits of the City, an area of approximately 74 square miles. The City is predominantly residential (approximately 90%) with some commercial and light industrial development (approximately 10%).

The following is a summary of the Wastewater Enterprise's historical flow rate in million gallons per day ("MGD").

WASTEWATER ENTERPRISE
Historical Wastewater Flow (MGD)[1]
2004-2008

Year	MGD[1]	AFY[2]
2004	6.77	7,578.73
2005	7.81	8,746.30
2006	8.18	9,157.67
2007	7.96	8,916.21
2008[3]	8.11	4,506.25

[1] Average flow in million gallons per day.
[2] Average flow in acre feet per year.
[3] Through June 2008.
Source: City of Victorville.

User Composition of the Wastewater Enterprise

Presently the Wastewater Enterprise has 35,944 active/open wastewater accounts, 62% of which represent residential properties. The following table sets forth a composite of wastewater account users.

WASTEWATER ENTERPRISE
Wastewater Account User Composition
As of June 30, 2008

User Composition	Wastewater Accounts	Percent of Total[(1)]
Residential	22,286	62%
Multifamily	6,122	17
Commercial/Industrial	7,536	21
Total	35,944	100%

(1) Rounded percentages.
Source: City of Victorville.

Leading Users of Wastewater Enterprise

The following sets forth the most current compilation of the leading users of the Wastewater Enterprise:

WASTEWATER ENTERPRISE
Leading Users of Wastewater Enterprise

User	Equivalent Dwelling Units	Current Monthly Billings[2]
Federal Bureau of Prisons	--[1]	63,520.80[1]
Mountain Vista Apartments	400	7,980.00
Gold West Motor Home Park	346	6,902.70
Victor Villa Mobile	296	5,905.20
Wimbledon Apartments	270	5,386.50
CDC Realty Fund	230	4,588.50
The Colony at Victorville	200	3,990.00
Victorville Newporter Apartments	190	3,790.50
Victor Valley Unified School District/Silverado	186	3,710.70
Summer Breeze Apartments	150	2,992.50
Victor Valley Unified School District/9th Grade Campus	144	2,872.80
Jamboree Housing Corporation	137	2,733.15
Lakritz, Sarah	135	2,693.25
So. Cal. Housing Development Corporation	134	2,673.30
Victorian 124 L.P.	124	2,473.80
Kimberly Park Apartments	122	2,433.90
Summerridge 121, LP	121	2,413.95
Tomanek, Thomas	120	2,394.00
Victorville/Village Oaks	116	2,314.20

[1] EDU is calculated based on actual flow and its biochemical oxygen demand and suspended solids content. The average monthly billing during the Fiscal Year 2007-08 was $63,520.80.
[2] Monthly billings are calculated at $19.95/EDU.
Source: City of Victorville.

Once DPSG Plant is operational, DPSG is expected to be the largest customer generating approximately $1,950,000 in annual charges. The DPSG Plant is expected to be fully operational by the second quarter of 2010.

Management and Operations of the Wastewater Enterprise

Oversight of the daily operation of the Wastewater Enterprise will continue to be the responsibility of the Public Works Director under the direction of the Water District. The Public Works Director is also responsible for the routine maintenance of the Wastewater Enterprise. The Public Works Sanitary Division personnel perform routine maintenance including, but not limited to, inspection, cleaning and repair of the pipes, manholes, and clean-outs. The Public Works Sanitary Division crew consists of 15 assigned positions ranging from the Public Works Manager to the Maintenance Aide. Several Sanitary Division crew members maintain California Water Environment Association Collection System Maintenance certificates, Grade IV to the Grade I.

The City and Woodard & Curran, Inc., a Maine corporation (the "Engineer"), have entered into that certain Standard Form of Agreement between Owner and Engineer for Professional Services, pursuant to which the Engineer was engaged to provide professional design engineering and operations and management services for the Treatment Facilities. See "APPENDIX F – STANDARD FORM OF AGREEMENT BETWEEN OWNER AND ENGINEER FOR PROFESSIONAL SERVICES."

Insurance

The Water District has covenanted in the Installment Sale Agreement that it shall at all times maintain with responsible insurers, to the extent available from responsible insurers at reasonable rates, or through a program of self insurance (or a combination thereof) a standard comprehensive general insurance policy and a casualty insurance policy.

The Water District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Water District is a member of the Special District Risk Management Authority (SDRMA), a joint powers authority formed in 1986 under Section 6500 *et seq.*, of the California Government Code for the purpose of jointly funding programs of insurance coverage for its members. SDRMA is comprised of 768 participating member agencies. The Water District participates in the property and liability insurance program of the SDRMA which includes the following coverages for the fiscal year ending June 30, 2009:

General Liability (Personal Injury and Property Damage)	$2,500,000	Per Occurrence
Public Officials and Employee Errors	$2,500,000	Per Occurrence
	$2,500,000	General Aggregate
Personal Liability Coverage for Board Members	$500,000	Per Occurrence
	$500,000	General Aggregate
Employment Practices Liability	$2,500,000	Per Occurrence
	$2,500,000	General Aggregate
Employee Benefits Liability	$2,500,000	Per Occurrence
	$2,500,000	General Aggregate
Auto Liability (Personal Injury and Property Damage)	$2,500,000	Per Occurrence
Property Coverage (Includes Fire, Theft and Flood and Property Damage)	$1,000,000,000	Each Occurrence
Boiler and Machinery Coverage	$1,000,000,000	Each Occurrence

The City is a member of the Public Entity Risk Management Authority (PERMA), formerly Coachella Valley Joint Powers Insurance Authority (CVJPIA). PERMA is comprised of twenty-six participating member agencies. As a subsidiary district of the City, the employees of the Water District are covered by the City's Worker's Compensation insurance program provided through PERMA.

Imposition and Collection of Rates, Fees and Charges

Wastewater charges are collected monthly by sending invoices to users. The wastewater service charge is placed upon the same invoice as is prepared for water service furnished by the Water District and is due and payable at the same time that such charges for water are due and payable and is subject to the same deadlines, delinquent charges and penalties as may be established for water charges.

Water and wastewater service charges, whether billed separately or together, are due and payable upon presentation and become delinquent 30 days from the billing date. A delinquency charge is added to

the next billing cycle for each delinquent unpaid water or wastewater bill and accrues at a rate of $6.00 per month. Notice of delinquency is provided by first-class mail at least five (5) days prior to service shut-off and a final disconnect notice by phone, tag or other good faith effort is made prior to disconnection. A customer's account must be brought current before service will be reinstated and a reconnection deposit is required.

Monthly Wastewater Service Charge. On September 16, 2008, the City Council adopted Resolution No. 08-124 setting the monthly rate for wastewater service at $19.95 per equivalent dwelling unit. Historical wastewater rates, including the current rate, are as follows:

Effective Date	Rate per Equivalent Dwelling Unit [1]
July 1, 1999	$ 8.00
January 1, 2001	9.50
July 1, 2001	11.00
July 1, 2002	12.50
January 1, 2005	12.74
January 15, 2008	14.72
September 16, 2008	19.95

[1] Single-family unit = 1 equivalent dwelling unit, regardless of size.

The $19.95 charge includes VVWRA's charge of $11.90 per EDU, which the City currently transfers to VVWRA for any flow treated by VVWRA. The remaining $8.05 per EDU is used by the City to operate and maintain its collection facilities. With respect to the diverted flow (1.5 MGD) that will result once the Treatment Facilities are operational, none of the charges will be transferred to VVWRA as such diverted flow will be treated by the Treatment Facilities.

The City has determined that the most recent proceedings to increase wastewater rates were deficient in that an ordinance was not adopted as required by State law. On April 7, 2009, an Ordinance approving the rate increases was adopted by the Victorville City Council. Such ordinance is subject to a 30 day challenge period which will end on May 7, 2009. Any successful challenge may have an adverse impact on the Water District's ability to collect current charges.

The following table provides the number of equivalent dwelling units per type of connection for each type of connection within the City.

Type of Connection	Minimum Units of Service
Residential:	
Single Family Dwellings	1.0
Multi-Family Dwellings	1.0/dwelling unit
Trailer or mobile home park	1.0/space
Commercial:	
Motels (a)	0.5/dwelling unit
Hotels (a)	0.5/bedroom
Animal Clinics	3.0
Barber Shops	1.3
Beauty Shops	1.3
Bottling Works (Soft Drink)	4.0
Churches	1.0 (w/o Kitchen) 2.0 (w/Kitchen)
Churches with Schools (h)	1.0
Factory (b)(j)	4.0
Food Markets (c)	1.0
Hospital (d)	1.0
Industrial (b) or (k)	4.0
Laundries and Laundromats (f)	1.0
Libraries	1.0
Mortuary	2.0
Professional Buildings	1.0/suite
Public Buildings (k)	1.0
Restaurants (f)	
With Bar	4.0
Without Bar	2.0
Rest Homes (g)	1.0
Schools (h)	
Elementary	1.0
High and Junior High	1.0
Service Stations	
With Rack	4.0
Without Rack	2.0
With RV Dumping Station	3.0
Taverns (f)	2.0
Theaters	2.0
All Commercial establishments not listed above or separately classified by future action of the Council (k)	1.0

(a) Motels and Hotels - 0.25 additional service unit for each dwelling unit with kitchen.
(b) Factory and Industrial - One additional unit for each five (ten) or fewer employees after the first five (ten).
(c) Food Markets - One additional unit per month for commercial garbage grinder.
(d) Hospital --- One additional unit for up to each two beds after the first two.
(e) Laundries and Laundromats – One additional service unit for each three or fewer machines after the first three.
(f) Restaurants and Taverns-One additional service unit for up to each fifteen seats after first thirty. Drive ins-each service space equals four seats.
(g) Rest Homes – One additional unit for up to each three beds after the first three.
(h) Schools – Elementary – One additional unit for up to each twenty-three average daily attendance after the first twenty-three. High School and Junior High School – One additional unit for up to each fourteen average attendance after the first fourteen.
(i) Public Buildings – One additional service unit for up to each additional five (ten) employees after the first five (ten).
(j) Industrial – The City reserves the right to determine that a particular class of industrial customer shall be subject to these provisions or any modification thereof. In such event, the affected customers shall be given at least 14 days written notice prior to a hearing by the City Council thereon.
(k) Number of equivalent service units to be determined based on plumbing fixture counts.

Wastewater Connection Fee. The Water District charges a wastewater connection fee of $350.00 for each residential unit. This fee is for constructing and/or upgrading local collection and trunk sewer facilities to provide the needed capacity.

The Water District further collects a regional VVWRA connection fee for capacity in the regional interceptor sewer and treatment facilities. This regional connection fee is currently set at $3,215 per service unit. This connection fee is subject to inflationary adjustment as determined and approved by the VVWRA Commission.

Historical Operating Results

The table below summarizes the operating revenues, operating expenses and changes in retained earnings of the Wastewater Enterprise derived from the City's audited financial statements for the Fiscal Years 2003-04 through 2006-07. The City's audited financial statements for the Fiscal Year ended June 30, 2007 are included as Appendix D to this Private Placement Memorandum, including portions relating to the Wastewater Enterprise. The following table should be read in conjunction with the information contained in the related footnotes and the information contained in Appendix D.

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WASTEWATER ENTERPRISE
Historical Operating Results
(Fiscal Years Ending June 30)

	2004	2005	2006	2007
Operating revenues:				
Taxes and assessments	$ 1,062,167	--	--	--
Intergovernmental	--	--	--	--
Charges for services	5,225,274	$ 6,337,885	$ 7,950,599	$8,102,147
Other	--	--	--	2,953
Total operating revenues	$ 6,287,441	$ 6,337,885	$ 7,950,599	$8,105,100
Operating expenses:				
Personal services	$ 3,099,471	$ 3,623,323	$ 4,267,369	$4,547,754
Maintenance and operations	185,583	359,546	163,144	160,578
Depreciation	517,168	453,255	523,943	946,382
Total operating expenses	$ 3,802,222	$ 4,436,124	$ 4,954,456	$5,654,714
Operating income	$ 2,485,219	$ 1,901,761	$ 2,996,143	$2,450,386
Nonoperating revenues (expenses):				
Investment income	$ 67,884	$ 79,975	$ 143,286	$145,681
Gain on sale of assets	--	138,525	--	--
Intergovernmental	--	--	--	504
Total nonoperating revenues (expenses)	$ 67,884	$ 218,500	$ 143,286	$146,185
Income (Loss) before transfers	$ 2,553,103	2,120,261	3,139,429	2,596,571
Total net assets, July 1				
Capital Contributions	$ 1,143,532	$ 4,096,104	$ 1,353,775	$7,142,176
Gain (loss) from sales of property	--	--	--	167,250
Transfers out	(433,768)	--	--	--
Changes in net assets	$ 3,262,867	$ 6,216,365	$ 4,493,204	$ 7,309,426
Total net assets, July 1	$29,599,080	$32,833,735	$39,050,100	$43,543,304
Total net assets, June 30	$32,861,947	$39,050,100	$43,543,304	$53,449,301

Source: City of Victorville.

RISK FACTORS

This Private Placement Memorandum discusses many matters any one of which may have an impact on the security for the Notes, the ability of the Authority to make the payments required to repay the Notes and their interest in a timely manner. Thus, an investor must read the entire Private Placement Memorandum in order to judge the risks inherent in investment in the Notes. This section highlights certain risks inherent in the transaction, but is not, and is not intended to be, a complete list or discussion of the risks associated with this transaction.

Notes are Limited Obligations

The Water District's obligation to pay the Installment Payments, the Additional Payments and any other amounts coming due and payable under the Installment Sale Agreement shall be a special obligation of the Water District limited solely to the Net Revenues. Under no circumstances shall the Water District be required to advance moneys derived from any source of income other than the Net Revenues and other sources specifically identified herein for the payment of the Installment Payments and the Additional Payments, nor shall any other funds or property of the Water District be liable for the payment of the Installment payments and the Additional Payments and any other amounts coming due and payable under the Installment Sale Agreement.

The Authority's ability to pay principal of the Notes is dependent on the Authority's ability to issue and sell refunding obligations. While the Authority and the Water District believe that Net Revenues will be adequate to enable the Authority's to issue refunding obligations, a variety of factors could adversely affect its ability to do so. Furthermore, unforeseen changes in the law pursuant to which the Notes have been issued may restrict the Authority's ability to sell refunding obligations.

No Liability of the Authority to the Noteowners

Except as expressly provided in the Indenture, the Authority will not have any obligation or liability to the Noteowners with respect to the payment when due of the Installment Payments, or with respect to the observance or performance of other agreements, conditions, covenants and terms required to be observed or performed by the Water District under the Installment Sale Agreement or any related documents or with respect to the performance by the Trustee of any duty required to be performed by it under the Indenture.

Limited Recourse on Default

If the Water District defaults on its obligations to make Installment Payments, the Trustee, as assignee of the Authority, has the right to accelerate the Installment Payments. However, in the event of a default and such acceleration, there can be no assurance that the Trustee will have sufficient revenues to pay the accelerated Notes.

Delay in Construction

No assurance can be given that the Treatment Facilities will be constructed in a timely manner. Delays in completing the Treatment Facilities may have a material adverse impact on the ability of the Water District to make Installment Payments as such payments become due and payable and accordingly on the Authority's ability to pay debt service on the Notes. Furthermore, such delays may have an adverse impact on the Authority's ability to issue refunding bonds.

Large Customer

Once DPSG Plant is operational, it will be responsible for approximately 0.75 MGD of flow to the Treatment Plant and approximately $1,950,000 of the annual revenues from charges. DPSG's obligation under the DPSG Agreement is an unsecured general obligation of DPSG. If DPSG is unable to make payments for services, no assurance can be given that the Water District will be able to generate sufficient Net Revenues to make Installment Payments as such payments become due and payable. See "APPENDIX E –WASTEWATER CAPACITY AND TREATMENT AGREEMENT."

Earthquake Risk

Any natural disaster or other physical calamity, including earthquake, may have the effect of reducing Revenues through damage to the Wastewater Enterprise and/or adversely affecting the economy of the surrounding area. There is no requirement that the Water District or the Authority acquire earthquake insurance with respect to the Wastewater Enterprise.

Voter Initiatives – State Constitutional Amendment

California's voter initiative process allows measures which qualify for the ballot to be approved or disapproved by voters in a State of California statewide election. From time to time initiative measures could be adopted which adversely affect the ability of the Water District to generate revenues.

California Constitution Article XIIIC and Article XIIID

Proposition 218, a state ballot initiative known as the "Right to Vote on Taxes Act" was approved by California voters on November 5, 1996 and, except for certain provisions which became effective on July 1, 1997, became effective on November 6, 1996. Proposition 218 added Article XIIIC, entitled "Voter Approval of Local Tax Levies" ("Article XIIIC"), and Article XIIID, entitled "Assessment and Property Related Fee Reform ("Article XIIID"), to the California Constitution. Article XIIIC and Article XIIID limit the imposition by a local government of "general taxes," "special taxes," "assessments" and "fees" or "charges." Each of the City and the Water District is a local government within the meaning of Article XIIIC and Article XIIID.

Article XIIIC, provides, among other things, that the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local fee or charge. This extension of the initiative power is not limited by the terms of Article XIIIC to fees and charges imposed after November 6, 1996 and, absent other authority, could result in retroactive reduction in existing fees and charges. Although the terms "fees" and "charges" are not defined in Article XIIIC, the California Supreme Court, in *Bighorn-Desert View Water Agency v. Kari Verjil; E.W. Kelley* (July 2006), has stated that there is no basis for excluding from Article XIIIC's authorization any of the fees subject to Article XIIID. If fees or charges charged or collected by the Water District for its Wastewater Enterprise are subjected to the initiative process and the outcome of any initiative proceedings results in a reduction or repeal of such fees or charges, the ability of the Water District to generate Net Revenues sufficient to comply with its covenants under the Installment Sale Agreement may be adversely affected. Furthermore, if voters were to approve an initiative lowering the Water District's wastewater rates or other charges, the Water District would need voter approval before it could change the rate or charge that had been set by initiative. The Water District could, however, increase a charge that was not affected by initiative or to impose an entirely new charge without voter approval.

The California Supreme Court further stated in *Bighorn* that it was not holding that the initiative power is free of all limitations and was not determining whether the initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay debt service on

bonded debt and operating expenses. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. Additionally, SB 919 provides that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution. However, no assurance can be given that the voters of the Water District will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges.

Article XIIID prohibits the assessment upon any parcel of property or upon any person "as an incident of property ownership" (defined to exclude fees for the provision of electrical or gas service) by a local government of any tax, assessment, fee or charge except voter-approved ad valorem property taxes and special taxes, fees or charges as a condition of property development, and assessments and "fees or charges for property related services" levied or imposed in accordance with the provisions of Article XIIID.

Under Article XIIID, revenues derived from a "fee" or "charge" (defined as "any levy other than an ad valorem tax, a special tax or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service") may not exceed the funds required to provide the "property-related service" and may not be used for any purpose other than that for which the fee or charge was imposed. Further, the amount of a "fee" or "charge" may not exceed the proportional cost of the service attributable to the parcel, no "fee" or "charge" may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question, and no "fee" or "charge" may be imposed for general governmental service where the service is "available to the public at large in substantially the same manner as it is to the property owners."

In addition, in order for a "fee" or "charge" to be imposed or increased, Article XIIID provides that, among other things, the parcel upon which a fee or charge is proposed for imposition must be identified, the amount of the fee or charge proposed to be imposed on each such parcel must be calculated, written notice by mail of the proposed fee or charge must be provided to the "record owner" of each identified parcel, and a public hearing must be conducted upon the proposed fee or charge. If written protests against the proposed "fee" or "charge" are presented by a majority of owners of the identified parcels, the fee or charge may not be imposed. The California Supreme Court in *Bighorn* indicated that once a property owner or resident has paid the connection charges and has become a customer of a public water agency, all charges for water delivery incurred thereafter are charges for a property-related service, whether the charge is calculated on the basis of consumption or is imposed as a fixed monthly fee. Accordingly, the imposition or increase of any fee or charge by the Water District for its wastewater service will be the subject of such a majority protest. If such a majority protest occurs, the ability of the Water District to generate Net Revenues sufficient to comply with its covenants under the Installment Sale Agreement may be adversely affected.

Article XIIID states that, beginning July 1, 1997, all "fees" or "charges" must comply with its provisions. It is unclear how the provisions of Article XIIID will be applied to fees or charges established prior to such date. It is also unclear how the provisions of Article XIIID will be applied to fees or charges established after such date but prior to the Bighorn decision.

As a result of the *Bighorn* decision, there can be no assurance that Proposition 218 will not limit the ability of the Water District to impose, levy, charge and collect increased fees and charges for wastewater services.

The City has complied with the applicable notice and protest procedures of Article XIIID for its most recent rates and charges. There is no pending challenge to the City's wastewater fees, and the City cannot predict the outcome of any such challenge, if a challenge were brought. The Water District and the City will comply with its rate covenant in conformity with the provisions of Article XIIID of the California State Constitution.

The Water District is unable to predict how Article XIIIC and Article XIIID will be interpreted by the courts in the future and what, if any, implementing legislation will be enacted. Bond Counsel has advised that there can be no assurance that Article XIIIC and Article XIIID will not limit the ability of the Water District to charge and collect fees and charges for its wastewater service sufficient to enable the Water District to comply with its covenants under the Installment Sale Agreement or that the ability of the Water District to generate Net Revenues sufficient to pay Installment Payments will not be adversely affected. Further, in such event, there can be no assurance that remedies will be available to fully protect the interests of the holders of the Notes.

Limitations on Remedies

The ability of the Water District to comply with the covenants under the Installment Sale Agreement and to generate Net Revenues sufficient to pay all Installment Payments in a timely manner may be adversely affected by actions and events outside of the control of the Water District and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See "RISK FACTORS – California Constitution Articles XIIIC and Article XIIID." Furthermore, any remedies available to the Noteowners upon the occurrence of an event of default under the Indenture are in many respects 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 limitations on remedies contained in the Indenture, the rights and obligations under the Notes and the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California. The opinions to be delivered by Fulbright & Jaworski L.L.P., Bond Counsel, concurrently with the execution and delivery of the Notes, that the Notes evidence valid and binding obligations and the Indenture constitutes a valid and binding obligation of the Authority and the Water District will be subject to such limitations, and the various other legal opinions to be delivered concurrently with the execution and delivery of the Notes will be similarly qualified. See "APPENDIX B – FORM OF PROPOSED OPINION OF BOND COUNSEL." In the event the Authority or the Water District fail to comply with their respective covenants under the Indenture or to cause the timely payment of all principal or interest with respect to the Notes, there can be no assurance that available remedies will be adequate to fully protect the interest of the holders of the Notes.

Wastewater Enterprise Expenses And Collections; Damage

There can be no assurance that the Water District's expenses for the Wastewater Enterprise will remain at the levels described in this Private Placement Memorandum. Changes in technology, energy or other expenses would reduce the Water District's net income and could require substantial increases in rates or charges. Such rate increases could increase the likelihood of nonpayment, and could also decrease demand.

Although the Water District has covenanted to fix, prescribe, revise and collect rates, fees and charges for the Wastewater Enterprise at certain levels, there can be no assurance that such amounts will be collected in the amounts and at the time necessary to make timely payments with respect to the Notes.

Additionally, the Installment Sale Agreement requires the Water District to maintain insurance or self-insurance, but only if and to the extent available at reasonable cost from reputable insurers. In the event of total loss of the Wastewater Enterprise, there can be no assurance that insurance proceeds will be adequate to redeem all Outstanding Notes or that losses in excess of the insured amount will not occur.

THE AUTHORITY

The Authority was established pursuant to a Joint Exercise of Powers Agreement dated as of September 1, 1990, by and between the City and the Redevelopment Agency of the City of Victorville in accordance with the provisions of the Act. The members of the Victorville City Council serve as members of the Authority's Governing Board, and the Victorville City Manager serves as the Authority's Executive Director. The Finance Director for the City serves as Authority Treasurer, while the City Clerk is Secretary to the Authority.

Financial Information

Included in this Private Placement Memorandum as Appendix D are the audited financial statements of the City for the Fiscal Year ended June 30, 2007 and the audited financial statements of the District for the Fiscal Year ended June 30, 2008. The City has not requested the consent of the Auditor regarding the inclusion of its report in this Private Placement Memorandum. **The Independent Auditor's Report states that because of the significant of the matters discussed in the report, the scope of their work was not sufficient to enable them to express, and they do not express, opinion on the City's basic financial statements for the year ended June 30, 2007.**

PRIVATE PLACEMENT

The Notes are being placed by Kinsell, Newcomb & De Dios, Inc., as Private Placement Agent. The Private Placement Agent will receive a fee of $_____ in connection with the placement of the Notes.

LEGAL MATTERS

All of the legal proceedings in connection with the authorization and issuance of the Notes are subject to the approval of Fulbright & Jaworski L.L.P., Bond Counsel. Copies of the opinion of Bond Counsel, substantially in the form set forth in Appendix B, hereto, will be provided to the original purchaser without charge.

Certain legal matters will be passed upon for the Authority and the Water District by their Counsel, Green, de Bortnowsky & Quintanilla, LLP.

TAX MATTERS

State Tax Exemption. In the opinion of Fulbright & Jaworski L.L.P., Bond Counsel, under existing law, interest on the Notes is exempt from personal income taxes of the State of California.

Federal Income Tax Consequences. The following is a general summary of the federal income tax consequences of the purchase and ownership of the Notes. The discussion is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change or possibly differing interpretations. No assurances can be given that future changes in the law will not alter the conclusions reached herein. The discussion below does not purport to deal with federal income tax consequences applicable to all categories of investors. Further, this summary does not discuss all aspects of federal income taxation that may be relevant to a particular investor in the Notes in light of the investor's

particular personal investment circumstances, including, but not limited to, the application of the original issue discount provisions of the Code, or to certain types of investors subject to special treatment under federal income tax laws (including insurance companies, tax exempt organizations, non-U.S. persons, financial institutions, broker-dealers, and persons who have hedged the risk of owning the Notes). The summary is therefore limited to certain issues relating to investors who will hold the Notes as "capital assets" within the meaning of section 1221 of the Code, and acquire such Notes for investment and not as a dealer or for resale. Prospective investors should note that no rulings have been or will be sought from the Service with respect to any of the federal income tax consequences discussed below, and no assurance can be given that the Service will not take contrary positions.

Bond Counsel has rendered no opinion regarding the exclusion pursuant to section 103(a) of the Code of interest on the Notes from gross income. However, the Authority has taken no action to cause, and does not intend, interest on the Notes to be excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. The Authority intends to treat the Notes as debt instruments for all federal income tax purposes, including any applicable reporting requirements under the Code. **THE AUTHORITY EXPECTS THAT THE INTEREST PAID ON A NOTE GENERALLY WILL BE INCLUDED IN THE GROSS INCOME OF THE OWNER THEREOF FOR FEDERAL INCOME TAX PURPOSES WHEN RECEIVED OR ACCRUED, DEPENDING UPON THE TAX ACCOUNTING METHOD OF THAT OWNER.**

INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES.

Internal Revenue Service Circular 230 Notice

You should be aware that:

(a) the discussion in this Private Placement Memorandum with respect to U.S. federal income tax consequences of owning the Notes is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer:

(b) such discussion was written in connection with the promotion or marketing (within the meaning of IRS Circular 230) of the transactions or matters addressed by such discussion; and

(c) each taxpayer should seek advice based on its particular circumstances from an independent tax advisor.

This notice is given solely for purposes of ensuring compliance with IRS Circular 230 with respect to the discussion below on the Notes.

Gain or Loss on Disposition. Subject to certain deferral or nonrecognition provisions of the Code, an owner will realize and generally recognize in accordance with its tax accounting method gain or loss on the sale or exchange of a Note equal to the difference between the sale or exchange price (exclusive of the amount paid for accrued interest) and the owner's tax basis in the Note. Generally, the owner's tax basis in a Note will be the owner's initial cost, adjusted to reflect accrued original issue discount or amortizable bond premium. Any gain or loss generally will be capital gain or loss and will be long-term or short-term, depending on whether the Notes have been held for more than the applicable period. The deductibility of net capital losses in any year is subject to limitations.

Market Discount. Any owner who purchases a Note at a price that reflects market discount in excess of a prescribed *de minimis* amount (i.e., at a purchase price that is less than its adjusted issue price

in the hands of an original owner) will be required to recharacterize gain on the Note as ordinary income upon receipt of each scheduled or unscheduled principal payment or upon other disposition to the extent that such gain does not exceed the accrued market discount. In particular, such owner will generally be required either (a) to allocate each such principal payment to accrued market discount not previously included in income and to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a Note as ordinary income to the extent of any remaining accrued market discount or (b) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history of the Tax Reform Act of 1986 will apply. In addition, the Internal Revenue Service has provided guidance in Revenue Procedure 92-67 with regard to the application of these provisions of the Code. Under those rules, generally market discount is to be determined on a ratable accrual basis; however, the taxpayer may elect on a bond-by-bond basis instead to determine the accrual of market discount on that bond on a constant interest basis.

An owner of a Note who acquires such Note at a market discount also may be required to defer, until the maturity date of such Notes or its earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or continued to purchase or carry a Note in excess of the aggregate amount of interest (including original issue discount) includable in such owner's gross income for the taxable year with respect to such Note. The amount of such net direct interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Note for the days during the taxable year on which the owner held the Note and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Note matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the bondowner elects to include such market discount in income currently as described above.

Bond Premium. An owner of a Note purchased at a cost greater than the sum of all amounts payable on the Note after the acquisition date (other than payments of qualified stated interest) will have bond premium that is amortizable in accordance with the provisions of section 171 of the Code. If the holder elects to amortize the premium under section 171 of the Code (which election will apply to all bonds held by the holder on the first day of the taxable year to which the election applies, and to all bonds thereafter acquired by the holder), such a purchaser must amortize the premium using constant yield principles based on the purchaser's yield to maturity. Amortizable bond premium for any year is generally treated as an offset to the qualified stated interest otherwise includible in income for the year, and a reduction in basis is required for amortizable bond premium that is applied to reduce interest payments. To the extent that amortizable bond premium for any year exceeds the otherwise includible qualified stated interest for that year, subject to other applicable limitations such amortizable bond premium is allowed as a deduction to the extent of the excess of the owner's total interest income inclusions for prior years in respect of the Note over the total amount treated by the owner as bond premium deductions in respect of the Note for prior years. Purchasers of any Notes who acquire such Notes at a premium (or with acquisition premium) should consult with their own tax advisors with respect to the determination and treatment of such premium for Federal income tax purposes and with respect to state and local tax consequences of owning such Notes.

Defeasance. Persons considering the purchase of a Note should be aware that the bond documents permit the issuer of the Notes under certain circumstances to deposit of monies or securities with the Trustee, resulting in the release of the security interests created under the Indenture (a "defeasance"). Such a defeasance could result in the realization by the owner of the Note of gain or loss, without any corresponding receipts of monies by the owner. Such gain or loss generally would be subject to recognition, as in the case of a sale or exchange described above. In addition, for federal income tax purposes, the character and time of receipt of payments on the Notes subsequent to any such defeasance could also be affected. Holders are advised to consult their own tax advisers with respect to the tax consequences resulting from such events.

Reporting of Interest Payments. Subject to certain exceptions, interest payments made to owners with respect to the Notes will be reported to the Service. Such information will be filed each year with the Service on Form 1099 which will reflect the name, address and TIN of the owner. A copy of Form 1099 will be sent to each owner of a Note for federal income tax purposes.

Backup Withholding. Under section 3406 of the Code, an owner of the Notes who is a United States person, as defined in section 7701(a)(3) of the Code, may, under certain circumstances, be subject to "backup withholding" on payments of current or accrued interest on the Notes. This withholding applies if such owner of Notes: (i) fails to furnish to the payor such registered owner's social security number or other taxpayer identification number ("TIN"); (ii) furnishes the payor an incorrect TIN; (iii) fails to report properly interest, dividends, or other "reportable payments" as defined in the Code; or (iv) under certain circumstances, fails to provide the payor or such owner's broker with a certified statement, signed under penalty of perjury, that the TIN provided to the payor is correct and that such owner is not subject to backup withholding.

Backup withholding will not apply, however, with respect to payments made to certain owners of the Notes. OWNERS OF THE NOTES SHOULD CONSULT THEIR TAX ADVISORS REGARDING THEIR QUALIFICATION FOR EXEMPTION FROM BACKUP WITHHOLDING AND THE PROCEDURE FOR OBTAINING SUCH EXEMPTION.

Withholding on Payments to Nonresident Alien Individuals and Foreign Corporations. Under sections 1441 and 1442 of the Code, nonresident alien individuals and foreign corporations are generally subject to withholding at the rate of 30% on periodic income items arising from sources within the United States, provided such income is not effectively connected with the conduct of a United States trade or business and provided that such withholding is not reduced or eliminated by treaty. Assuming the interest received by the owner of the Note is not treated as effectively connected income within the meaning of section 864 of the Code, such interest will be subject to 30% withholding, or any lower rate specified in an income tax treaty, unless such income is treated as portfolio interest. Interest will be treated as portfolio interest if (i) the owner provides a statement to the payor certifying, under penalties of perjury, that the owner is not a United States person and providing the name and address of the owner, (ii) such interest is treated as not effectively connected with the owner's United States trade or business, (iii) interest payments are not made to a person within a foreign country that the Service has included on a list of countries having provisions inadequate to prevent United States tax evasion, (iv) interest payable with respect to the Note is not deemed contingent interest within the meaning of the portfolio debt provision, (v) the owner is not a controlled foreign corporation, within the meaning of section 957 of the Code, and (vi) the owner is not a bank receiving interest on the Notes pursuant to a loan agreement entered into in the ordinary course of the bank's trade or business.

Assuming payments on the Notes are treated as portfolio interest within the meaning of sections 871 and 881 of the Code, then no withholding under sections 1441 and 1442 of the Code and no backup withholding under section 3406 of the Code is required with respect to owners or intermediaries who have

furnished Form W-8 BEN, Form W-8 EXP or Form W-8 IMY, as applicable, provided the payor has no actual knowledge that such person is a United States person.

NO LITIGATION

There is no action, suit or proceeding known to the Authority to be pending or threatened, restraining or enjoining the execution or delivery of the Notes or the Indenture or in any way contesting or affecting the validity of the foregoing or any proceedings of the Authority taken with respect to any of the foregoing.

MISCELLANEOUS

All of the preceding summaries of the Indenture, the Installment Sale Agreement, the Act, other applicable legislation, agreements and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Authority for further information in connection therewith.

This Private Placement Memorandum does not constitute a contract with the purchasers of the Notes. Any statements made in this Private Placement Memorandum involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Private Placement Memorandum by its President has been duly authorized by the Authority.

VICTORVILLE JOINT POWERS FINANCING AUTHORITY

By _____
President

APPENDIX A

INDENTURE OF TRUST; INSTALLMENT SALE AGREEMENT; WASTEWATER ENTERPRISE LEASE AGREEMENT

APPENDIX B

FORM OF PROPOSED OPINION OF BOND COUNSEL

[Date of Closing]

Victorville Joint Powers Financing Authority

City of Victorville $_____
Victorville Joint Powers Financing Authority
Taxable Wastewater Revenue Notes, 2009 Series
(Victorville Water District)

Ladies and Gentlemen:

In our role as Bond Counsel to the Victorville Joint Powers Financing Authority (the "Authority"), we have examined certified copies of the proceedings taken in connection with the issuance by the Authority of $_____ principal amount of its Taxable Wastewater Revenue Notes, 2009 Series (Victorville Water District) (the "Notes"). We have also examined supplemental documents furnished to us and have obtained such certificates and documents from public officials as we have deemed necessary for the purposes of this opinion. The Notes are issued under Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Note Law"), pursuant to an Indenture of Trust, dated as of May 1, 2009 (the "Indenture"), by and among the Authority, the Victorville Water District (the "Water District") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), and pursuant to the authorizing resolution of the Governing Board of the Authority adopted on May 5, 2009. The proceeds of the sale of the Notes will be used to finance the construction of a wastewater treatment plant and certain other improvements (the "Improvements") to the Water District's Wastewater Enterprise. The Authority and the Water District will enter into an Installment Sale Agreement, dated as of May 1, 2009, (the "Installment Sale Agreement"), pursuant to which the Authority will sell the Improvements to the Water District in consideration for Installment Payments. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Indenture and the Installment Sale Agreement, as applicable.

The Notes are issued as fully registered Notes in the denomination of $5,000 or any integral multiple thereof. Interest on the Notes is payable semiannually on June 1 and December 1 of each year, commencing December 1, 2009.

The Notes are subject to redemption prior to maturity as provided in the Indenture.

Based upon the foregoing, we are of the opinion that:

1. The Indenture has been duly and validly authorized, executed and delivered by the Authority and the Water District and, assuming such Indenture constitutes the legally valid and binding obligation of the Trustee, constitutes the legally valid and binding obligation of the Authority and the Water District, enforceable against the Authority and the Water District in accordance with its terms, and the Notes are entitled to the benefits of the Indenture.

2. The Installment Sale Agreement has been duly and validly authorized, executed and delivered by the Authority and the Water District, and constitutes the legally valid and binding obligation of the Authority and the Water District, enforceable against the Authority and the Water District in accordance with its terms.

3. The proceedings for the issuance of the Notes have been taken in accordance with the laws and Constitution of the State of California, and the Notes, having been issued in duly

authorized form and executed by the proper officials and delivered to and paid for by the purchasers, constitute legal and binding special obligations of the Authority enforceable in accordance with their terms.

4. The Notes are payable from the Revenues, subject to the application thereof on the terms and conditions as set forth in the Indenture.

5. Interest on the Notes is exempt from personal income taxes of the State of California. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes.

The foregoing opinions are qualified to the extent that the enforceability of the Indenture and the Notes, respectively, may be limited by any applicable bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting creditors' rights generally or as to the availability of any particular remedy.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Very truly yours,

APPENDIX C

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC; and DTC's book-entry system has been obtained from sources that the Agency believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

DTC will act as securities depository for the Notes. The Notes 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 certificate will be issued for each maturity of the Notes, in the aggregate principal amount of such 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 has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at *www.dtcc.com* and *www.dtc.org*. The information set forth on such websites is not incorporated by reference.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("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 Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 the Notes 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 Notes; DTC's records reflect

only the identity of the Direct Participants to whose accounts such Notes 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 the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the documents with respect to the Notes. For example, Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes 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 Notes are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Water 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 the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest on the Notes 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 Water 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 Water District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the Notes to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Water 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.

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

APPENDIX D

AUDITED FINANCIAL STATEMENT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2007 AND OF THE VICTORVILLE WATER DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2008

APPENDIX E

WASTEWATER CAPACITY AND TREATMENT AGREEMENT

APPENDIX F

STANDARD FORM OF AGREEMENT BETWEEN OWNER AND ENGINEER FOR PROFESSIONAL SERVICES

APPENDIX G

STANDARD FORM OF AGREEMENT BETWEEN OWNER AND CONSTRUCTION MANAGER

CITY OF
VICTORVILLE

(760) 955-5000
FAX (760) 245-7243
E-mail: vville@ci.victorville.ca.us

14343 Civic Drive
P.O. Box 5001
Victorville, CA 92393-5001

AGENDA ITEM

WRITTEN COMMUNICATIONS

VICTORVILLE WATER DISTRICT MEETING OF: May 19, 2009

SUBMITTED BY: Reginald A. Lamson
Director of Water

DATE: May 13, 2009

SUBJECT: **Resolution No. VWD 09-006, Approving promissory note in favor of Water Enterprise Fund**

RECOMMENDATION: Staff recommends the Board of Directors approve Resolution Numbers VWD 09-006.

FISCAL IMPACT: $45,000,000
Budget Amount: $_____
Budget Account No.: _____

--Finance Dept. Use Only--
Additional Appropriation:

____ No
____ Yes/$Amount:

Finance Director Review and Approval_____

DISCUSSION: The City plans to construct the Southern California Logistics Airport Wastewater Treatment Facility and has begun the process of issuing revenue notes to assist in the financing of this project. Pending the issuance of the revenue notes, the water district will advance the necessary funds to the Wastewater Enterprise Fund to cover the construction costs associated with this project. The water district will be reimbursed for all monies advanced, once the revenue notes are received.

RAL/kj

Attachments: Resolution No. VWD 09-006

WRITTEN
#6
5-19-09

PROMISSORY NOTE

$45,000,000

Place: City of Victorville
14343 Civic Drive
Victorville, CA 92392

Date: May 19, 2009

FOR VALUE RECEIVED, the VICTORVILLE WATER DISTRICT, ON BEHALF OF THE VICTORVILLE WATER DISTRICT WASTEWATER ENTERPRISE (the "District") promises to pay to the VICTORVILLE WATER DISTRICT WATER ENTERPRISE FUND (the "Fund"), an amount not to exceed Forty-Five Million Dollars ($45,000,000), together with interest and any additional amounts due hereunder, representing the amount the District advanced to the Wastewater Enterprise Fund to cover certain design, construction management and construction related costs associated with the SCLA Wastewater Treatment Facility (the "Project"), based on the terms and conditions set forth below.

RECITALS

WHEREAS, Local Agency Formation Commission of the County of San Bernardino pursuant to Resolution No. 2959, (Proposal No. LAFCO 2991) approved that certain reorganization to include the consolidation of the Baldy Mesa Water District and the Victor Valley Water District, which Consolidated District known as the Victorville Water District (the "District"); and

WHEREAS, the District remains a California county water district, organized under and existing pursuant to the applicable provisions of the laws of the State of California and of the United States of America, and particularly the County Water District Law [California Water Code Sections 30,000, et seq.] and a subsidiary district of the City of Victorville (the "City"); and

WHEREAS, the City desires to undertake the construction of the Project and has commenced the process of issuing certain revenue notes to assist in financing the construction of the Project (the "Revenue Notes"); and

WHEREAS, prior to the issuance of the Revenue Notes, the District desires to advance to the Wastewater Enterprise Fund certain monies to cover design, construction management and construction-related costs associated with the Project; and

WHEREAS, the District desires to repay the monies advanced with the proceeds of the Revenue Notes; and

WHEREAS, the District deems it desirable to execute this Note to evidence such advance.

TERMS AND CONDITIONS

1. The Recitals set forth in this Note are true and correct and incorporated herein by this reference.

2. This Note shall have a term of five (5) years from the date set forth above (the "Term").

3. In addition to any advance issued prior to the issuance of the Revenue Notes, the District may advance monies to the Fund from time to time during the Term of this Note as necessary and in accordance with the terms and conditions of those documents executed in conjunction with the issuance of the Revenue Notes.

4. The District agrees to repay the Fund not later than the Term of the Note, the outstanding principal balance due hereunder, plus interest accrued thereon at the annualized (averaged) Local Agency Investment Fund ("LAIF") rate. Interest shall accrue from and after the date of advancement of funds.

5. Repayment of this Note shall remain junior and subordinate to the pledge of and the lien created by the Revenue Notes and any future obligations incurred or issued by the District on behalf of the Wastewater Enterprise Fund.

6. A failure to pay any sum provided for in this Note when due or a material breach of this Note shall entitle the District to declare all sums due hereunder immediately due and payable and to pursue all remedies available under this Note.

7. All payments due under this Note shall be made in lawful money of the United States in the name of the District at the principal office of the District, 14343 Civic Drive, Victorville, CA 92392, or at such other place as may from time to time be designated by the District in writing.

8. The District reserves the right to prepay at any time all or any part of the principal amount of this Note without the payment of penalties or premiums. All payments on this Note shall be applied first to the principal due on the Note and the remaining balance shall be applied to late charges, if any.

9. In the event the District shall fail to pay the payments when due, the unpaid principal amount of this Note, together with

late charges, shall become due and payable without further notice to the undersigned. If the payments on this Note are not paid within ten (10) days of the due date, the undersigned shall pay to the Fund a late charge of 5% on the amount past due. If this Note is reduced to judgment, such judgment shall bear the statutory interest rate on judgments.

10. In no event shall the total late charge payable hereunder exceed the maximum amount of interest permitted under the usury laws of the State of California, but applicable penalties for breach of the Agreement may include the full additional amounts of any assistance from federal, state or local funds which were applied to the construction and the purchase of the Property.

11. Demand, protest and notice of demand and protest are hereby waived and the undersigned hereby waives, to the extent authorized by law, any and all homestead and other exemption rights which otherwise would apply to the debt evidenced by this Note.

IN WITNESS WHEREOF, this Note has been duly executed by the undersigned, as of its date.

By: _____
District Chairman

VVCA\0061\001.DOC
04/29/19 hvt

VICTORVILLE WATER DISTRICT

RESOLUTION NO. VWD 09-006

RESOLUTION OF THE BOARD OF DIRECTORS OF THE VICTORVILLE WATER DISTRICT APPROVING PROMISSORY NOTE IN FAVOR OF VICTORVILLE WATER DISTRICT WATER ENTERPRISE FUND

RECITALS

WHEREAS, Local Agency Formation Commission of the County of San Bernardino pursuant to Resolution No. 2959, (Proposal No. LAFCO 2991) approved that certain reorganization to include the consolidation of the Baldy Mesa Water District and the Victor Valley Water District, which Consolidated District known as the Victorville Water District (the "District"); and

WHEREAS, the District remains a California county water district, organized under and existing pursuant to the applicable provisions of the laws of the State of California and of the United States of America, and particularly the County Water District Law [California Water Code Sections 30000, *et seq.*] and a subsidiary district of the City of Victorville (the "City"); and

WHEREAS, the City desires to undertake the construction of the Southern California Logistics Airport Wastewater Treatment Facility (the "Project") and has commenced the process of issuing certain revenue notes to assist in financing the construction of the Project (the "Revenue Notes"); and

WHEREAS, prior to the issuance of the Revenue Notes, the District desires to advance to the Wastewater Enterprise Fund certain monies from the Water Enterprise Fund to cover design, construction management and construction-related costs associated with the Project; and

WHEREAS, the District desires to repay the monies advanced to the Wastewater Enterprise Fund with the proceeds of the Revenue Notes; and

WHEREAS, the District deems it desirable to approve a promissory note in substantially the same form as Exhibit "A" attached hereto and incorporated herein by this reference (the "Promissory Note") in order to evidence such advance.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE VICTORVILLE WATER DISTRICT DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. Recitals.

The foregoing Recitals are true and correct and incorporated herein by this reference.

Section 2. Approval of Promissory Note.

The District hereby approves the advance of monies from the Water Enterprise Fund to the Wastewater Enterprise Fund to cover certain design, construction management and construction related costs associated with the Project and the execution of the Promissory Note evidencing the same.

Section 3. Effective Date.

This Resolution shall take effect upon its adoption.

Section 4. Certification.

The District Secretary shall certify to the passage and adoption of this Resolution; shall enter the same in the book of original Resolutions of the Victorville Water District; and shall make a minute of passage and adoption thereof in the records of the proceedings of the Victorville Water District, in the minutes of the meeting at which this Resolution was passed and adopted.

VVCA\0061\002.DOC
05/08/09 hvl

PASSED, APPROVED AND ADOPTED this 19th day of MAY 2009

CHAIRMAN OF THE BOARD OF DIRECTORS

ATTEST:

BOARD SECRETARY

APPROVED AS TO FORM:

LEGAL COUNSEL FOR VICTORVILLE WATER DISTRICT

I, CAROLEE BATES, City Clerk of the City of Victorville and ex-officio Clerk to the Victorville Water District of said City, DO HEREBY CERTIFY that the foregoing is a true and correct copy of Resolution No. VWD 09-006 and was adopted at a meeting held on the 19th day of May 2009, by the following roll call vote, to wit:

AYES: Board Members Almond, Cabriales, Caldwell, McEachron and Rothschild

NOES: None

ABSENT: None

ABSTAIN: None

CITY CLERK OF THE CITY OF VICTORVILLE