

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST _____, 2011

NEW ISSUE—BOOK-ENTRY ONLY

RATING: See the caption “RATING” herein

\$ _____ *

UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY
REFUNDING REVENUE BONDS, SERIES 2011A
(SANTA CLARITA WATER DIVISION)

Dated: Date of Delivery

Due: February 1, as shown on the inside cover

The Upper Santa Clara Valley Joint Powers Authority Refunding Revenue Bonds, Series 2011A (Santa Clarita Water Division) are being issued by the Authority pursuant to an Indenture of Trust, dated as July 1, 2011, by and between the Authority and U.S. Bank National Association, as trustee, and will be payable from the sources described herein. The Bonds are being issued (i) to provide funds to prepay the outstanding Interfund Loan payable by the Santa Clarita Water Division; and (ii) to pay the costs of issuing the Bonds.

Interest due on the Bonds is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2012. The Bonds are being issued in fully registered book-entry form and initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Purchasers will not receive certificates representing their interest in the Bonds. Individual purchases will be in principal amounts of \$5,000 and integral multiples thereof. Payments of principal of and interest on the Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds.

The Bonds are subject to optional and extraordinary redemption prior to maturity as described in this Official Statement.

The Bonds are limited obligations of the Authority. The Bonds are payable solely from Revenues and from certain other amounts on deposit in funds and accounts under the Indenture. Revenues consist primarily of Series 2011A Installment Payments received by the Authority from the Agency pursuant to an Installment Purchase Agreement, dated as of July 1, 2011, by and between the Agency and the Authority. The obligation of the Agency to make the Series 2011A Installment Payments is a special obligation of the Agency payable solely from Net Retail System Revenues on a parity with the obligation of the Agency to make installment payments outstanding in the aggregate principal amount of \$14,230,000 pursuant to the 2010B Installment Purchase Agreement. No revenues of the Agency’s Wholesale System are pledged to the payment of the Series 2011A Installment Payments.

The Agency has covenanted not to incur additional obligations payable from Net Retail System Revenues senior to the Series 2011A Installment Payments. The Agency may incur additional obligations payable from Net Retail System Revenues on a parity with the Series 2011A Installment Payments, subject to the terms and conditions set forth in the Installment Purchase Agreement.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY PUBLIC AGENCY THEREOF OR ANY MEMBER OF THE AUTHORITY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL AMOUNT OR REDEMPTION PRICE OF, OR INTEREST ON, THE BONDS. THE AUTHORITY HAS NO TAXING POWERS. THE BONDS DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE OF CALIFORNIA OR ANY PUBLIC AGENCY THEREOF (OTHER THAN THE AUTHORITY) OR ANY MEMBER OF THE AUTHORITY WITHIN THE MEANING OF ANY STATE OF CALIFORNIA CONSTITUTIONAL OR STATUTORY PROVISION.

MATURITY SCHEDULE
(See inside front cover)

THE OBLIGATION OF THE AGENCY TO MAKE THE SERIES 2011A INSTALLMENT PAYMENTS IS A SPECIAL OBLIGATION OF THE AGENCY PAYABLE SOLELY FROM NET RETAIL SYSTEM REVENUES OF THE AGENCY AND OTHER FUNDS DESCRIBED IN THE INSTALLMENT PURCHASE AGREEMENT, AND DOES NOT CONSTITUTE AN OBLIGATION OF THE AGENCY FOR WHICH THE AGENCY IS OBLIGATED TO PAY FROM ANY OTHER AGENCY REVENUES OR TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE AGENCY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE AGENCY TO MAKE THE SERIES 2011A INSTALLMENT PAYMENTS UNDER THE INSTALLMENT PURCHASE AGREEMENT DOES NOT CONSTITUTE A DEBT OF THE AGENCY OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

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

This cover page contains certain information for quick reference only. It is not a complete summary of the Bonds. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are offered when, as and if issued, subject to approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the Underwriter by its counsel Ballard Spahr LLP, for the Authority by Stradling Yocca Carlson & Rauth, a Professional Corporation, for the Agency by Kidman, Behrens & Tague, LLP, and for the Trustee by its counsel. It is anticipated that the Bonds will be available through the facilities of DTC on or about September __, 2011.

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Dated: September __, 2011

* Preliminary; subject to change.

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

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**UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY
REFUNDING REVENUE BONDS, SERIES 2011A
(SANTA CLARITA WATER DIVISION)**

MATURITY SCHEDULE

<u>Maturity</u> <u>(February 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>
	\$	%	%	%

* Preliminary; subject to change.

CASTAIC LAKE WATER AGENCY

BOARD OF DIRECTORS

Thomas P. Campbell, President
William C. Cooper, Vice President
Keith Abercrombie
B.J. Atkins
Edward A. Colley
Dean D. Efstathiou
E.G. "Jerry" Gladbach
Peter Kavounas
R. J. Kelly
Jacquelyn H. McMillan
William Peci

AGENCY STAFF

Dan Masnada, General Manager
April Jacobs, Secretary to the Board
Carlos Corrales, Controller
Valerie Pryor, Administrative Services Manager

SANTA CLARITA WATER DIVISION STAFF

Mauricio Guardado, Retail Manager
Elizabeth Ooms-Graziano, Retail Administrative Officer

SERVICES

General Counsel

Kidman, Behrens & Tague, LLP
Costa Mesa, California

Bond Counsel

Stradling Yocca Carlson & Rauth, A Professional Corporation
Newport Beach, California

Financial Advisor

Fieldman, Rolapp & Associates
Irvine, California

Trustee

U.S. Bank National Association
Los Angeles, California

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NO DEALER, BROKER, SALESPERSON OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION IN CONNECTION WITH THE OFFER OR SALE OF THE BONDS, OTHER THAN AS CONTAINED IN THIS OFFICIAL STATEMENT, AND, IF GIVEN OR MADE, ANY SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE AGENCY OR THE UNDERWRITER. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER OF ANY SECURITIES OTHER THAN THOSE DESCRIBED ON THE COVER PAGE OR AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BY ANY SALE OF THE BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL TO MAKE SUCH OFFER, SOLICITATION OR SALE. THE OFFICIAL STATEMENT IS NOT TO BE CONSTRUED AS A CONTRACT WITH THE PURCHASERS OF THE BONDS.

The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness. The Underwriter has provided the following sentence for inclusion in this Official Statement:

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

The information and expressions of opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Agency since the date hereof.

This Official Statement contains forward-looking statements, including: (a) statements containing projections of Net Retail System Revenues, expenditures and other financial items; (b) statements of the plans and objectives of the Agency for future operations of the water system; (c) statements of future economic performance of the water system; and (d) statements of the assumptions underlying or relating to statements described in (a), (b) and (c) above (collectively, "Forward-Looking Statements"). All statements other than statements of historical facts included in this Official Statement, including without limitation statements under Appendix A—"INFORMATION RELATING TO RETAIL WATER SYSTEM" and Appendix B—"INFORMATION RELATING TO THE CASTAIC LAKE WATER AGENCY AND THE WHOLESALE WATER SYSTEM" regarding the Agency's financial position, business strategy, capital resources and plans and objectives for future operations of the water system, are Forward-Looking Statements. Although such expectations reflected in such Forward-Looking Statements are reasonable, there can be no assurance that such expectations will prove to have been correct. Statements of important factors (collectively, the "Cautionary Statements") that could cause actual results to differ materially from expectations of the Agency are disclosed in this Official Statement. All subsequent written and oral Forward-Looking Statements attributable to the Agency or person acting on behalf of the Agency are expressly qualified in their entirety by the Cautionary Statements.

This Official Statement is submitted in connection with the sale of the Bonds and may not be reproduced or be used, as a whole or in part, for any other purpose.

In connection with the offering of the Bonds, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain dealers and dealer banks and banks acting as agent and others at prices lower than the public offering prices stated on the cover page of this Official Statement, and the Underwriter may change those public offering prices from time to time.

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

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

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**UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY
REFUNDING REVENUE BONDS, SERIES 2011A
(SANTA CLARITA WATER DIVISION)**

INTRODUCTION

General. This Official Statement provides information concerning the issuance of the Upper Santa Clara Valley Joint Powers Authority Refunding Revenue Bonds, Series 2011A (Santa Clarita Water Division) (the “Bonds”) pursuant to an Indenture of Trust, dated as of July 1, 2011 (the “Indenture”), by and between the Upper Santa Clara Valley Joint Powers Authority (the “Authority”) and U.S. Bank National Association, as trustee (the “Trustee”). See the caption “THE BONDS.”

Purposes of the Bonds. The Bonds are being issued: (i) to provide funds to prepay an outstanding interfund advance (as more particularly described in Appendix A—“INFORMATION RELATING TO RETAIL WATER SYSTEM” under the caption “SCWD Obligations,” the “Interfund Loan”) payable by the Santa Clarita Water Division (“SCWD”) of the Castaic Lake Water Agency (the “Agency”); and (ii) to pay the costs of issuing the Bonds.

Authority for Issuance. The Bonds are being issued under the Indenture and the Marks-Roos Local Bond Pooling Act of 1985, as amended, constituting Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the “State”).

In connection with the authorization of the Bonds, the Authority adopted Resolution No. ____ (the “Authorizing Resolution”) approving the Bonds and the execution and delivery of the Indenture on July 13, 2011 in order to allow the statutory validation period to run pursuant to Chapter 9 (commencing with Section 860) of Title 10 of Part L of the Code of Civil Procedure of the State of California (the “Validation Statute”) prior to issuance of the Bonds. As of the date of this Official Statement, no action challenging the validity of the Bonds or the Indenture has been filed. However, there can be no assurance that an action will not be filed within the 60 day period provided under the Validation Statute or that a court exercising equitable powers or judicial discretion would not hear an action challenging the validity of the Bonds and the Indenture brought after the 60 day period provided under the Validation Statute. The Authority and the Agency may elect to proceed with the issuance of the Bonds prior to the conclusion of such 60 day period.

Sources of Payment for the Bonds. The Bonds are limited obligations of the Authority. The Bonds are payable solely from Revenues and from certain other amounts on deposit in funds and accounts under the Indenture. Revenues consist primarily of payments (the “Series 2011A Installment Payments”) received from the Agency pursuant to an Installment Purchase Agreement, dated as of July 1, 2011 (the “Installment Purchase Agreement”), by and between the Agency and the Authority. See the caption “SECURITY FOR THE BONDS.”

The Bonds do not constitute a charge against the general credit of the Authority. The Bonds 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 payments under the Installment Purchase Agreement and other moneys pledged by the Authority under the Indenture. Neither the faith and credit nor the taxing power of the State or any public agency thereof or any member of the Authority is pledged to the payment of the principal amount or redemption price of, or interest on, the Bonds. The Authority has no taxing power. The Bonds do not constitute a debt, liability or obligation of the State or any public agency thereof (other than the Authority) or any member of the Authority within the meaning of any State constitutional or statutory provision.

* Preliminary; subject to change.

Pursuant to the Installment Purchase Agreement, the Agency is obligated to pay the Series 2011A installment payments as the purchase price for certain capital improvements described in the Installment Purchase Agreement. The obligation of the Agency to make the Series 2011A Installment Payments is a special obligation of the Agency payable solely from Net Retail System Revenues of the Retail Water System (as such terms are defined in the Installment Purchase Agreement) of the Agency, and does not constitute a debt of the Agency or of the State of California or any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Net Retail System Revenues include Retail System Revenues remaining after payment of Retail System Operation and Maintenance Costs (as such terms are defined in the Installment Purchase Agreement). Net Retail System Revenues of the Agency DO NOT include the revenues of the wholesale water system of the Agency (the "Wholesale System"). See the caption "SECURITY FOR THE BONDS."

The obligation of the Agency to make the Series 2011A Installment Payments from Net Retail Revenues is on a parity with the obligation of the Agency to make payments (the "Series 2010B Installment Payments") from Net Retail System Revenues under that certain Installment Purchase Agreement, dated as of March 1, 2010 (the "2010B Installment Purchase Agreement"), by and between the Agency and the Castaic Lake Water Agency Financing Corporation (the "Corporation"). See Appendix A—"INFORMATION RELATING TO RETAIL WATER SYSTEM" under the caption "SCWD Obligations—Parity Obligations."

Additional Parity Obligations. The Agency has covenanted not to incur additional obligations payable from Net Retail System Revenues senior to the Series 2011A Installment Payments. The Agency may incur additional obligations on a parity with the Series 2011A Installment Payments, subject to the terms and conditions described under the caption "SECURITY FOR THE BONDS—Limitations on Parity and Superior Obligations; Subordinate Obligations."

The Agency and the Retail Water System. The Agency is located in the northwestern portion of Los Angeles County (the "County"), approximately 35 miles from downtown Los Angeles. The wholesale service of the Agency (the "Wholesale Service Area") has a population of approximately 287,000, and covers an area of approximately 195 square miles. The majority of the Wholesale Service Area is located in the County, and includes the City of Santa Clarita (the "City") and other nearby communities. The Agency does not sell water from the Wholesale System directly to retail users but sells water to four separate retail water purveyors, which include SCWD and three other water retailers (collectively, the "Retail Purveyors"). See Appendix B—"INFORMATION RELATING TO THE CASTAIC LAKE WATER AGENCY AND THE WHOLESALE WATER SYSTEM."

The Agency acquired all of the capital stock of SCWC in September 1999. The assets of SCWC were subsequently transferred to the Agency and are operated by the Agency as the Retail Water System through SCWD. The area served by SCWD (the "Retail Service Area") encompasses approximately 56 square miles, and includes portions of the City of Santa Clarita and unincorporated portions of Los Angeles County and has a population of approximately 124,200. The Retail Service Area is served by groundwater pumped by SCWD and imported water purchased by SCWD from the Wholesale System. See Appendix A—"INFORMATION RELATING TO RETAIL WATER SYSTEM." Pursuant to the Installment Purchase Agreement, existing retail water distribution systems later acquired by the Agency will not be included within the Retail Water System unless the Board of Directors of the Agency (the "Agency Board") determines by resolution to include such systems within the Retail Water System.

The Authority. The Authority is a joint exercise of powers agency organized under the provisions of State law governing the joint exercise of powers, being Chapter 5, Division 7, Title 1 of the Government Code of the State (the "Act") and a Joint Exercise of Powers Agreement, dated as of June 1, 2011 (the "Joint Powers Agreement"), by and between the Agency and the Devil's Den Water District, a California Water District ("DDWD"), to provide for the financing and refinancing of capital improvement projects of the Agency or DDWD and to finance working capital for the Agency or DDWD by exercising the powers referred to in the Joint Powers Agreement, and any other transaction authorized by law. Under the Act and the Joint Powers

Agreement, the Authority has the power to issue bonds to pay the costs of public capital improvements. See the caption “THE AUTHORITY.” The Board of Directors of DDWD is elected by DDWD landowners based upon the assessed valuation of land within DDWD. The Agency owns land representing approximately 89% of the assessed valuation within DDWD.

Professionals Involved in the Offering. U.S. Bank National Association will act as Trustee with respect to the Bonds. The Bonds are offered when, as and if issued, subject to approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the Underwriter by its counsel, Ballard Spahr LLP, Salt Lake City, Utah, for the Authority by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, and for the Agency by Kidman, Behrens & Tague, LLP, Costa Mesa, California, General Counsel to the Agency, and for the Trustee by its counsel. Fieldman, Rolapp & Associates is acting as financial advisor to the Agency.

Other Information About this Official Statement. There follows in this Official Statement (and attached appendices) a brief description of the Bonds, the security for the Bonds, the Agency, the Authority and certain other information relevant to the issuance of the Bonds. The descriptions and summaries of various documents in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements in this Official Statement are qualified in their entirety by reference to each document.

All capitalized terms used herein and not normally capitalized have the meanings assigned to them in the Indenture and the Installment Purchase Agreement, the summaries of which are included in Appendix D, unless otherwise stated in this Official Statement.

The Appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement.

THE REFUNDING PLAN

SCWD transfers annually to the Agency, from Retail System Revenues, funds for the repayment of the Interfund Loan, which financed the acquisition by the Agency of the Santa Clarita Water Company (“SCWC”) (the prior owner of the Retail Water System). Prior to the date of issuance of the Bonds, such annual transfers from Retail System Revenues were payable by SCWD as a Retail System Operation and Maintenance Cost. See Appendix A—“CERTAIN INFORMATION RELATING TO THE RETAIL WATER SYSTEM” under the caption “Historic and Projected Financial Results of the Santa Clarita Water Division—Historic Santa Clarita Water Division Operating Results.” SCWD will pay Series 2011A Installment Payments from Net Retail System Revenues on a parity with the obligation of the Agency to make the Series 2010B Installment Payments. See the caption “SECURITY FOR THE BONDS.”

The Agency expects to apply a portion of the proceeds of the Bonds to prepay all outstanding amounts under the Interfund Loan or about the date of issuance of the Bonds. Approximately 60% of the prepayment amount is expected to be deposited into to the Agency’s 1% Property Tax Fund and approximately 40% of the prepayment amount is expected to be applied to the Agency’s Facility Capacity Fee Fund, reflecting the original sources of funds for the acquisition of SCWC. The Agency’s 1% Property Tax Fund and Facility Capacity Fee Fund are generally applied to acquire capital assets for the Wholesale System.

SCWD will pay Series 2011A Installment Payments, which will be payable from Net Retail System Revenues on a parity with the obligation of the Agency to make the Series 2010B Installment Payments. See the caption “SECURITY FOR THE BONDS.”

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds⁽¹⁾ with respect to the Bonds are set forth below.

Table 1
UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY
Estimated Sources and Uses of Funds

<u>Sources</u>	
Principal Amount of Bonds	\$
Plus/Less Net Original Issue Premium/Discount	_____
TOTAL	<u>\$</u>
 <u>Uses</u>	
Prepayment of Interfund Loan	\$
Underwriter's Discount	
Costs of Delivery ⁽²⁾	
TOTAL	<u>\$</u> _____

⁽¹⁾ Amounts rounded to the nearest dollar.

⁽²⁾ Includes fees for Trustee, Financial Advisor's fees, legal fees, printing costs, rating agency fees and other costs of delivery.

THE BONDS

Terms of the Bonds

The Bonds will be issued in the aggregate principal amount of \$_____ * and will be dated as of the date of issuance. Interest on the Bonds is payable by check or draft of the Trustee mailed by first class mail on February 1 and August 1 of each year, commencing February 1, 2012 (each an "Interest Payment Date"). The principal of and premium, if any, and interest on the Bonds is payable in lawful money of the United States of America. Such amounts will be paid by the Trustee on the applicable payment dates by check mailed by the Trustee to the respective Owners thereof on the applicable Interest Payment Date at their addresses as they appear as of the close of business on the applicable Record Date in the registration books kept by the Trustee, except that in the case of such an Owner of \$1,000,000 or more in aggregate principal amount of Bonds, upon the written request of such Owner to the Trustee at least two Business Days before the Record Date, specifying the account or accounts in the United States to which such payment will be made, such payments will be made by wire transfer of immediately available funds on the applicable payment date following such Record Date. Any request referred to in the preceding sentence will remain in effect until revoked or revised by such Owner by an instrument in writing delivered to the Trustee. When a Book-Entry System is in effect, interest may be paid by wire transfer in accordance with mutually satisfactory arrangements between the Trustee and the Securities Depository. Principal and interest will be paid in money of the United States that at the time of payment is legal tender for payment of public and private debts or by checks or wire transfers payable in such money. Interest on the Bonds will accrue at the rates per annum and will mature on the dates set forth on the inside front cover page of this Official Statement. Interest on the Bonds will be computed based on a year consisting of 360 days and twelve 30-day months. Individual purchases will be made in principal amounts of \$5,000 and integral multiples thereof.

Principal of the Bonds is payable in lawful money of the United States of America at the Principal Corporate Trust Office of the Trustee in St. Paul, Minnesota.

 * Preliminary; subject to change.

Redemption of Bonds

Optional Redemption. In accordance with the Indenture, the Bonds maturing on or after February 1, 20__ are subject to optional redemption at any time on and after February 1, 20__ in the order directed by the Agency in a written request to the Trustee at least 45 days, in whole or in part, (or such lesser number of days acceptable to the Trustee in its sole discretion) prior to such date and by lot within each maturity, in integral multiples of \$5,000 from any source of available funds provided to the Authority by or at the discretion of the Agency at a Redemption Price equal to the principal amount of the Bonds to be redeemed, together with accrued interest to the date of redemption, without premium.

Extraordinary Redemption from Insurance or Eminent Domain Proceeds. The Bonds are subject to redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity as directed by the Agency in a written request provided to the Trustee at least 45 days (or such lesser number of days acceptable to the Trustee in its sole discretion) prior to such date and by lot within each maturity in integral multiples of \$5,000 from prepaid Installment Payments made by the Agency from Net Proceeds, upon the terms and conditions of, and as provided for in, the Installment Purchase Agreement, at a Redemption Price equal to the principal amount thereof and accrued interest thereon to the redemption date without premium.

Notice of Redemption

The Agency will notify the Trustee at least 45 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee) prior to the redemption date for Bonds pursuant to the Indenture. Notice of redemption will be mailed by the Trustee, not less than 30 nor more than 60 days prior to the redemption date: (i) to the respective Owners of any Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee by first-class mail; (ii) to the Securities Depository by facsimile and by first-class mail; and (iii) to the Information Services by first-class mail. Notice of redemption will be given in the form and in accordance with the terms of the Indenture.

Each such notice of redemption will state the date of notice, the redemption date, the place or places of redemption and the redemption price, will designate the maturities, CUSIP numbers, if any, and, if less than all of any such maturity is to be redeemed, the serial numbers of the Bonds of such maturity to be redeemed by giving the individual number of each Bond or by stating that all Bonds between two stated numbers, both inclusive, have been called for redemption and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on said date there will become due and payable on each of said Bonds the Redemption Price thereof or of said specified portion of the principal thereof in the case of a Bond to be redeemed in part only, together with interest accrued with respect thereto to the redemption date, and that (provided that moneys for redemption have been deposited with the Trustee) from and after such redemption date interest thereon ceases to accrue, and will require that such Bond be then surrendered to the Trustee. Any failure to receive such notice or any defect in the notice or the mailing will not affect the validity of the redemption of any Bond.

Selection of Bonds for Redemption

If any Bond is in a denomination larger than a minimum Authorized Denomination, a portion of such Bonds (the minimum Authorized Denomination or any integral multiple thereof) may be redeemed pursuant to the Indenture, in which case the Trustee will, without charge to the Owner, authenticate and issue a replacement Bond or Bonds for the unredeemed portion thereof. In the case of a partial redemption of Bonds, the Trustee will select the Bonds to be redeemed by lot at such times as directed by the Agency in writing at least 30 days prior to the redemption date and if such selection is more than 60 days before a redemption date, will appropriately identify the Bonds so called for redemption by stamping them at the time any Bonds so selected for redemption is presented to the Trustee for stamping or for transfer or exchange, or by such other method of identification as is deemed adequate by the Trustee, and any Bond or Bonds issued in exchange for, or to replace, any Bond so called for prior redemption will likewise be stamped or otherwise identified.

Partial Redemption of Bonds

Upon surrender of any Bond redeemed in part only, the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Agency, a new Bond of Authorized Denominations, and of the same Maturity Date and interest rate, equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

Effect of Redemption of Bonds

If notice of redemption having been duly given pursuant to the Indenture, and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, the Bonds (or portions thereof) so called for redemption is held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption will become due and payable at the Redemption Price specified in such notice together with interest accrued thereon to the date fixed for redemption, interest on the Bonds so called for redemption will cease to accrue, the Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of the Bonds will have no rights in respect thereof except to receive payment of the Redemption Price and accrued interest. Any defect as failure to receive notice will not affect the sufficiency of the proceedings of redemption. All Bonds redeemed pursuant to the provisions of the Indenture will be cancelled upon surrender thereof and destroyed.

Book-Entry Only System

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

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

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

Transfers and Exchanges Upon Termination of Book-Entry Only System

Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of the Indenture, by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such Bond for cancellation at the Principal Corporate Trust Office of the Trustee, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee.

Whenever any Bond or Bonds are surrendered for transfer, the Trustee will authenticate and deliver a new Bond or Bonds of the same series and maturity, for a like aggregate principal amount and of authorized denomination or denominations. The Trustee may charge a sum for each new Bond authenticated and delivered upon any transfer. The Trustee may require the payment by any Bond Owner requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer. Following any transfer of Bonds the Trustee will cancel and destroy the Bonds it has received.

Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee, for a like aggregate principal amount of Bonds of other authorized denominations of the same series and maturity. The Trustee may charge a sum for each new Bond authenticated and delivered upon any exchange except in the case of any

exchange of temporary Bonds for definitive Bonds. The Trustee may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. Following any exchange of Bonds, the Trustee will cancel and destroy the Bonds it has received.

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

Debt Service Schedule

Set forth below is a table of the annual Series 2011A Installment Payments and parity obligations.

Table 2
CASTAIC LAKE WATER AGENCY
Installment Payment Schedule

<i>Period Ending (August 1)</i>	<i>Series 2011A Installment Payments</i>			<i>Parity Obligations⁽¹⁾</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>		<i>Total</i>
2012	\$	\$	\$	\$ 963,587.50	\$
2013				963,587.50	
2014				965,937.50	
2015				967,987.50	
2016				966,987.50	
2017				960,587.50	
2018				966,887.50	
2019				966,975.00	
2020				966,225.00	
2021				964,725.00	
2022				967,475.00	
2023				964,225.00	
2024				965,225.00	
2025				964,225.00	
2026				967,175.00	
2027				963,812.50	
2028				964,400.00	
2029				963,675.00	
2030				966,637.50	
2031				963,025.00	
2032				963,100.00	
2033				966,600.00	
2034				963,262.50	
2035				963,350.00	
2036				966,600.00	
2037				965,900.00	
2038				963,000.00	
2039				962,900.00	
2040				965,325.00	
2041				-	
2042				-	
TOTAL	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 27,983,400.00</u>	<u>\$</u>

⁽¹⁾ Reflects scheduled Series 2010B Installment Payments. See Appendix A—"INFORMATION RELATING TO RETAIL WATER SYSTEM" under the caption "SCWD Obligations—Parity Obligations."
Source: Agency.

SECURITY FOR THE BONDS

General

Pursuant to the Indenture, the Authority, for good and valuable consideration, has unconditionally granted, transferred and assigned to the Trustee without recourse all its rights to receive the Revenues (as defined in the Indenture) and to enforce the Installment Purchase Agreement, upon an event of default thereunder for the benefit of the Owners of the Bonds, for the purpose of securing: (a) the payment of all sums due and owing to the Owners of the Bonds under the terms of the Indenture; and (b) the observance, performance and discharge of each agreement, condition, covenant and term of the Agency contained in the Installment Purchase Agreement.

The Bonds are limited obligations of the Authority. The Bonds are payable solely from Revenues and from certain other amounts on deposit in funds and accounts under the Indenture. Revenues consist primarily Series 2011A Installment Payments received from the Agency pursuant to the Installment Purchase Agreement.

The Bonds do not constitute a charge against the general credit of the Authority. The Bonds 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 payments under the Installment Purchase Agreement and other moneys pledged by the Authority under the Indenture. Neither the faith and credit nor the taxing power of the State or any public agency thereof or any member of the Authority is pledged to the payment of the principal amount or redemption price of, or interest on, the Bonds. The Authority has no taxing power. The Bonds do not constitute a debt, liability or obligation of the State or any public agency thereof (other than the Authority) or any member of the Authority within the meaning of any State constitutional or statutory provision.

Retail System Revenue Pledge

All Retail System Revenues and all amounts on deposit in the Revenue Fund have been irrevocably pledged to the payment of the Series 2011A Installment Payments as provided in the Installment Purchase Agreement, and the Retail System Revenues will not be used for any other purpose while any of the Series 2011A Installment Payments remain unpaid; provided that out of the Retail System Revenues and amounts on deposit in the Revenue Fund there may be apportioned such sums for such purposes as are expressly permitted in the Installment Purchase Agreement. Such pledge, together with the pledge created by all other Contracts and Bonds, constitutes a first lien on Retail System Revenues and the Revenue Fund and all amounts on deposit therein as permitted in the Installment Purchase Agreement and subject to the application of Retail System Revenues in accordance with the terms hereof.

The obligation of Agency to make the Series 2011A Installment Payments is a special obligation of the Agency payable solely from Net Retail System Revenues of the Retail Water System of the Agency, and does not constitute a debt of the Agency or of the State of California or any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

The obligation of the Agency to make the Series 2011A Installment Payments is absolute and unconditional, and until such time as the Purchase Price has been paid in full (or provision for the payment thereof has been made pursuant to the Installment Purchase Agreement), the Agency will not discontinue or suspend any Series 2011A Installment Payments required to be made by it under the Installment Purchase Agreement when due, whether or not the Retail Water System or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such payments are not subject to reduction whether by offset or otherwise and are not conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

Net Retail System Revenues means, for any fiscal year of the Agency (currently, the Agency's Fiscal Year begins July 1) ("Fiscal Year"), Retail System Revenues remaining after payment of Retail System

Operation and Maintenance Costs (as such terms are defined in the Installment Purchase Agreement). Net Retail System Revenues of the Agency DO NOT include the revenues of the Wholesale System. See Appendix D—“SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” under the caption “INSTALLMENT PURCHASE AGREEMENT—Definitions; Rules of Construction; Contents of Certificates and Opinions.”

The obligation of the Agency to make the Series 2011A Installment Payments from Net Retail Revenues is on a parity with the obligation of the Agency to make the Series 2010B Installment Payments from Net Retail System Revenues under the 2010B Installment Purchase Agreement. See Appendix A—“INFORMATION RELATING TO RETAIL WATER SYSTEM” under the caption “SCWD Obligations—Parity Obligations.”

THE OBLIGATION OF THE AGENCY TO MAKE THE SERIES 2011A INSTALLMENT PAYMENTS IS A SPECIAL OBLIGATION OF THE AGENCY PAYABLE SOLELY FROM NET RETAIL SYSTEM REVENUES OF THE AGENCY AND OTHER FUNDS DESCRIBED IN THE INSTALLMENT PURCHASE AGREEMENT, AND DOES NOT CONSTITUTE AN OBLIGATION OF THE AGENCY FOR WHICH THE AGENCY IS OBLIGATED TO PAY FROM ANY OTHER AGENCY REVENUES OR TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE AGENCY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE AGENCY TO MAKE THE SERIES 2011A INSTALLMENT PAYMENTS UNDER THE INSTALLMENT PURCHASE AGREEMENT DOES NOT CONSTITUTE A DEBT OF THE AGENCY OR OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Retail Water System Rate Covenant

To the fullest extent permitted by law, the Agency will fix and prescribe, at the commencement of each Fiscal Year, rates and charges for Retail Water Service which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Retail System Revenues equal to 120% of Debt Service for such Fiscal Year. The Agency may make adjustments from time to time in such rates and charges and may make such classifications thereof as it deems necessary, but will not reduce the rates and charges then in effect unless the Net Retail System Revenues from such reduced rates and charges will at all times be sufficient to meet the foregoing requirements.

Limitations on Parity and Superior Obligations; Subordinate Obligations

Additional Obligations Superior to Installment Payments. The Agency has covenanted in the Installment Purchase Agreement that the Agency will not issue any additional evidences of indebtedness or incur other additional obligations that are payable from or secured by a pledge of and lien on Retail System Revenues, any money in the Revenue Fund superior to the pledge securing the Series 2011A Installment Payments.

Additional Obligations on a Parity with the Installment Payments. The Agency has covenanted in the Installment Purchase Agreement that the Agency may issue evidences of indebtedness or incur other obligations that are payable from or secured by a pledge of and lien on Retail System Revenues, any money in the Revenue Fund on a parity with the pledge securing the Series 2011A Installment Payments pursuant to the following terms and conditions:

(1) The Net Retail System Revenues for the most recent audited Fiscal Year preceding the date of adoption by the Agency Board of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, as evidenced by both a calculation prepared by the Agency and a special report prepared by an Independent Certified Public Accountant or an Independent Financial Consultant on such calculation on file with the Agency, produce a sum equal to at least 120% of the Debt Service for such Fiscal Year; and

(2) The Net Retail System Revenues for the most recent audited Fiscal Year preceding the date of execution of such Contract or the date of adoption by the Agency Board of the resolution authorizing the issuance of such Bonds, as the case may be, including adjustments to give effect as of the first day of such Fiscal Year to increases or decreases in income, rents, fees, rates and charges for the Retail Water Service approved and in effect as of the date of calculation, as evidenced by both a calculation prepared by the Agency and a special report prepared by an Independent Certified Public Accountant or an Independent Financial Consultant on such calculation on file with the Agency, demonstrate a sum equal to at least 120% of the Debt Service for such Fiscal Year plus the Debt Service which would have accrued on any Contracts executed or Bonds issued since the end of such Fiscal Year assuming such Contracts had been executed or Bonds had been issued at the beginning of such Fiscal Year plus the Debt Service which would have accrued had such Contract been executed or such Bonds been issued at the beginning of such Fiscal Year; and

(3) The estimated Net Retail System Revenues for the then current Fiscal Year and for each Fiscal Year thereafter to and including the first complete Fiscal Year after the latest date of operation of any uncompleted Project, as evidenced by a certificate on file with the Agency, including (after giving effect to the completion of all such uncompleted Projects) an allowance for estimated Net Retail System Revenues for each of such Fiscal Years arising from any increase in the income, rents, fees, rates and charges estimated to be fixed and prescribed for the Retail Water Service and which are economically feasible and reasonably considered necessary based on projected operations for such period, as evidenced by a certificate of the Manager on file with the Agency, produce a sum equal to at least 120% of the estimated Debt Service for each of such Fiscal Years, after giving effect to the execution of all Contracts and the issuance of all Bonds estimated to be required to be executed or issued to pay the costs of completing all uncompleted Projects within such Fiscal Years, assuming that all such Contracts and Bonds have maturities, interest rates and proportionate principal repayment provisions similar to the Contract last executed or then being executed or the Bonds last issued or then being issued for the purpose of acquiring and constructing any of such uncompleted Projects.

Notwithstanding the foregoing, Bonds issued or Contracts executed to refund Bonds or Contracts may be delivered without satisfying the conditions set forth above if Debt Service in each Fiscal Year after the Fiscal Year in which such Bonds are issued or Contracts executed is not greater than Debt Service would have been in each such Fiscal Year prior to the issuance of such Bonds or execution of such Contracts.

Subordinate Obligations. The Agency may at any time issue evidence of indebtedness or incur other obligations for any lawful purpose that are payable from and secured by a lien on Retail System Revenues or moneys in the Revenue Fund as may from time to time be deposited therein subordinate to the Series 2011A Installment Payments.

THE CASTAIC LAKE WATER AGENCY

Appendix A hereto presents information relating to SCWD and the Retail Water System.

Appendix B hereto presents information relating to the Agency and the Agency's wholesale water system. Such information is presented for general purposes only. The Series 2011A Installment Payments are payable solely from Net Retail System Revenues. No revenues of the Agency's wholesale water system are pledged to the payment of the Series 2011A Installment Payments.

CONSTITUTIONAL PROVISIONS

Article XIII B

An initiative constitutional amendment entitled Limitations on Government Appropriations was approved by California voters on November 6, 1979. Under the amendment which adds Article XIII B to the California Constitution ("Article XIII B"), State and local government agencies are subject to an annual limitation on certain appropriations. Appropriations subject to limitation consist of "tax revenues," State

subventions and certain other funds (together herein referred to as “proceeds of taxes”). Article XIII B does not affect the appropriation of money excluded from the definition of “appropriations subject to limitation,” such as debt service on indebtedness existing or authorized before January 1, 1979 or subsequently authorized by the voters and appropriations mandated by any court having proper jurisdiction. Article XIII B also excludes from limitation the appropriation of proceeds from regulatory licenses, user charges or other fees to the extent such proceeds equal “the costs reasonably borne by such entity in providing the regulations, product or service.”

In general terms, Article XIII B provides that the appropriations limit will be based on certain 1978-79 expenditures and will be adjusted annually to reflect changes in cost of living, population and transfer of financial responsibility of providing services from one governmental unit to another. Article XIII B also provides that if an agency’s revenues in any year exceed the amount which is appropriated by such agency in compliance with the provisions of Article XIII B, the excess must be returned during the next two fiscal years by revising tax rates or fee schedules.

Proposition 218

General. An initiative measure entitled the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIII C and Article XIII D to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.”

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

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

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

Based upon the California Second District Court of Appeal decision in *Howard Jarvis Taxpayers Association v. City of Los Angeles*, 85 Cal. App. 4th 79 (2000), which was denied review by the California Supreme Court, it was generally believed that Article XIII D did not apply to charges for metered water, which had been held to be commodity charges related to consumption of the service, not property ownership. The Agency was of the opinion that, under similar reasoning, the water rates imposed by the Agency for retail water service by SCWD were not subject to Article XIII D. In a decision rendered in February, 2004, the

California Supreme Court in *Richmond et al. v. Shasta Community Services District* (S105078) upheld a Third District Court of Appeal decision that water connection fees were not property-related fees or charges subject to Article XIII D while at the same time stating in dicta that fees for ongoing water service through an existing connection were property related fees and charges. In October 2004, the California Supreme Court granted review of the decision of the Fourth District Court of Appeal in *Bighorn-Desert View Water Agency v. Beringson*, 120 Cal. App. 4th 891 (2004), in which the appellate court had relied on *Howard Jarvis Taxpayers Association v. City of Los Angeles* and rejected the Supreme Court's dicta in *Richmond et al. v. Shasta Community Services District*. On March 23, 2005, the California Fifth District Court of Appeal held in *Howard Jarvis Taxpayers Association v. City of Fresno*, 127 Cal. App. 4th 914 (2005) that an "in lieu" fee which is payable to the City of Fresno's general fund from its water utility and which is included in the city's water rate structure was invalid. In reaching its decision, the court concluded that the city's water rates were "property related" fees, governed by the limitations of Article XIII D. The City of Fresno requested a review of this decision by the California Supreme Court, which denied review. On July 24, 2006 the Supreme Court ruled in *Bighorn-Desert View Water Agency v. Verjil*. The Court restated the dicta in *Richmond et al. v. Shasta Community Services District* that fees and charges for ongoing domestic water service through an existing connection were property related fees and charges under Article XIII D. The Agency does not believe the procedural or substantive provisions of Article XIII D apply to its wholesale rates and charges. The Agency has complied with the procedural and substantive provisions of Article XIII D with respect to rates and charges for the Retail Water System since 2007.

Article XIII C. Article XIII C provides that the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments. Article XIII C does not define the terms "local tax," "assignment," "fee" or "charge." On July 24, 2006, the Supreme Court held in *Bighorn-Desert View Water Agency v. Verjil* that the provisions of Article XIII C included rates and fees charged for domestic water use. The Supreme Court noted, however, that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations of the public agency involved in the litigation. The Agency and its general counsel do not believe that Article XIII C grants to the voters within the jurisdiction of the Agency the power to repeal or reduce wholesale rates and charges or retail fees and charges levied by SCWD in a manner which would be inconsistent with the statutory or contractual obligations of the legislative body of Agency. However, there can be no assurance of the availability of particular remedies adequate to protect the beneficial owners of the Bonds. Remedies available to beneficial owners of the Bonds in the event of a default by the Agency are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

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

Other Initiatives. Articles XIII C and XIII D were enacted by voter initiative. There can be no assurance that the voters of the State will not approve another initiative that could affect the Agency, its operations or financial condition or the Net Retail System Revenues.

THE AUTHORITY

The Authority is a joint powers authority organized pursuant to the Joint Powers Agreement. The Joint Powers Agreement was entered into pursuant to the provisions of the Act. The Authority is governed by a board of four Directors comprised of two members appointed by the Agency and two members appointed by DDWD. The Authority was created to provide for the financing and refinancing of capital improvement

projects of the Agency or DDWD and to finance working capital for the Agency or DDWD by exercising the powers referred to in the Joint Powers Agreement, and any other transaction authorized by law. Under the Act, the Authority has the power to issue bonds to pay the costs of public capital improvements. Neither the Agency nor DDWD is responsible for repayment of the indebtedness of the other.

The Board of Directors of DDWD is elected by DDWD landowners based upon the assessed valuation of land within DDWD. The Agency owns land representing approximately 89% of the assessed valuation within DDWD. As the owner of the majority of the land within DDWD, the Agency has the ability to elect the Board of Directors of DDWD. While the Board of Directors of DDWD currently consists of four members and one former member of the Agency Board, there can be no assurance that DDWD Board members will be Agency Board members in the future.

TAX MATTERS

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income.

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

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

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

The IRS has initiated an expanded program for the auditing of tax exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also

possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar municipal obligations). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Bonds or their market value.

It is possible that subsequent to the issuance of the Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

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

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

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix E.

CERTAIN LEGAL MATTERS

The validity of the Bonds is subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, acting as Bond Counsel. The form of such legal opinion is attached hereto as Appendix E and such legal opinion will be attached to each Bond.

Certain legal matters will be passed on for the Underwriter by its counsel Ballard Spahr LLP, Salt Lake City, Utah ("Underwriter's Counsel"), for the Authority by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, for the Agency by Kidman, Behrens & Tague, LLP, Costa Mesa, California, and for the Trustee by its counsel. Payment of the fees of Bond Counsel and Underwriter's Counsel is contingent upon issuance of the Bonds.

LITIGATION

The Authority

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the Authority, threatened against the Authority affecting the existence of the Authority or the titles of its officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the action of the Authority contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the Authority or its authority with respect to the Bonds or any action of the Authority contemplated by any of said documents.

The Agency

See Appendix B—“INFORMATION RELATING TO THE CASTAIC LAKE WATER AGENCY AND THE RETAIL WATER SYSTEM” under the caption “Litigation” for information with respect to litigation affecting the Agency.

RATING

The Agency expects that Standard and Poor’s Ratings Services, a Division of The McGraw-Hill Companies, Inc. (“S&P”) will assign the Bonds the rating of “[AA]”. There is no assurance that any credit rating given to the Bonds will be maintained for any period of time or that the rating may not be lowered or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds. Such rating reflects only the views of S&P and an explanation of the significance of such rating may be obtained from S&P.

UNDERWRITING

The Bonds are being purchased by Citigroup Global Markets Inc. (the “Underwriter”) pursuant to a Purchase Contract, dated September __, 2011, by and among the Underwriter, the Authority and the Agency (the “Purchase Contract”). The purchase price of the Bonds is equal to \$____, being the aggregate principal amount of the Bonds of \$____, less an underwriter’s discount of \$____ and plus/less net original issue premium/discount of \$____. The Purchase Contract provides that the Underwriter will purchase all of the Bonds, if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel, and certain other conditions.

The Underwriter may offer and sell Bonds to certain dealers and others at a price lower than the offering price stated on the cover page of this Official Statement. The offering price may be changed from time to time by the Underwriter.

Citigroup Inc., and Morgan Stanley, the respective parent companies of Citigroup Global Markets Inc., the Underwriter for the Bonds, and Morgan Stanley & Co. Incorporated, have entered into a retail brokerage joint venture. As part of the joint venture, each of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated will distribute municipal securities to retail investors through the financial advisory network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, each of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated will compensate Morgan Stanley Smith Barney LLC for its selling effort in connection with their respective allocations of Bonds.

CONTINUING DISCLOSURE UNDERTAKING

The Agency has covenanted in a Continuing Disclosure Certificate dated the date of issuance of the Bonds (the “Continuing Disclosure Certificate”) to provide annually certain financial information and operating data relating to the Retail Water System of the Agency by not later than 270 days following the end of its Fiscal Year (commencing with Fiscal Year 2011) including the audited Financial Statements of the Agency for each such Fiscal Year (together, the “Annual Report”), and to provide notices of the occurrence of certain other enumerated events.

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

The Agency has not failed to comply in any material respect with the terms of existing continuing disclosure agreements of the Agency in the last five years.

MISCELLANEOUS

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

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

UPPER SANTA CLARA VALLEY JOINT POWERS
AUTHORITY

President

Secretary

APPENDIX A

INFORMATION RELATING TO RETAIL WATER SYSTEM

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

Acquisition by the Agency

The Agency acquired the stock of SCWC in September 1999, and subsequently changed the corporate status of SCWC to a not-for-profit corporation. The assets of SCWC were subsequently transferred to the Agency and are operated by the Agency as the Retail Water System through SCWD. The Agency provides retail water service within the Retail Service Area through SCWD.

Santa Clarita Water Division Management and Operation

Management. Oversight of SCWD is by the Agency Board. The daily operations of SCWD are administered by the Retail Manager, Mauricio Guardado, and financial operations are overseen by Retail Administrative Officer Elizabeth Ooms-Graziano.

Mauricio Guardado is the Retail Manager of SCWD. Mr. Guardado received his Bachelor of Science degree in Civil Engineering from California State University Northridge. Prior to employment with the Agency, Mr. Guardado worked as District Engineer for the Cucamonga Valley Water District, which operates and maintains the water, recycled water and sewer collection system throughout a 56 square mile service area. Mr. Guardado also served as engineer for the San Gabriel Valley Water Company. Mr. Guardado is a registered civil engineer in the state of California and is also a member of American Water Works Association, Association of California Water Agencies, American Society of Civil Engineers and The WateReuse Association.

Elizabeth Ooms-Graziano is the Retail Administrative Officer of SCWD. Ms. Ooms-Graziano holds a Bachelor's degree in Accounting from California State University, Northridge. Prior to employment with the Agency, Ms. Ooms-Graziano worked as Controller for Sunshine Canyon Landfill, Browning Ferris Industries of California, a division of Allied Waste Incorporated, and also for Bradley Landfill and Simi Valley Landfill, both divisions of Waste Management Incorporated as Staff Accountant, Accounting Supervisor, Assistant Controller and Controller. Ms. Ooms-Graziano is a member of the California Society of Municipal Finance Officers and the Government Finance Officers Association.

Insurance. Insurance for the Agency, including SCWD, is currently maintained through the JPIA, a self-insured insurance pool. See Appendix B under the caption "Insurance."

Employees and Employee Benefits. Fifty-one of the Agency's full-time employees work in the Santa Clarita Water Division. None of these employees are represented by a labor union. The Agency has not experienced any strike or other labor actions. See Appendix B under the caption "Employee Relations—Employees."

The Agency provides retirement benefits for its employees through a contractual agreement with PERS. The Agency makes the contribution required of Agency employees on their behalf and on their account. SCWD's share of the Agency's current expense for providing employee benefits, including retirement benefits through

PERS, is approximately \$2.08 million per year. In addition, the Agency offers post-employment health care benefits. The Agency's liability with regard to such benefits is discussed in Appendix B under the caption "Employee Relations."

Santa Clarita Water Division Service Area

The SCWD service area encompasses approximately 56 square miles, or approximately 32,783 acres, located in the northern portion of the County, serving portions of the City and certain unincorporated areas of the County including the communities of Saugus, Canyon Country and a portion of West Newhall. The Retail Service Area lies entirely within the Agency's Wholesale Service Area boundaries and has a population of approximately 124,200. Except for small areas of overlap with the Newhall County Water District and the Valencia Water Company, SCWD is the sole retail water service provider within its service area.

Retail Water System

Water Supply. SCWD supplies potable water from both imported water purchased from the Agency's Wholesale System, accounting for approximately 55-65% of supply, and groundwater sources, accounting for approximately 35-45% of supply, depending upon annual operating conditions. See Table 5 under the caption "Water Deliveries and Service Connections." Allocation rights to the groundwater basin have not been adjudicated. Based on the 2008 Santa Clarita Valley Water Report, the groundwater basin has not been and is not projected to be overdrafted on a long term historic basis.

Two of the wells in the Saugus Formation, which were taken out of service in 1997 due to the discovery of perchlorate (a chemical used in the manufacture of solid rocket propellants, munitions and fireworks) were restored to service during the first quarter of 2011. See Appendix B—"INFORMATION RELATING TO THE CASTAIC LAKE WATER AGENCY AND THE WHOLESALE WATER SYSTEM" under the caption "Water Supply Limitations—Perchlorate Contamination in Certain Production Wells" for a description of remediation measures proposed for these and other wells in the Saugus Formation contaminated with perchlorate.

Distribution System. The Retail Water System consists of approximately 300 miles of pipeline. System pipe sizes range from 2 inches to 18 inches in diameter, with the majority of the piping ranging from 6 inches to 14 inches in diameter.

Other Facilities. The Retail Water System currently includes 16 pressure zones that contain 27 reservoir sites and 47 active storage tanks. Based upon the 2010 Water Master Plan, there is an overall storage surplus in the system of 4.50 million gallons, or 1.38 acre feet. In addition to the storage tanks, there are five locations which utilize hydropneumatic tanks to provide adequate system pressure to residential areas located at elevations near or above the storage tanks.

The Retail Water System currently includes 23 active pump booster stations used to boost water throughout the retail water system. The booster stations consist of one to four pumps with rated pump capacities ranging from 59 to 4,800 gallons per minute.

Water Deliveries and Service Connections

SCWD currently provides water service to approximately 28,590 connections. Existing land use within the retail service area is principally residential. As of December 31, 2010, approximately 94% of the retail customers of the Agency were residential users (based on active accounts), 2% were commercial users and 4% were other users (including public authorities, irrigators, government, industrial, institutional and fire service).

The following table sets forth the ten largest customers of SCWD as of June 30, 2010, the latest date for which such information is available, as determined by the amount of their respective annual payments.

Table 4
SANTA CLARITA WATER DIVISION
Largest Customers by Annual Payments

<i>Customer</i>	<i>Annual Payments</i>	<i>% of Total Water Sales</i>
G. H. Palmer Properties (HOA)	\$ 1,178,706	5.5%
City of Santa Clarita	434,885	2.0
Hart School District	220,263	1.0
Los Angeles County Parks and Recreation	213,130	1.0
American Beauty HOA	183,280	0.9
Mariposa & Plum Canyon (HOA)	162,348	0.8
Saugus Union School District	143,648	0.7
Pacific Crest HOA	129,250	0.6
Sand Canyon Oaks Mutual Water Company	105,361	0.5
Canyon View Estates (Mobilehome Park)	<u>96,304</u>	<u>0.4</u>
Total	<u>\$ 2,867,175</u>	13.4%

Source: SCWD.

The following table details a five-year history of water deliveries and service connections for the Retail Water System.

Table 5
SANTA CLARITA WATER DIVISION
Historic Water Deliveries and Service Connections

<i>Fiscal Year</i>	<i>Groundwater (Acre Feet)</i>	<i>Imported Water⁽¹⁾ (Acre Feet)</i>	<i>Total Water Deliveries (Acre Feet)</i>	<i>Service Connections</i>
2010	11,098	15,432	26,530	28,457
2009	10,077	17,739	27,816	28,244
2008	11,878	20,044	31,922	28,071
2007	10,686	20,488	31,174	27,817
2006	13,156	16,548	29,704	27,392

⁽¹⁾ Supplied to SCWD by the Agency.
Source: SCWD.

The following tables project water deliveries and service for connections of SCWD for the current and next four Fiscal Years.

Table 6
SANTA CLARITA WATER DIVISION
Projected Water Deliveries and Service Connections

<i>Fiscal Year</i>	<i>Groundwater (Acre Feet)</i>	<i>Saugus Replacement Wells (Acre Feet)⁽¹⁾</i>	<i>Imported Water (Acre Feet)</i>	<i>Total Water Deliveries (Acre Feet)</i>	<i>Service Connections</i>
2011	10,300	1,306	15,700	27,306	28,590
2012	12,000	3,000	15,130	30,130	28,697
2013	12,000	3,000	15,910	31,910	28,945
2014	12,000	3,000	16,700	31,700	29,196
2015	12,000	3,000	17,480	32,480	29,886

⁽¹⁾ Reflects water deliveries from Saugus 1 and 2 wells returned to service in the first quarter of 2011. See Appendix B—“INFORMATION RELATING TO THE CASTAIC LAKE WATER AGENCY AND THE WHOLESAL WATER SYSTEM” under the caption “Water Supply Limitations—Perchlorate Contamination in Certain Production Wells.”

Source: SCWD.

The projected increase in service connections is based in part on the projection of greater increases in development activity within the SCWD service area beginning in Fiscal Year 2015.

The table below summarizes the additional development that could be expected to add accounts to the Retail Water System, based on requests made by developers to SCWD as of May 31, 2011. The number of units set forth below are those that SCWD currently anticipates will be developed in the future, not necessarily units for which final maps or building permits have been issued.

<i>Status of Tract Map</i>	<i>Number of Units</i>
Under Construction ⁽¹⁾	879
Under Design ⁽²⁾	4,188
Total Proposed ⁽³⁾	5,067

⁽¹⁾ Based on engineering deposits received by SCWD from developers.

⁽²⁾ Based on inquiries to SCWD from developers.

⁽³⁾ Represents all proposed tract map units expected to be developed in the future. Only a portion of such units are expected to be developed in the next five years.

Source: SCWD.

Retail Water Rate Structure and Billing

Rate Structure. Effective January 1, 2010, the Agency implemented a new SCWD water rate structure for retail customers. The current water rate structure is a base rate based on meter size, which varies from \$16.24 per month to \$693.58 per month, plus a three-tiered commodity charge for water for single family dwelling residential customers based on hundreds of cubic feet (“HCF”), which includes a local SCWD water usage charge and pass-through charges for purchased water and power. The pass-through charges are based on current estimates of future costs and are subject to change based on actual costs incurred. Based upon a rate study by Camp, Dresser & McKee Inc., SCWD estimates that the average monthly bill for single family dwelling residential customers of the Retail Water System will be \$65.53 under the current water rate structure. However, because the current water rate structure has been in force only since January 2010, there can be no assurance that actual monthly bills will reflect such estimate.

In September 2009, the Agency Board of Directors adopted a three year rate structure with rate increases of approximately 15.3% effective January 1, 2010, 12.4% effective January 1, 2011 and 7.2% effective January 1, 2012. Such rates and charges are not subject to regulation by or approval of the California Public Utilities Commission or any other public agency; however, the Agency has complied with other procedural and substantive

requirements under law in setting rates for SCWD customers. See the Official Statement under the caption “CONSTITUTIONAL PROVISIONS.”

Billing Procedures. Water charges are billed to customers monthly with a due date of 19 days from presentation date (date mailed). Bills not paid after 25 days are considered past due, at which time a reminder notice is sent. The due date of the reminder notice is 15 days from presentation date. If payment is not received by the payment due date specified on the reminder notice, door hangers are hung notifying the customers that their water will be turned off in 2 days if payment is not received. The cost to the customer of reconnecting water service is based on the outstanding balance of the water bill plus a reconnect fee. If the customer is shut off 3 times in a 12-month period, a deposit in the amount of 2 months’ billing may be required in addition to the bill payment and reconnect fee. SCWD charges late fees and door hanger fees to recover costs. New customers are required to provide proof of identity in order to open a new account.

SCWD has averaged write-off expenses as the result of delinquent accounts of less than 0.23% of total billings over the past four years.

Property Developer Fees

In 2010, SCWD collected \$378,718 in deposits from developers for water facilities that are currently under construction. As of December 31, 2010, SCWD held \$1,635,999 in unexpended deposits with respect to approximately 25 residential subdivisions at various stages of development and various smaller residential, commercial and industrial development projects. Such deposits are refundable to the extent that the design or construction of such development projects is halted. Property developer fees do not constitute Retail Water System Revenues and are not pledged to repayment of the Series 2011A Installment Payments.

Impact Capacity Fees

New developments within the Retail Service Area pay an Offsite Improvement Costs charge for storage and production based on meter size. On December 9, 2009, the Agency Board approved an increase in the existing Offsite Improvement Costs charge (now called an “Impact Capacity Fee”). Developers must also submit a deposit to cover the initial planning phase of a project. Before SCWD commences construction of improvements, developers will sign an agreement to contribute the amount required to cover the cost of the facilities to be developed by SCWD, which will provide for the developer’s application for a water main extension, including the installation of a distribution plant or other special facilities, for furnishing public utility water service (including but not limited to fire flow) to properties under development. Impact Capacity Fees are refundable or partially refundable to the extent that the construction of development projects is not commenced or such projects are reduced in scope. Impact Capacity Fees constitute Retail System Revenues and are pledged to repayment of the Series 2011A Installment Payments. However, SCWD’s historic and projected operating results do not reflect receipt of Impact Capacity Fee revenues. See Tables 7 and 8 under the caption “Historic and Projected Financial Results of the Santa Clarita Water Division.”

SCWD Obligations

Operation and Maintenance Costs. The Agency acquired SCWC’s stock through condemnation in September 1999 at a purchase price of approximately \$63,000,000. At the time of the purchase, the Agency’s previous financial advisor prepared a financial analysis of SCWC’s cash flow which demonstrated that it was financially feasible to fund the acquisition of the company with SCWC’s own revenue stream. Accordingly, the acquisition was treated as an interfund advance from the Agency’s Wholesale System. SCWD expects to repay the Interfund Loan to the Wholesale System in full from proceeds of the Bonds. See the Official Statement under the caption “THE REFUNDING PLAN.”

Parity Obligations. In May 2010, the Agency entered into the 2010B Installment Purchase Agreement to finance certain capital improvements to the Retail Water System. The 2010B Installment Purchase Agreement is currently outstanding in the aggregate principal amount of \$14,230,000. Under the 2010B Installment Purchase

Agreement, the Agency is obligated to make the Series 2010B Installment Payments from Net Retail System Revenues. The obligation of the Agency to make the Series 2010B Installment Payments from Net Retail System Revenues is on a parity with the obligation of the Agency to make the Series 2011A Installment Payments. The Agency does not expect to incur any additional Contracts or Bonds for the benefit of SCWD during the current and next four Fiscal Years, other than the Installment Purchase Agreement.

Historic and Projected Financial Results of the Santa Clarita Water Division

The Agency currently accounts for the Retail System Revenues and Retail System Operation and Maintenance Costs separately from the other operating funds and accounts of the Agency as an enterprise fund of the Agency in the Agency audit. Accordingly, there are no separate basic financial statements for SCWD.

Historic Santa Clarita Water Division Operating Results. The table below is a summary of the operating results of SCWD for Fiscal Years 2006 through 2010. These results have not been audited and exclude certain non-cash items and include certain other adjustments.

Table 7
SANTA CLARITA WATER DIVISION
Historic Operating Results
(Fiscal Years ending June 30)

	2006	2007	2008	2009	2010
Revenues					
Water Sales ⁽¹⁾	\$ 15,512,614	\$ 18,106,943	\$ 19,574,505	\$ 21,139,498	\$ 21,438,050
Other ⁽²⁾	<u>1,349,554</u>	<u>1,364,380</u>	<u>3,501,872</u>	<u>830,831</u>	<u>1,181,857</u>
Total Operating Revenues	\$ 16,862,168	\$ 19,471,323	\$ 23,076,377	\$ 21,970,329	\$ 22,619,907
Operation and Maintenance Costs					
Interfund Loan Payments to Agency ⁽³⁾	\$ 5,730,000	\$ 3,515,200	\$ 3,880,200	\$ 3,979,800	\$ 4,080,000
Sources of Supply	2,899,009	3,779,409	4,466,965	4,813,108	5,333,651
Pumping	2,051,530	2,595,945	2,310,136	2,553,546	2,379,094
Water Treatment	612,144	765,710	831,340	949,464	938,645
Transmission and Distribution	2,236,217	3,050,364	2,182,427	3,375,826	3,402,988
Customer Service	698,650	1,077,516	1,056,261	836,957	861,911
Administrative and General Other	3,071,698	3,278,655	2,962,110	2,783,138	2,531,488
Other	83,983	-	-	-	-
Overhead Absorption ⁽⁴⁾	<u>(136,538)</u>	<u>(367,565)</u>	<u>(597,301)</u>	<u>(207,826)</u>	<u>-</u>
Total Operation and Maintenance Costs	\$ 17,246,693	\$ 17,695,234	\$ 17,092,138	\$ 19,084,013	\$ 19,527,777
Net Revenues	\$ (384,525)	\$ 1,776,089	\$ 5,984,239	\$ 2,886,316	\$ 3,092,130

⁽¹⁾ Represents sale of water to SCWD's individual accounts; also includes revenues related to Fire Protection service accounts, sales to mutual water companies in the Retail Service Area. Excludes Impact Capacity Fee revenues described under the caption "Impact Capacity Fees."

⁽²⁾ Includes investment income, rental income and miscellaneous water service income.

⁽³⁾ Repayment of Interfund Loan.

⁽⁴⁾ Represents clearing accounts previously maintained to clear materials, supplies and equipment before allocation to expenses and projects.

Sources: SCWD and Agency's Comprehensive Annual Financial Report.

Projected Retail System Revenues and Retail System Operation and Maintenance Costs and Debt Service Coverage. The following table provides a projection of the operating results and debt service coverage of SCWD for Fiscal Years 2011 through 2015, reflecting the Agency's estimate of projected financial results and debt service coverage based on significant assumptions concerning future events and circumstances, and based on the assumption set forth in the footnotes to the table. Such assumptions are material in the development of the financial projections of the Agency and variations in the assumptions may produce substantially different fiscal results. Actual operating results and debt service coverage achieved during the projection period may vary from those presented in the forecast and such variations could be material.

Table 8
SANTA CLARITA WATER DIVISION
Projected Retail System Revenues and Retail System Operation
and Maintenance Costs and Debt Service Coverage
(Fiscal Years ending June 30)

	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>
Revenues					
Water Sales ⁽¹⁾	\$24,136,008	\$26,000,200	\$29,060,300	\$31,766,700	\$32,223,700
Other ⁽²⁾	<u>876,494</u>	<u>660,000</u>	<u>759,000</u>	<u>744,000</u>	<u>729,000</u>
Total Operating Revenues	\$25,012,502	\$26,660,200	\$29,819,300	\$32,510,700	\$32,952,700
Operation and Maintenance Costs					
Interfund Loan Payments to Agency ⁽³⁾	\$ 3,884,907	\$ 817,011	\$ -	\$ -	\$ -
Sources of Supply ⁽⁴⁾	6,821,246	7,268,400	7,830,100	8,312,100	8,852,100
Pumping ⁽⁵⁾	2,237,929	2,304,900	2,414,600	2,507,800	2,615,800
Water Treatment ⁽⁶⁾	1,085,250	1,121,000	1,143,400	1,166,300	1,189,600
Transmission and Distribution ⁽⁷⁾	3,872,727	4,168,000	4,301,200	4,439,100	4,581,900
Customer Service ⁽⁸⁾	940,095	1,021,700	1,042,100	1,063,000	1,084,200
Administrative and General Other ⁽⁹⁾	<u>3,259,611</u>	<u>3,650,900</u>	<u>3,756,900</u>	<u>3,866,400</u>	<u>3,979,400</u>
Total Operation and Maintenance Costs	\$22,101,765	\$20,351,911	\$20,488,300	\$21,354,700	\$ 22,303,000
Net Revenues	\$ 2,910,737	\$ 6,308,289	\$ 9,331,000	\$11,156,000	\$ 10,649,700
Debt Service					
Series 2010B Installment Payments ⁽¹⁰⁾	\$ 518,908	\$ 961,088	\$ 961,088	\$ 959,763	\$ 961,963
Series 2011A Installment Payments ⁽¹¹⁾	<u>-</u>	<u>2,180,633</u>	<u>3,714,513</u>	<u>4,182,913</u>	<u>4,273,163</u>
Total Debt Service	\$ 518,908	\$ 3,141,721	\$ 4,675,601	\$ 5,142,676	\$ 5,235,126
Debt Service Coverage ⁽¹²⁾	5.61	2.01	2.00	2.17	2.03
Revenues Available for Other Purposes	\$ 2,391,829	\$ 3,166,568	\$ 4,655,399	\$ 6,013,324	\$ 5,414,574

(1) Represents projected sale of water to SCWD's individual accounts; also includes projected revenues related to Fire Protection service accounts and sales to mutual water companies in the Retail Service Area. Reflects approved rate increases described under the caption "Retail Water Rate Structure and Billing—Rate Structure" and projected future rate increases. Such rate increases are subject to the notice and hearing provisions described in the Official Statement under the caption "CONSTITUTIONAL PROVISIONS." There can be no assurance that approved rate increases will not be repealed by the Agency Board or that projected rate increases will be approved by the Agency Board in the future. Also reflects projected increases in connections beginning in Fiscal Year 2013 described under the caption "Water Deliveries and Service Connections." Excludes Impact Capacity Fee revenues described under the caption "Impact Capacity Fees."

(2) Includes investment income, rental income and other miscellaneous water service income. Projected to decrease in Fiscal Year 2012 as a result of lower investment rates.

(3) Represents scheduled repayments of Interfund Loan. The Interfund Loan is expected to be prepaid from proceeds of the Bonds during the first quarter of Fiscal Year 2012. See the Official Statement under the caption "THE REFUNDING PLAN."

(4) Increases attributable to projected increases in wholesale water rates. See Appendix B under the caption "Wholesale Water Rates and Charges." Projected to increase by an average of approximately 6.75% per annum from Fiscal Year 2011 amount.

(5) Projected to increase by an average of approximately 4% per annum from Fiscal Year 2011 amount due to increases in pumping rates and volumes.

(6) Projected to increase approximately 3% in Fiscal Year 2012 and approximately 2% per annum thereafter.

(7) Projected to increase approximately 7.5% in Fiscal Year 2012 based upon Fiscal Year 2012 budgeted amount, reflecting the filling of previously vacant personnel positions in Fiscal Year 2011, and approximately 3% per annum thereafter.

(8) Projected to increase approximately 9% in Fiscal Year 2012 based upon Fiscal Year 2012 budgeted amount, reflecting higher third party billing service costs, and approximately 2% per annum thereafter.

(9) Projected to increase approximately 12% in Fiscal Year 2012 based upon Fiscal Year 2012 budgeted amount, reflecting the filling of previously vacant personnel positions in Fiscal Year 2011, and approximately 3% per annum thereafter.

(10) Reflects scheduled Series 2010B Installment Payments described under the caption "SCWD Obligations—Parity Obligations."

(11) Projected at a true interest cost of 3.82% per annum.

(12) Debt Service Coverage calculated as Net Revenues divided by Debt Service.

Source: SCWD.

Litigation

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the Agency, threatened against the Agency affecting the existence of the Agency or the titles of its officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the action of the Agency contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the Agency or any action of the Agency contemplated by any of said documents. As described in Appendix B hereto, there is a series of lawsuits and proceedings to which the Agency is a party which may affect the Agency's Wholesale System operation and its water supply. Additionally, there exist other lawsuits and claims against the Agency which are incidental to the ordinary course of operations of the Retail Water System.

APPENDIX B

INFORMATION RELATING TO THE CASTAIC LAKE WATER AGENCY AND THE WHOLESALE WATER SYSTEM

The following information relates to the Agency and the Agency's wholesale water system. Such information is presented for general purposes only. The Series 2011A Installment Payments are payable solely from Net Retail System Revenues. No revenues of the Agency's wholesale water system are pledged to the payment of the Series 2011A Installment Payments and no Net Retail System Revenues are pledged to the payment of the Agency's wholesale water system or obligations related thereto.

Authority and Purpose

The Agency was organized on April 20, 1962 under Assembly Bill No. 26, Chapter 28, California Statutes of 1962, the Castaic Lake Water Agency Law (the "Agency Law"), enacted by the State Legislature. The Agency was initially called the Upper Santa Clara Valley Water Agency until the State Legislature changed the Agency's name to the Castaic Lake Water Agency. The Agency is located in the northwestern portion of the County, approximately 35 miles from downtown Los Angeles. The Wholesale Service Area of the Agency has a population of approximately 287,000, and covers an area of approximately 195 square miles.

Under the Agency Law, the Agency is authorized to acquire water and water rights within the State; to develop, store and transport such water; and to provide, sell and deliver water for beneficial uses and purposes. The Agency Law also authorizes the Agency to exercise the power of eminent domain; to levy and collect taxes; to fix, revise and collect rates or other charges for the delivery of water, use of facilities or property or provisions for service; to borrow money, incur indebtedness and issue bonds; and to construct, operate and maintain works for the development of hydroelectric power for use by the Agency in the operation of its works.

The Agency provides supplemental wholesale water through its Wholesale System to SCWD and the other three Retail Purveyors. Although the Agency entered into water service contracts with the Retail Purveyors in the 1970s and 1980s, there are not currently any water service contracts with any of the Retail Purveyors which the Agency enforces or which the Agency believes are enforceable. As a result, the Retail Purveyors are not contractually obligated to purchase water from the Agency.

In September 1999, the Agency acquired the stock of SCWC. The assets of SCWC were subsequently transferred to the Agency and are operated by the Agency as the Retail Water System through SCWD. The Agency provides retail water service through SCWD. See Appendix A—"INFORMATION RELATING TO RETAIL WATER SYSTEM." Retail System Revenues from SCWD are accounted for as a separate enterprise fund of the Agency.

Agency Organization and Management

The Agency Board includes a total of 11 members, of which three directors are nominated by the Retail Purveyors other than SCWD, subject to Agency Board approval, and the remaining eight are elected by the voting public for staggered four-year terms. The Agency is divided into three divisions for electoral purposes, with two directors elected by the voters of each division and two additional directors elected at-large by the voters of the Agency. The names of the current members of the Agency Board are set forth below, together with brief biographical information regarding each member:

**Table 9
CASTAIC LAKE WATER AGENCY
Board of Directors**

<i>Name/Office</i>	<i>Elected/ Appointed</i>	<i>Expiration of Term (January)</i>	<i>Occupation</i>
Thomas P. Campbell, President and Director at Large	Jan. 2001	2015	Principal Engineer, Metropolitan Water District
William C. Cooper, Vice President and Director at Large	Jan. 1993	2013	Retired Special Projects Manager – Water System Operations, Metropolitan Water District
Edward A. Colley, Director, Division 1	Jan. 2003	2015	Teacher
R. J. Kelly, Director, Division 1	April 2003	2013	Business Owner
E.G. “Jerry” Gladbach, Director, Division 2	Jan. 1985	2013	Retired Engineer
Peter Kavounas, Director, Division 2	Jan. 1999	2015	Water Services Administrator – Glendale Water and Power
Jacquelyn H. McMillan, Director, Division 3	Jan. 2003	2015	Senior Governmental Affairs Representative, Metropolitan Water District
William Pecsí, Director, Division 3	Jan. 1999	2013	Manager of Conveyance System, Metropolitan Water District
Dean D. Efstathiou, Director, Los Angeles County Waterworks District No. 36	Jan. 1995	2015	Retired Chief Deputy Director of Public Works, Los Angeles County
B. J. Atkins, Director, Newhall County Water District	Jan. 2001	2013	Business Owner
Keith Abercrombie, Director, Valencia Water Company	Oct. 2010	2013	President, Valencia Water Company

The daily operations of the Agency are administered by the General Manager, Dan Masnada, and other Agency staff.

Dan Masnada has held the position of General Manager of the Agency since April 2002, and is responsible for implementing policies and directives of the Agency Board. Mr. Masnada has over twenty five years of experience in the construction, operation and maintenance of public water systems. He received his Bachelor of Science in Civil Engineering from Santa Clara University in 1975 and Master of Science in Civil Engineering (with a Specialty Designation in Construction Engineering and Management) from Stanford University in 1976. Prior to his employment at the Agency, Mr. Masnada served as Executive Director of the Central Coast Water Authority, which constructed and operates and maintains the regional conveyance and treatment facilities serving State Water Project water to 25 retail purveyors and municipalities in San Luis Obispo and Santa Barbara Counties. Previous employment includes Manager Natural Resources of The Newhall Land and Farming Company and Vice President of its wholly-owned subsidiary, Valencia Water Company, and various production engineering positions with Exxon Company U.S.A. He is a registered civil engineer in the State and a member of the American Society of Civil Engineers, American Water Works Association and National Society of Professional Engineers. Mr. Masnada is a director on the Board of Directors of the State Water Contractors, an organization representing 27 of the 29 agencies that have contracted for water from the State Water Project.

April Jacobs is the Secretary of the Agency and has served as Secretary to the Agency Board since August 2005. Ms. Jacobs has been employed by the Agency since January 2004. Prior to employment by the Agency, Ms. Jacobs was employed at Valencia Water Company.

Valerie Pryor is the Administrative Services Manager for the Agency and serves as Chief Financial Officer and Treasurer. She has held this position since 2003. Ms. Pryor holds a Master of Arts in Urban Planning and a Bachelor of Arts in Geography from the University of California at Los Angeles as well as a post-graduate Diploma in Economics from Bristol University. She is a Certified Public Funds Investment Manager. Prior to working for the Agency, Ms. Pryor worked for the City of Los Angeles, as the head of Administrative Services for the Department of Transportation. She also worked for the City of Los Angeles City Administrative Officer, performing budget and policy analysis for a number of City of Los Angeles departments. She is a member of the California Municipal Treasurer's Association, the California Society of Municipal Finance Officers, the Government Finance Officers Association and the Association of Public Treasurers. She serves as an Alternate Director for the State Water Project Contractors Authority.

Carlos Corrales is the Controller of the Agency. Mr. Corrales holds a Master of Public Administration from California State University Northridge and a Bachelor in Accounting from Polytechnic University of the Philippines. He is a Certified Public Funds Investment Manager. Prior to working for the Agency, Mr. Corrales worked for the City of San Fernando, Los Angeles County Metropolitan Transportation Authority and The Salvation Army. He is a member of the California Society of Municipal Finance Officers, the Government Finance Officers Association, the Association of Public Treasurers and the Institute of Management Accountant.

Employee Relations

Employees. The Agency has 132 full-time employees, of which 51 are assigned to SCWD, and 11 part-time employees. No Agency employees are represented by a labor union. The Agency has not experienced any strike or other labor actions.

Pension Benefits. The Agency provides retirement benefits for its employees through a contractual agreement with the California Public Employees' Retirement System ("PERS"). The Agency makes the contribution required of Agency employees on their behalf and on their account. The contribution rate for participants is 7% of the participant's covered salary. Additionally, the Agency is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The required employer contribution rate for Fiscal Year 2012 is 12.954%. The contribution requirements of the plan members are established by State statute, and the employer contribution rate is established and may be amended by PERS.

For Fiscal Year 2010, the Agency's annual pension cost was \$965,318 for PERS and was equal to the Agency's required and actual contributions. The required contribution was determined as part of the June 30, 2009, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included: (i) a 7.75% investment rate of return (net of administrative expense); (ii) projected annual salary increases that vary by duration of service; and (iii) 3.25% per year cost of living adjustments to 14.45% depending on age. Both assumptions (i) and (ii) included an inflation component of 3.00% and a payroll growth rate of 3.25%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investment over a thirty-year period (smoothed market value). Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into PERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 30-year period.

The required Fiscal Year 2011 employer contribution rate of 12.954% is equal to the annual pension cost ("APC") percentage of payroll. Gains and losses that occur in the operation of the CalPERS 2.0% at 55 Risk Pool Retirement Plan are amortized over a rolling 30-year period. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

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

<i>Fiscal Year</i>	<i>APC</i>	<i>Percentage of APC Contributed</i>	<i>Net Pension Obligation</i>
2008	\$834,015	100%	-
2009	923,850	100	-
2010	965,318	100	-

The schedule below shows the history of the PERS 2.0% at 55 Risk Pool Retirement Plan actuarial value of assets, actuarial accrued liability, and the relationship of the unfunded actuarial accrued liability (“UAAL”) to payroll as of June 30, 2009:

<i>Actuarial Valuation Date</i>	<i>Entry Age Normal Accrued Liability [A]</i>	<i>Actuarial Value of Assets [B]</i>	<i>Unfunded Liability (Excess Assets) [A-B]</i>	<i>Funded Status [B/A]</i>	<i>Annual Covered Payroll [C]</i>	<i>UAAL/(Excess Assets) as a % of Payroll [(A-B)/C]</i>
June 30, 2007	\$2,611,746,790	\$2,391,434,447	\$220,312,343	91.6%	\$665,522,859	\$33.1
June 30, 2008	2,780,280,768	2,547,323,278	232,957,490	91.6	688,606,681	33.8
June 30, 2009	3,104,798,222	2,758,511,101	346,287,121	88.9	742,981,488	46.6

PERS announced significant investment losses in Fiscal Year 2009 and the Agency expects that its APC will increase in future years as a result of such investment losses. The Agency cannot predict at this time the magnitude of such APC increases, but does not expect such APC increases to have a material adverse effect on the Agency’s obligation to make the Series 2011A Installment Payments.

Other Post-Employment Benefits. The Agency provides other post-employment benefits (OPEB) to qualified employees who retire from the Agency and meet the Agency’s vesting requirements. In June 2009, the Agency implemented Governmental Accounting Standards Board Statement No. 45 (“GASB 45”), which changed the accounting and financial reporting used by local government employers for post-employment benefits. Previously, the Agency’s costs of such benefits (medical and dental) were recognized as expenses on a pay-as-you-go basis. In April 2009, the Agency participated in the PERS California Employer’s Retiree Benefit Trust Program (“CERBT”), a pre-funding plan trust fund intended to perform an essential government function within the meaning of Section 115 of the Internal Revenue Code as an agent multiple-employer plan as defined in GASB 45. Beginning in Fiscal Year 2009, the Agency implemented pre-funding for post-employment benefits and now fully pre-funds the annual required contribution (“ARC”) on an annual basis. As of June 30, 2010, the Agency’s total contribution to the plan is \$1,436,932.

The Agency engaged an actuarial consultant to calculate the Agency’s post-employment benefits liability. Results of this study, which remain subject to change, indicate that as of July 1, 2009, the total UAAL for the Agency’s OPEB Program was \$7,572,000. The annual amount required to be paid to amortize this liability over 30 years and to accumulate an appropriate amount for current employers so that the UAAL does not increase (the ARC) is \$834,000. The Agency has budgeted to fully pre-fund the ARC in Fiscal Year 2012. Pre-funding moneys are deposited in CERBT through PERS. The Agency does not expect that any increased funding of post-employment benefits will have a material adverse effect on the ability of the Agency to make payments under the Installment Purchase Agreement.

Budget Process

The Agency staff provides the Agency Board with a budget including estimates of revenues and expenditures for operations for the upcoming Fiscal Year, including Retail System Operation and Maintenance Costs of SCWD. The Agency Board conducts public meetings and makes such revisions as it deems desirable, and typically adopts a final budget by July 1 each year. In July of each year the Agency receives billing for the

upcoming calendar year from DWR (for State Water Project water). The Agency Board approved the budget for SCWD on May 25, 2011 and the budget for the Agency (rather than SCWD) on June 8, 2011.

Insurance

The Agency is a member of the Association of California Water Agencies Joint Powers Insurance Authority (the “JPIA”), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The JPIA arranges and administers programs of insurance for the pooling of self-insured losses, and purchases excess insurance coverage for its members. The JPIA began operations on October 1, 1979 and has continued without interruption since that time.

As of June 30, 2011, the Agency limits and deductibles for liability, property, and workers compensation programs of the JPIA are as follows:

- General and auto liability, public officials and employees’ errors and omissions: Total risk financing self-insurance limits of \$1,000,000, combined single limit per occurrence. The JPIA purchased additional excess coverage layers of \$49,000,000 for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.
- Property losses are paid at the replacement cost for buildings, fixed equipment and personal property on file, if replaced within two years after the loss, otherwise such losses are paid on a actual cash value basis, subject to a \$5,000 deductible per loss, and actual cash value for mobile equipment, subject to a \$1,000 deductible per loss, and licensed vehicles, subject to a \$500 deductible per loss. The JPIA purchased excess coverage for a combined total of \$100,000,000 per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$100,000,000 per occurrence, subject to various deductibles depending on the type of equipment.
- Workers compensation insurance up to State statutory limits for all work-related injuries/illnesses covered by State law, and employer’s liability coverage up to \$4,000,000. The JPIA is self-insured up to \$2,000,000 and excess coverage has been purchased.

In addition to the above, the Agency also has the following insurance coverage:

- Crime coverage up to \$1,000,000 per loss, including public employee dishonesty, including public officials who are required by law to give bonds for the faithful performance of their service, forgery or alteration and computer fraud, subject to a \$1,000 deductible.

Agency Obligations

The Agency is obligated to make installment payments under six installment purchase agreements by and between the Agency and Corporation outstanding as of June 30, 2011 in the total aggregate principal amount of \$309,643,510, as well as certain scheduled payments with respect to an interest rate swap agreement and certain payments under a credit facility agreement relating thereto (collectively, the “Wholesale System Obligations”). Retail System Revenues are not pledged to the payment of such Wholesale System Obligations, which are payable solely from revenues of the Wholesale System.

See Appendix A—“INFORMATION RELATING TO RETAIL WATER SYSTEM” under the caption “SCWD Obligations—Parity Obligations” for information relating to an obligation of the Agency payable from Net Retail System Revenues on a parity with the Installment Purchase Agreement.

Sources of Supply

Table A Amounts from the State Water Project. The Wholesale System of the Agency is supplied with water from the State Water Project through DWR under the State Water Project Contract. On April 30, 1963, the

Agency entered into an agreement with DWR which, as amended from time-to-time, provides for a contract Table A Amount of 95,200 acre feet per year. The State Water Project Contract expires by its terms in 2038, but contains a provision granting the Agency the right to renew. The Agency currently expects to renew the State Water Project Contract on or prior to the end of the current term upon substantially similar financial terms.

The Agency owns and operates water conveyance pipelines and water treatment facilities to supply water delivered through the State Water Project to the Retail Purveyors, including SCWD. The California Aqueduct releases water to the Agency at the Castaic Lake Reservoir (the "Castaic Reservoir"). The Castaic Reservoir is a multiple use reservoir owned by DWR which serves as the terminal point of the west branch of the California Aqueduct.

Groundwater Banking Programs. The Agency has three groundwater banking accounts in two separate programs. Two accounts are in the Semitropic Water Storage District's Groundwater Banking Program. These accounts are short-term, ten-year accounts. At this time, the Agency has completed environmental review to extend each of the programs for an additional ten years, to 2022 and 2023, respectively. For both accounts, the Agency anticipates using the banked water prior to 2022 and 2023, respectively, and 4,950 acre feet was extracted from the first account during Fiscal Year 2010. The Agency anticipates that if such water is not used, it will be transferred to another groundwater banking program prior to the expiration dates in 2022 and 2023. Withdrawals of water from the accounts in a given year may be limited by hydrology and the demands of other program participants. In September 2005 the Agency initiated participation in the Rosedale-Rio Bravo Water Storage District Groundwater Banking Program. This program allows the storage of 200,000 acre feet of the Agency's State Water Project Table A amount or other State Water Project supplies, and has a contract term through 2035, renewable according to the terms of the Agency's water supply contract with DWR. To date, the Agency has available over 145,000 acre feet stored in its banking programs, including approximately 100,000 acre feet stored in the long-term Rosedale Rio Bravo Program and the rest stored in two short-term programs.

Recycled Water. Starting in September 2003, the Agency began adding recycled water to its supply. The Agency is currently serving about 350 acre feet per year of recycled water to the Valencia Water Company. In future years, the Agency may be capable of delivering as much as 17,000 acre feet per year of recycled water, based on a report entitled "Reclaimed Water System Master Plan" dated September 1993 and a draft report entitled "Recycled Water Master Plan" dated May 2002, both prepared for the Agency by Kennedy/Jenks Consultants. The environmental impact report for the 2002 draft Recycled Water Master Plan was approved by the Agency Board in March 2007.

Buena Vista and Rosedale-Rio Bravo Water Acquisition. On May 22, 2007, the Agency entered into a Purchase Agreement with Buena Vista Water Storage District and Rosedale-Rio Bravo Water Storage District to purchase up to 11,000 acre feet of water per year for a 30-year period. This supply is from a program that provides for the capture, spreading, storage, recovery and export of water, including high-flow Kern River water which is a pre-1914 appropriative water right. The term of the Agreement is from January 1, 2007 through December 31, 2036. When the original term expires, the BVWSD-RRBWSD Acquisition Agreement is anticipated to be extended to a date certain consistent with any extensions of the Agency's Water Supply Contract with DWR, although there can be no assurance of such extension or the terms of any such extension. Payments under the BVWSD-RRBWSD Acquisition Agreement are expressly subordinate to the payment of the Installment Payments.

Other Water Supply Agreements. In 2009, the Agency entered into an agreement with DWR to participate in the Yuba Water Accord program (the "Yuba Water Accord"). This non-State Water Project water supply is available to the Agency in critically dry years as a result of DWR agreements with Yuba County Water Agency and the United States Bureau of Reclamation (the "Bureau") relating to settlement of water rights issues on the Lower Yuba River in northern California. Additional supplies may be available in wetter years. The quantity of water varies depending on hydrology, and the extent of participation by other State Water Project contractors. The Agency currently projects receiving up to 1,277 acre feet per year pursuant to the Yuba Water Accord.

The Newhall Land Development Company owns rights to approximately 1,600 acre feet per year of Kern River water from the Nickel Ranch (the “Nickel Ranch Program”). The Agency currently expects that such water will be allocated to the Newhall Ranch project and will effectively offset demand for Agency water in the future.

Water Supply Limitations

Factors beyond the control of the Agency could impair the ability of the Agency to supply water to the Retail Agencies, including SCWD, in an amount sufficient to allow SCWD to yield Net Retail System Revenues sufficient to pay the Series 2011A Installment Payments when due. Such factors could include, without limitation, the following:

Weather Patterns. The Agency’s existing sources of water could become limited due to changes in statewide weather patterns caused by climate changes and other factors. The Santa Clarita Valley was not adversely affected during the statewide drought from 1987 through 1992 because the combination of State Water Project deliveries to the Agency and locally supplied groundwater were sufficient to meet demand. However, there can be no assurance that currently available water supplies would be sufficient to meet demand under current and future conditions in the event of long-term climate changes that could alter snowpack levels or precipitation patterns. In its most recent California Water Plan (Bulletin 160-05), DWR assessed the possible impacts of climate changes on the state’s future water supplies and the State Water Project. The Agency, as a State Water Project contractor, will receive updated information from DWR on any impacts to its State Water Project allocations and will update its water supply planning accordingly.

Challenges to Department of Water Resources Water Supplies. DWR faces various challenges in continuing to supply imported water to its respective member agencies. The ability of the Agency to service the Retail Purveyors is significantly dependent upon its receipt of imported water from DWR. No assurance can be given that additional water supplies will be secured, or that the Agency will receive its full Table A Amount pursuant to its contract with DWR. Investors should refer to Annual Reports prepared by DWR to obtain more information pertaining to water supply matters.

DWR has entered into certain continuing disclosure agreements pursuant to which it is contractually obligated for the benefit of owners of certain outstanding obligations to file with certain information repositories annual reports, notices of certain material events as defined under Rule 15c2-12 of the Exchange Act (“Rule 15c2-12”) and annual audited financial statements (the “Department of Water Resources Information”). This information is to be filed by DWR with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>. DWR disclosure documents and annual reports should be reviewed for information pertaining to water supply matters. *DWR has not entered into any contractual commitment with the Agency, the Trustee or the Owners of the Certificates to provide Department of Water Resources Information to the Agency or the Owners of the Certificates. Neither the Agency nor the Underwriter assume any responsibility for the accuracy of the Department of Water Resources Information.*

Water Treatment and Monitoring. The Agency, as the operator of a facility which treats water on behalf of public water systems for the purpose of rendering it safe for human consumption, is subject to the California Safe Drinking Water Act and the Drinking Water Regulatory Program of the State Department of Public Health in implementation of amendments to that act which were added in 1989 and 1996, as well as other state and federal statutes and regulations concerning water quality. To comply with the State Department of Public Health Regulations for Primary and Secondary Drinking Water Standards outlined under the California Administrative Code Title 22, the Agency has a water quality laboratory at the Rio Vista Plant. This laboratory is fully accredited by the State Department of Public Health. Continuous water quality monitoring and daily testing are performed at both treatment plants.

Agency facilities currently comply with all applicable State and federal regulations regarding both plant design and water quality standards.

Perchlorate Contamination in Certain Production Wells. In 1997, four production wells in the Saugus Formation were found to be contaminated with perchlorate (a chemical used in the manufacture of solid rocket propellants, munitions and fireworks). The Saugus Formation provides the Santa Clarita Valley with firming supplies of water during dry years, and all of the affected wells are owned by Retail Purveyors. Two additional production wells in the alluvial aquifer tested positive for perchlorate in 2002 and 2005. Three of the wells are owned by Agency and serve SCWD, two wells are owned by Valencia Water Company, and the other well is owned by Newhall County Water District. All six wells were temporarily closed after the detection of perchlorate. Valencia Water Company has since abandoned one impacted well and replaced it with a new well drilled in an uncontaminated portion of the Saugus Formation. In addition, Valencia Water Company's Q-2 well was temporarily closed and outfitted with wellhead treatment in 2005, but was restored to service without wellhead treatment in 2007.

The Agency and the affected Retail Purveyors filed suit in November 2000 against the current and prior owners of the Whittaker-Bermite industrial site, a 996 acre site upon which a munitions manufacturing facility that is the suspected source of the perchlorate contamination was located, seeking restoration of the lost production capacity and other specified damages. The litigation was filed in federal court pursuant to the Comprehensive Environmental Response, Compensation & Liability Act of 1980 (42 USC Section 9601 et seq. or "CERCLA"). The defendants to the litigation served the Agency with counterclaims alleging that the Agency and the affected Retail Purveyors contributed to the migration of the perchlorate contamination from the manufacturing facility through the pumping of groundwater from the affected wells.

In May 2007, a comprehensive settlement was executed by the Agency, the Retail Purveyors, and the defendants (the "Perchlorate Contamination Settlement"), which involves estimated potential payment of up to \$100,000,000 by the defendants. Funds have been deposited in escrow which will be disbursed to the Agency and the Retail Purveyors to pay for the costs of restoration of wells and contamination removal. The clean-up program is now underway. In addition to reimbursement of the capital costs for the projects, the Perchlorate Contamination Settlement also provides funds to assist in the payment of operation and maintenance costs for such system for up to 30 years, which the agencies estimate to cost as much as \$50,000,000.

The Agency completed construction of the perchlorate treatment facility and related distribution system and returned the Saugus 1 and 2 wells (two of the four Saugus Formation wells that were shut down in 1997) to service during the first quarter of 2011, restoring a 2,400 gallon per minute ("gpm") portion of the total lost capacity of 5,200 gpm. The perchlorate treatment facility includes an ion exchange process located at the Rio Vista Intake Pump Station.

In August 2010, another Valencia Water Company Saugus Formation well tested positive for perchlorate and was immediately taken out of service. The amount of lost capacity from the Newhall County Water District well, the recently closed Valencia Water Company well and the shortfall from the partial restoration of the two SCWD wells totals 6,500 gpm, representing about 10% of the total groundwater production capacity of the Retail Purveyors.

Approximately \$18,000,000 has been reimbursed to the agencies for past expenditures pursuant to the Perchlorate Contamination Settlement. Another \$5,000,000 to \$10,000,000 will be available to construct wells and pipelines to supply water that will replace capacity lost from contaminated wells. An additional \$10,000,000 is available to allow the agencies to immediately treat any additional wells that could become impacted by perchlorate contamination in the future, including the recently impacted Valencia Water Company well. An escrow account established by the defendants and their insurers is the source of this "rapid response fund."

The Perchlorate Contamination Settlement also calls for the agencies to seek grant funding, such as money made available by the Department of Defense or the State, to pay for monitoring, treatment, and other costs not covered by the agreement.

Wholesale Water Rates and Charges

Wholesale rates and charges are charged by the Agency to the Retail Purveyors, including SCWD, are set by action of the Agency Board. Such wholesale rates and charges are not subject to the approval of the voters or other governmental entities. See the Official Statement under the caption “CONSTITUTIONAL PROVISIONS.” In August 2009, the Agency Board adopted a rate structure for calendar years 2010, 2011 and 2012 that is designed to recover operating costs. The rates that have been established are as follows: \$400 per acre foot effective January 1, 2010, \$478 per acre foot effective January 1, 2011 (including \$20 per acre foot designated for operating reserves) and \$507 per acre foot effective January 1, 2012 (including \$20 per acre foot designated for operating reserves). No further approval of the Agency Board is required for such rates to become effective. There can be no assurance, however, that the Agency Board will not alter such future increases prior to their effective date.

The Retail Purveyors, including SCWD, are billed on a monthly basis and must remit payment to the Agency within 30 days of billing to remain eligible to receive future water deliveries.

In recent years several initiative measures have been proposed or adopted which affect the ability of local governments to increase taxes and rates. There is no assurance that the electorate or the State legislature will not at some future time approve additional limitations that could affect the ability of the Agency to implement rate increases. See the Official Statement under the caption “CONSTITUTIONAL PROVISIONS.”

Litigation

General. As described below, there are litigation and proceedings to which the Agency is a party which may affect the Agency’s Wholesale System operation and its water supply. Additionally, there exist other lawsuits and claims against the Agency which are incidental to the ordinary course of operations of the Wholesale System.

Delta Litigation. Various legal challenges have been filed impacting the export of water from the Sacramento-San Joaquin River Delta (the “Delta”) by DWR through the State Water Project (“SWP”) and by the Bureau through the Central Valley Project (“CVP”). The initial cases filed are *Watershed Enforcers v. Broderick (California Department of Fish and Game), et al.* (Alameda County Superior Court, J. Smith, presiding), relating to the SWP; *Natural Resources Defense Council v. Kempthorne (United States Department of the Interior)* (United States District Court for the Eastern District of California, J. Wanger, presiding) and *Pacific Coast Federation of Fisherman’s Association/Institute for Fisheries Resources v. Gutierrez (United States Department of Commerce)* (United States District Court for the Eastern District of California, J. Wanger, presiding), relating to the CVP; and *State Water Contractors, San Luis and Delta-Mendota Water Authority, Westlands Water District, et al. v. California Department of Fish and Game* (Sacramento Superior Court) (the “Longfin Smelt Litigation”), which also relates to the operations of the SWP.

Each lawsuit constitutes a challenge to either a Biological Opinion (“BO”) related to the CVP, a required “incidental take” permit related to the SWP, or a threatened species determination by the State Fish and Game Commission. Each challenge is premised upon a claim of recent population declines of the Delta smelt and salmon in the Delta. While there are other potential causes for the decline of these Delta fish, these challenges threaten to curtail SWP and CVP deliveries.

From 2007 through 2011, deliveries to the Agency have been impacted by litigation and regulatory constraints involving exporting water from the Delta by the SWP, as summarized below.

United States Fish and Wildlife Service Biological Opinion. In December 2008, the United States Fish and Wildlife Service (“FWS”) issued a BO concluding that the operation of the SWP jeopardizes protected species (the Delta smelt) and developing a Reasonable and Prudent Alternative (the “RPA”) for operations. In early 2009, the State Water Contractors organization (the “SWC”) and others filed legal challenges to the FWS RPA. In December 2010, the BO and the FWS RPA were invalidated and remanded to FWS for further review.

National Marine Fisheries Service Biological Opinion. In June 2009, the National Marine Fisheries Service issued a BO concluding that the operation of the SWP jeopardizes protected species of salmon and developed an RPA for operations. In 2009, the SWC and others filed legal challenges to the NMFS RPA. In May 2010, the court ruled that SWP operations may continue pending further review. A decision is expected sometime in calendar year 2011.

Consistency Determination Litigation. Because Delta smelt and salmon species are also protected under the California Endangered Species Act (“CESA”), the SWP is required to obtain take authorization for operations from the California Department of Fish and Game (“DFG”). In July 2009 and September 2009, DFG issued “consistency determinations” pursuant to CESA and determined that SWP operations should be consistent with the RPAs set forth in the FWS and NMFS BOs. DFG’s decisions were challenged in State court by the SWC and others. These cases are currently stayed pending outcome of the above-described cases.

Longfin Smelt Litigation. Regulatory actions related to longfin smelt also have the potential to affect the availability and reliability of SWP supplies. In February 2008, longfin smelt were listed as a “candidate” species under CESA and DFG imposed certain interim restrictions on the SWP in connection therewith. In February 2009, shortly before longfin smelt were officially listed as a “threatened” species under CESA, DFG issued a take permit with operating restrictions based in large part on the restrictions imposed by the FWS BO for Delta smelt. In March 2009, a legal challenge was filed against the permit, and the litigation is currently stayed pursuant to stipulation of the parties.

The Agency cannot predict the outcome of these Delta-related cases. However, the Agency believes that any new decision or order by a State or Federal court related to one of more of the above-described BOs and leading to adverse decisions reducing SWP supplies would not have a material impact on the Agency’s ability to pay the Series 2011A Installment Payments, which are payable from Net Retail System Revenues.

DWR disclosure documents and annual reports filed by DWR pursuant to Rule 15c2-12 with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>, should be reviewed for information pertaining to the above-described Delta-related cases. DWR has not entered into any contractual commitment with the Agency, the Trustee or the Owners of the Certificates to provide such information to the Agency or the Owners of the Certificates. Neither the Agency nor the Underwriter assume any responsibility for the accuracy of such disclosures.

Monterey Litigation. In 1994, DWP and some of the SWP contractors, meeting in Monterey, executed the Monterey Agreement to modify the long-term water supply contracts of the SWP Contractors. These modifications were incorporated into the long-term water supply contracts in what became known as the Monterey Amendment. In 2000, in the matter of *Planning & Conservation League v. Department of Water Resources* (2000) 83 Cal.App.4th 892, the California Court of Appeal invalidated the Monterey Amendment Environmental Impact Report (the “EIR”) pursuant to a challenge by environmental groups. Subsequently, DWR settled the litigation and prepared a new EIR for the project now known as the “Monterey Plus Project.” DWR certified the final EIR for the Monterey Plus Project in early 2010. In June 2010, three legal challenges to the Monterey Plus Project were filed as summarized below.

Central Delta Water Agency, et al. v. Department of Water Resources, Sacramento County Superior Court Case No. 35-2010-80000561. This lawsuit seeks to invalidate the entire “Monterey Plus Project.” The complaint alleges California Environmental Quality Act and reverse validation claims and seeks declaratory and injunctive relief. The Agency is named as a real party in interest.

Central Delta Water Agency, et al. v. Kern County Water Agency, Sacramento County Superior Court Case No. 34-2010-80000719 (transferred from Kern County Superior Court). This lawsuit challenges the transfer of ownership of the Kern Water Bank. The Agency is not named as a party in this lawsuit.

Rosedale-Rio Bravo Water Storage District, et al. v. Department of Water Resources, Sacramento County Superior Court Case No. 34-2010-80000703 (transferred from Kern County Superior Court). This lawsuit challenges a single component of the Monterey Plus Project, namely DWR's transfer of the Kern Water Bank along with land known as the Kern Fan Element to the Kern County Water Agency, and ultimately to the Kern Water Bank Authority. The Agency is named as a real party in interest.

Area of Origin Litigation. In 2008, four northern SWP contractors (the "Solano Plaintiffs") filed an action against DWR, *Solano County Water Agency v. Department of Water Resources*, Sacramento County Superior Court Case No. 34-2008-00016338, alleging rights under the "area of origin" and "county of origin" protections of Sections 11460 and 10505 of the State Water Code. The Solano Plaintiffs seek an order declaring that DWR may not impose the shortage provisions of Article 18 of the SWP water supply contracts against them, and that by its specific terms Article 18 does not apply to the Solano Plaintiffs because each has established its rights under the referenced State Water Code provisions. The Solano Plaintiffs also allege breach of contract and seek injunctive relief. Thirteen SWP contractors, including the Agency, have intervened in this action.

The Agency believes that a decision in one or more of the above-described actions that result in a reduction of SWP water supplies would not have a material impact on the Agency's ability to pay the Series 2011A Installment Payments, which are payable from Net Retail System Revenues.

APPENDIX C

**AUDITED FINANCIAL STATEMENTS OF THE AGENCY FOR
FISCAL YEAR ENDING JUNE 30, 2010**

APPENDIX D

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

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

[TO COME]

APPENDIX E

FORM OF LEGAL OPINION

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

September __, 2011

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

Re: \$_____ Upper Santa Clara Valley Joint Powers Authority
Refunding Revenue Bonds, Series 2011A (Santa Clarita Water Division)

Members of the Board of Directors:

We have acted as Bond Counsel to the Upper Santa Clara Valley Joint Powers Authority (the "Authority") in connection with the issuance of \$_____ aggregate principal amount of Refunding Revenue Bonds, Series 2011A (Santa Clarita Water Division) (the "Bonds"). The Bonds have been issued by the Authority pursuant to the terms of the Indenture of Trust, dated as of July 1, 2011 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee").

The Bonds are limited obligations of the Authority payable solely from Revenues (as such term is defined in the Indenture), consisting of payments (the "Series 2011A Installment Payments") to be made by the Castaic Lake Water Agency (the "Agency") to the Authority pursuant to an Installment Purchase Agreement, dated as of July 1, 2011, by and between the Agency and the Authority.

In connection with our representation we have examined a certified copy of the proceedings relating to the Bonds. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigations.

Based upon the foregoing and after examination of such questions of law as we have deemed relevant in the circumstances, but subject to the limitations set forth herein, we are of the opinion that:

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

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

3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. With respect to corporations, interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations.

4. Interest on the Bonds is exempt from State of California personal income tax.

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

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

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

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

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

Respectfully submitted,

APPENDIX F

DTC AND BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the Agency and the Underwriter believe to be reliable, but neither the Agency nor the Underwriter takes any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Certificates, payment of principal, premium, if any, accreted value, if any, and interest with respect to the Certificates to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Certificates and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Certificates. The Certificates will be executed and delivered 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 executed and delivered for each annual maturity of the Certificates, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

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

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 Certificates 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 Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates 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 Certificates 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 Certificates; DTC's records reflect only the identity of the Direct Participants to whose

accounts such Certificates 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 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as prepayments, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates 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.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Agency 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 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Prepayment proceeds, distributions, and dividend payments on the Certificates 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 Agency 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 Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of prepayment proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Agency or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

APPENDIX G

FORM OF CONTINUING DISCLOSURE CERTIFICATE

Upon the execution and delivery of the Certificates, the Agency proposes to enter into a Continuing Disclosure Certificate in substantially the following form:

[TO COME]